AFB/EFC.25/5
27 September 2019

Ethics and Finance Committee
Twenty-Fifth Meeting
Bonn, Germany, 8-9 October 2019

Agenda item 5

FURTHER ANALYSIS OF PROJECT INCEPTION DELAYS

Background

1. At its thirty-second meeting in October 2018, the Adaptation Fund Board (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)

2. The Adaptation Fund Board Secretariat (the secretariat) therefore presented the analysis contained in document AFB/EFC.24/5 which presented in greater detail the reasons for which projects/programmes have taken more time from the first transfer of funds to project start. The document also presented in some detail the practices followed by other climate funds address project inception[1] delays.

3. Following the presentation of the analysis presented in the aforementioned document, the discussion by the EFC centered around potential mitigation measures to avoid project inception delays, including the possibility of early detection during the project/programme review process, as well as additional details on the approaches of other climate funds for addressing delayed project inception.

4. At its thirty-third meeting in March 2019, the Board, having considered the comments and recommendation of the EFC, , requested the secretariat to:

a) *To conduct an analysis of whether implementing entities identified risks associated with possible project inception delays and how the implementing entities have mitigated identified risks and unidentified risks;*

b) *To expand the analysis contained in document AFB/EFC.24/5 by seeking further information on other climate funds' policies on addressing project inception delays and their implementation of such policies; and*

c) *To prepare a document which contains the information related to subparagraphs (a) and (b) as well as recommendations on a possible course of action to the Ethics and Finance Committee at its twenty-fifth meeting.*

(Decision B.33/47)

5. The current document recalls the Fund's policies and legal documents that are relevant for analyzing project inception delays. It then compares the reasons for delays to project inception (as communicated to the AF secretariat) for the projects with exceptional delays listed in tables 1 and 2 listed below, with the information presented in section III.B that describes the measures for

[1] In this document, "project inception" and "project start" are used interchangeably as "inception" and "start" are both used in the Fund's various policy documents.

financial and project /programme risk management presented by project proponents in the "Request for Project/Programme Funding from the Adaptation Fund" template. Furthermore, the document also presents further details on the policies of other climate funds on addressing project inception delays and their implementation of such policies. Finally it presents recommendations on a possible course of action to the EFC.

Relevant Adaptation Fund Policies and Legal Documents

6. The Board approved a Policy for Project/Programme Delays[2] in its twenty-first meeting (Decision B.21/16), and amended the policy in October 2017 (decision 29-30/15). In that policy, the Board set a target of six months from the first cash transfer as a target for project/programme start. Each implementing entity (IE) has its own internal project cycle with different definitions for various milestones, including project inception dates. For concrete adaptation projects/programmes the Board decided to consider the start date to be the first day of the project/ programme's inception workshop (Decision B.18/29). The IE must therefore both notify the date of the inception workshop and submit the entity's inception workshop report to the Fund secretariat no later than one month after the workshop has taken place.

7. The Policy for Project/Programme Delays (Amended October 2017), explicitly states in paragraph 4 (emphasis added):

> *For all projects/programmes financed by the Fund, implementing entities can work to mitigate delays by working with the government, during project/programme design, to ensure a mutual understanding and commitment on how to proceed once a project/programme is approved. There are, however, many factors that are situation-specific and may be outside the control of the implementing entity. The six-month target is therefore an average target for the Fund's portfolio. If a project/programme is not expected to start within six months of the first cash transfer, **the implementing entity must send a notification to the secretariat with an explanation of the delay and an estimated start date. The implementing entity must also notify the Designated Authority (DA) with an explanation of the delay and an estimated start date**".*

8. The implementing entities' responsibilities and obligations and related timelines on project implementation and reporting are also stipulated in the standard Legal Agreement between the Board and Implementing Entity. The approved project proposal is set out in Schedule 1 to the Agreement while the disbursement schedule and special conditions that apply to the implementation of the project Grant are set out in Schedule 2 to the Agreement. With regard to project inception delays, the following provisions from the Agreement could be relevant (emphasis added):

> *3.04. If, during the course of administering the Grant, the Implementing Entity identifies any material inconsistency between the AF Operational Policies and Guidelines and its own standard practices and procedures, the [Implementing Entity] shall (a) immediately notify the Board, through the Secretariat, of such inconsistency, and (b) the [Implementing Entity] and the Board shall discuss and promptly take any necessary or appropriate action to resolve such inconsistency.*
>
> *4.01. The Implementing Entity shall be responsible for the overall management*

[2] Available at https://www.adaptation-fund.org/wp-content/uploads/2013/07/Project-delays-policy-Amended-October-2017.pdf.

*of the [Project] [Programme], including **all financial, monitoring and reporting responsibilities**.*
[…]
*4.04. **The Implementing Entity shall promptly inform the Board, through the Secretariat, of any conditions that may seriously interfere with its management, or the Executing Entity's execution, of the [Project] [Programme]** or otherwise jeopardize the achievement of the objectives of the [Project] [Programme], **providing detailed information thereof to the Board for its information.***

[…]
7.01. The Implementing Entity shall provide to the Board, through the Secretariat, the following reports and financial statements:

***a) An inception report submitted to the secretariat no later than one (1) month after the inception workshop has taken place.** The start date of the [Project] [Programme] is considered the date of the inception workshop;*

[…]
*5.01. The Board may suspend the [Project] [Programme] for reasons that **include, but are not limited to**:*

(i) financial irregularities in the implementation of the [Project] [Programme], or

*(ii) a material breach of this Agreement and/or **poor implementation performance** leading the Board to conclude that the [Project] [Programme] can no longer achieve its objectives; provided, however, that before the Board makes its final decision (a) the Implementing Entity shall be given an opportunity to present its views to the Board, through the Secretariat; and/or (b) the Implementing Entity may make any reasonable proposal to promptly remedy the financial irregularities, material breach or poor implementation performance.*

9. Pursuant to decision B.18/29, the Policy for Project/Programme Delays and the standard Legal Agreement between the Board and the Implementing Entity, the IE is bound to submit a project inception report no later than one month after the inception workshop has taken place. Delays in project start would likely to lead to a delay in submission of the project inception report.

Comparison of Reasons for Delays in Project Inception with those identified at the time of project/programme review

10. Table 1 included in the annual performance report (APR) for FY19 (document AFB/EFC.25/3), presents a list of projects/programmes approved and not started as of 30 June 2019. The current document analyses projects that have not begun implementation (more than 10 months since first cash transfer) at the end of the current reporting period as presented in table 1, including projects that have commenced implementation but had experienced exceptionally long delays in project inception (table 2).

TABLE 1: PROJECTS APPROVED NOT STARTED AS OF JUNE 30, 2019

Country	Sector	Implementing Entity	Project Approval (Date)	First cash transfer (date)	Elapsed Time*
Niger	Rural Development	BOAD[3]	07/05/2016	03/03/2017	30
Guinea-Bissau	Agriculture	BOAD	10/13/2017	01/31/2018	19
Iraq	Agriculture	IFAD[4]	03/23/2018	05/17/2018	11
Regional (Benin, Burkina Faso, Ghana, Niger, Togo)	Food Security	BOAD	07/16/2018	01/25/2019	7
Regional (Argentina, Uruguay)	DRR	CAF[5]	07/16/2018	01/25/2019	7
Armenia	Urban Development	EPIU[6]	10/12/2018	01/30/2019	7
Regional (Mauritius, Seychelles)	Food Security	UNDP[7]	10/12/2018	02/28/2019	6
Armenia	Forests	EPIU	03/15/2019	05/22/2019	3
Dominican Republic	Water Management	IDDI[8]	03/15/2019	05/22/2019	3

* Month is the time unit used for the elapsed time calculations, which are made as of June 30, 2019

TABLE 2: PROJECTS STARTED WITH DELAYED INCEPTION

Country	Sector	Implementing Entity	First cash transfer (date)	Inception date	Elapsed Time*
Lebanon	Agriculture	IFAD	01/04/2013	9/15/2015	32
Nepal	Food Security	WFP[9]	07/12/2016	10/26/2018	27
Paraguay	Food Security	UN Environment[10]	07/24/2017	5/28/2019	22
Honduras (2)	Multisector Projects	UNDP	06/19/2017	3/4/2019	20
Peru	Rural Development	CAF	07/31/2017	11/9/2018	15
Ethiopia/Kenya/ Uganda	Food Security	WMO[11]	07/28/2017	8/30/2018	13
Senegal (2)	Coastal Management	CSE[12]	11/20/2017	10/23/2018	11

* Month is the time unit used for the elapsed time calculations.

[3] West African Development Bank (BOAD)
[4] International Fund for Agricultural Development (IFAD)
[5] Corporación Andina de Fomento (CAF)
[6] Environmental Project Implementation Unit (EPIU)
[7] United Nations Development Programme (UNDP)
[8] Dominican Institute of Integral Development (IDDI)
[9] United Nations World Food Programme (WFP)
[10] United Nations Environment
[11] World Meteorological Organization (WMO)
[12] Centre de Suivi Ecologique (CSE)

Comparative analysis between financial and management risks identified at proposal development and survey results

11. To support the preparation of the document AFB/EFC.24/5 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.

12. For the present analysis, the secretariat compared the survey results with the risks identified at the time of the proposal development and approval. The section below presents the findings from such a comparative analysis for the projects highlighted in Table 1 (Niger, Guinea Bissau and Iraq) and all projects listed in table 2.

Findings

Country (IE)	Financial and Project management risks identified (Section III.B)	Reasons for delayed inception
Lebanon (IFAD)	Changes in the government structures and functions of the implementing partners. **Risk level: Low**	Lengthy delay in startup due to establishment of new fund management procedures introduced by the government in 2012 to better regulate and oversee international funding granted to sectoral ministries. These new rules resulted in considerable delays in internationally-financed projects. In September 2017, the Ministry of Agriculture (MOA) and the Ministry of Finance (MOF) jointly signed a new Decree that rendered effective a “lump-sum transfer mechanism”.
Niger (BOAD)	Not identified.	Constraints relate to Niger's commitments with the International Monetary Fund (IMF), the country was unable to sign the co-financing agreement with BOAD until May 2018. This situation resulted in a delay in the project start-up. This constraint has been lifted and due diligence has been carried out for the recruitment of the staff of the Project Management Unit (PMU) in December 2018. However, a few months after their recruitment, the Administrative and Financial Manager, and the Accountant specialist in procurement resigned due to weakness of the proposed salary.
Nepal (WFP)	Project identified that changes in decentralized district and village development committee (VDC)	The project was approved by the AF Board in May 2015, at the same time the devastating earthquakes of 2015 struck the country. This led to a

	structures in the next three years may negatively affect the project. **Risk level: Low**	significant delay in project start as all the stakeholders (including the three co-executing entities) were fully involved in and focusing on emergency response and relief activities for the following months (until early 2016). Furthermore, the promulgation of the 2015 constitution restructured the country as a federal democratic republic. Hence, the environment/ climate change portfolio was covered by the newly restructured Ministry of Forests and Environment (MoFE) since March 2018. Lastly, due to the decades long protracted political instability in Nepal, there was frequent transfer of government officials (civil employees) in the Ministries creating a leadership vacuum and lack of institutional memory.
Paraguay (UN Environment)	Lack of adequate coordination, collaboration and cooperation among the executing agencies may result in delays project implementation. **Risk level: Low** The use of financial resources involves many government levels and is not efficient. **Risk level: Low**	After signature of the Agreement between the Fund and UN Environment on 30th June 2017, a Project Cooperation Agreement (PCA) between UN Environment and Paraguay was drafted, to support the transfer of funds from UN Environment to the Executing Entity (SEAM). However, during discussions about the legal agreement and based on new political priorities, SEAM was not in the position to receive the project funds, as originally stipulated. UN Environment was asked for administrative support for the execution of the project. The EE (SEAM) and UN Environment jointly came up with a solution where UN environment will support SEAM on procurement and personnel administration and SEAM will hold the national direction of the Project (ensuring that requests to procure goods and services, hire individual and institutional consultants and engage in supplemental agreements with third parties). This solution was discussed with the secretariat and was approved by the Board.
Honduras (2) (UNDP)	Government change in 2018 (national elections) results in changing priorities that are not fully aligned with the expected results of the project. **Risk level: Medium**	Since the project approval in June 2017, the project document drafting process took longer than anticipated, due to readjustment of implementation arrangements, in view of an uncertain

	Governance tensions or potential conflicts at community level. **Risk level: Medium** Changes and turn over in government staff. **Risk level: Low** Corruption and lack of transparency by municipalities and communities in management of small grants. **Risk level: Low**	political climate. Honduras experienced a political crisis during most of 2018, after the general elections of November 2017. The country experienced protests in regards the results of the elections that evolved into unprecedented episodes of violence led by the opposition, as well as accusations of fraud and corruption. The above significantly impacted governance, decision-making and absorption capacity of Government and public institutions. During this time, the final validation or appraisal of the project document was significantly delayed.
Guinea Bissau (BOAD)	Not identified.	The project was approved in august 2017. However, administrative constraints were experienced due to the lengthy recruitment process of key staff (national coordinator, dedicated field coordinator, agronomy/adaptation experts (in Gabu and Bafata) and communications experts. As result of the lengthy recruitment process, contracts were signed with staff only in June 2019.
Peru (CAF)	Not identified.	The delay in project implementation was essentially due to the change in executing entity post approval. CAF's Development Cooperation Funds Department (DFCD) accepted the final version of the agreement between CAF and the Fund, however, it did not include an Administrative Executing Entity, accepting COPASA as the Executing Entity. CAF's DFCD indicated that COPASA has no fiduciary capacity, and therefore the first disbursement was stopped. A process of selection and evaluation of possible administrative executing agencies began. After the development of a tripartite agreement, drawn up between the Legal Consultancy, CAF's DFCD and CAF's of Sustainability, Inclusion and Climate Change Department (DSICC), in various participatory sessions, it is issued by CAF's Legal Consulting Department - CJ, for the signature of the parties.
Ethiopia/Kenya/ Uganda	Different pace of project implementation for each country may delay overall project implementation and affect regional activities. **Risk level: Low**	The untimely demise of the WMO Representative for Eastern and Southern Africa, who was also the project development lead, left a capacity gap in the office, necessitating

	Delays in recruitment or appointment of critical staff for the project. **Risk level: Low**	the recruitment of a new WMO Representative and project specific staff. Additionally, there was a need to ensure that key stakeholders in the project fully understood their roles in the project prior to inception. Lastly, a regional inception workshop was not formally budgeted for in the project proposal. The regional project involves consultation, engagement and agreement with various national and sub-national stakeholders. These are necessary to ensure sustainability, ownership and ultimate success of the project. These engagements take time and resulting in delays.
Senegal (CSE)	The local elected representatives and the representatives of the State who have already been trained by the project have changed after the local elections in 2017. **Risk level: Low**	The main reason for delay was the change of the Designated Authority (DA). The former DA was much more aware of the procedures and the stakes and this process was much shorter for the first project funded by the Fund. CSE has worked closely with the project stakeholders to prepare the launch of the activities. However, it took much longer than expected for the new DA to set up the steering committee. The ministerial order establishing this committee was issued on 2 October 2018 and the inception workshop took place on 23 October 2018.
Iraq (IFAD)	The Government capacity is extremely limited and Government budgets for operational purposes are inadequate. **Risk level: Medium**	The Iraq -Smallholder Agriculture Revitalization Project (SARP) was designed with a financing gap amounting to USD 9.22 M and additional funds were eventually provided from the Fund to cover said gap through an agreement between IFAD and AF that entered into force on 20 September 2018. On 23 May 2019, the SARP financing agreement was amended to channel AF funds as well as passing applicable AF obligations to the Republic of Iraq. Because of this and other issues related to satisfying disbursement conditions, the project has not yet begun implementation.

13. From the information presented in the above, it can be inferred that majority of the specific issues that may impact the timely inception of project implementation could not be predicted at

the time of proposal formulation. These relate to unforeseen changes in essential personnel creating a leadership vacuum, natural disasters, constitutional restructuring, cumbersome procurement processes and protracted political instability (e.g. Nepal, Guinea Bissau, ACREI regional project, Senegal). For some projects, project proponents may be able to identify foreseeable risks. However, the exact nature in which they may pan out is unique to the context (e.g. Lebanon, Paraguay and Honduras). In the case of regional projects, that involve consultation, engagement and agreement with various national and subnational stakeholders, finding a common platform for dialogues might present unique challenge and require additional time. In an exceptional case such as Niger, constraints may be beyond the implementing entity's ability to plan mitigation measures.

Practices Followed by Other Climate Funds

The Global Environmental Facility

14. In the Global Environmental Facility (GEF), the project and program cycle[13] 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. After CEO Endorsement, the Agency approves the project following its own internal procedures and begins project implementation. Implementation begins following CEO Endorsement and Agency approval. The GEF Secretariat, in consultation with the GEF Agencies, has used the date of first disbursement as a proxy for the start of project implementation on the ground. The first disbursement is defined as the earliest date on which: (a) the first transfer/disbursement of GEF funds to the project Executing Agency takes place; or (b) the first direct payment that is made with GEF funds to suppliers of goods and/or services for the project. Each Agency is responsible for project implementation and is directly accountable to the Council. Agencies conduct project-level monitoring and evaluation activities in accordance with the Agency systems and consistent with the GEF Monitoring and Evaluation Policy.

15. The latest *Analysis of the First Disbursement* [14], based on an analysis of 559 full-sized projects and 242 medium-sized projects that received CEO Endorsement/ Approval in fiscal years 2011 to 2015, found that only 70% of projects reached first disbursement within one year from CEO Endorsement/ Approval, and 9% of projects had still not completed their first disbursement after three years. The first disbursement rate varies among GEF Partner Agencies due to diverse project cycles. The main reasons identified for delays in disbursement of more than 1 year after CEO Endorsement/Approval, as reported by all Agencies, are related to: lengthy government approval process, prolonged recruitment process, Executing Agency issues, change in government, and political or social turmoil or natural disasters in the country. Other identified reasons include procurement processes, delay in signing the Project Agreement, delay in providing co-financing funds or GEF Agency issues. The most common reason for delay across all GEF Agencies relates to lengthy government approval processes, which are required especially for larger loan projects. Similarly, prolonged recruitment processes affect the setting up of a Project Management Unit, which is often a condition for first disbursement. As a result, it may take up to 24 months for projects to begin implementation on the ground after CEO approval.

16. The GEF-7 Replenishment document[15] identified that "more could be done to ensure the timely start of project and program implementation", as well as "significant scope to improve the

[13] Project and Program Cycle Policy (OP/PL/01), Approved on December 20, 2018
14 Analysis of First Disbursement (GEF/C.50/Inf.05), May 12, 2016
[15] GEF-7 Programming Directions and Policy Agenda (GEF/R.7/02), March 7, 2017, pp. 173 - 175

level, quality and timeliness of reporting on operational and financial progress. An important starting point for this is to enhance compliance with existing reporting requirements". The document further suggests that to "encourage Agencies to seek ways to speed up their internal processes with a view to ensuring the timely launch of project implementation, some portion of the Agency fee could be withheld until a project reaches an agreed implementation milestone, such as the submission of a mid-term review. Moreover, to ensure a better flow of information on operational and financial delivery, the GEF could review its guidelines and requirements for project-level reporting during implementation to set clear expectations across the Partnership regarding the frequency, completeness and quality of reporting" (pp. 173 – 175).

17. In order to address delays in project implementation, the GEF has introduced new incentive measures through a revised agency fee schedule (effective from March 1st, 2019) in the amended Project and Program Cycle Policy[16], adopted in December 2018. Before the introduction of this adjustment, for full-sized as well as medium-sized projects, the full Agency fee was committed before implementation start. Now the Agency fee for full-sized project is committed in three tranches: at Council Approval (20%), at first disbursement (50%), and at mid-term review submission (30%). For medium-sized projects, the full fee is committed at first disbursement (paragraph 37). It was expected that this adjustment "would incentivize the timely preparation and submission of mid-term reviews, and thereby contribute towards accelerating the implementation of GEF projects."[17]

18. As a related policy measure, the GEF's Project Cancellation Policy[18] was also approved in December 2018, aiming to provide "incentives for the timely preparation, processing, and implementation of projects and clarification of criteria and requirements for the cancellation or suspension of projects" (paragraph 1). The decision whether to cancel or suspend a project after CEO Endorsement/Approval rests with the GEF Agency: "When an Agency considers cancellation or suspension of a project, in accordance with its policies and procedures, the Agency consults with the recipient country, all relevant government agencies, and other partners, including co-financiers, prior to such cancellation or suspension" (paragraph 9).

The Green Climate Fund

19. In the Green Climate Fund (GCF)'s project and programme cycle, was adopted by the GCF Board in May 2014 (decision B.07/03) and updated in July 2017 (B.17/09). The approval of a funding proposal by the Board is followed by three stages of the post-approval process: the first step in project implementation is an agreement between GCF and the implementing Accredited Entity on the necessary legal arrangements for disbursement, called a Funded Activity Agreement (FAA). Following the FAA signing (stage 1), GCF will take steps to ensure FAA effectiveness. For instance, FAAs covering GCF's transfer of grant payments will stipulate conditions ensuring the grant or loan is effective. In some cases, the recipient may have to fulfil certain pre-conditions before the grant or loan is judged to be effective. GCF will determine if the recipient has fulfilled those conditions. Once the FAA has reached effectiveness (stage 2), the project moves to disbursement under FAA (stage 3) and implementation. During project/ programme implementation, Accredited Entities are primarily responsible for the monitoring and evaluation of the funded activities they carry out, they are also required to report regularly to GCF, including through inception reports, annual performance report and mid-term evaluation reports.

[16] Policy Measures to Enhance Operational Efficiency, Accountability and Transparency (GEF/C.55/04/Rev.01), Adopted December 20, 2018
17 Ibid, p. 4
[18] Project Cancellation. (OP/PL/02), Approved on December 20, 2018

20. 180 days are generally granted from Board approval to FAA execution and 90 days from FAA execution to implementation. In February 2019, the GCF Board adopted a Policy on Restructuring and Cancellation (decision B.22/04), which applies to changes to approved funding proposal prior to FAA execution. If an Accredited Entity fails to fulfil a condition that is required to be fulfilled before FAA execution within the required Period, the approval of the relevant funding proposal shall no longer be valid. An Accredited Entity may request an extension of the Period to fulfil the conditions required to be met prior to the execution of the FAA.

21. According to the latest updates on the implementation of approved funding proposals[19], out of the 102 approved projects, 51 projects have not started implementation, that is, they do not have an effective FAA as at 30 April 2019. With regard to the time taken from Board approval to implementation, the average number of days has decreased from 590 for projects approved in 2015 to 316 days for those approved in 2018 because legal agreement forms and procedures are gradually being standardized. The main reason identified for delayed implementation is the pace of the finalization of Accreditation Master Agreements (AMAs), which is a pre-condition for FAA signing. At the time of Board approval, 57 projects did not have an effective AMA.

22. The GCF's most recent annual portfolio performance report[20] 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) with varied potential impact on project delivery as rated by Accredited Entities. Many of the challenges classified as having moderate and/or high impact were related to: (i) General implementation challenges such as delays in project commencement, local staff recruitment and the lengthy process of capacity-building, (ii) financial challenges such as local financial management capacity and the time period from Board approval to receipt of funds by executing entities, and (iii) procurement delays. The Accredited Entities indicated that despite these challenges, they were on track to deliver the projects based on their original implementation timelines. As lessons learned, the GCF Secretariat encourages Accredited Entities to promptly communicate to the Fund on any emerging challenges, and clarifications needed on reporting and procedures.

The Climate Investment Funds

23. The two trust funds that comprise the CIF, the Clean Technology Fund (CTF) and Strategic Climate Fund (SCF), are each governed by a committee that oversees and decides on operations and activities. The first two processes of the project cycle, i.e. endorsing investment plans and approving funds for projects/programs, involve the Trust Fund Committee, and they take place prior to MDB board approval. Once a project/sub-project has reached MDB board approval, the subsequent processes follow the applicable MDB procedures and standards, with the exception of certain provisions, such as results reporting. As required by the Trust Fund Committee. Reliance on MDB procedures and standards during post-MDB-approval processes is a fundamental principle of the CIF. It has been the practice that delayed projects during the Trust Fund Committees (TFC) meetings to 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).[21]

[19] Status of the GCF portfolio: approved projects and fulfilment of conditions (GCF/B.23/Inf.12), 18 June 2019
[20] Annual portfolio performance report (2017) (GCF/B.21/Inf.12), 25 September 2018
[21] From email correspondence with CIF representative.

24. The CTF pipeline management criteria approved by the Trust Fund Committee in 2011 involve that resources should only be committed for projects or programs that are ready to move forward to final approval and implementation so that CTF resources are effectively and efficiently used for on-the-ground activities.[22] The CTF noted that "despite best efforts at realistic planning, it is inevitable that there may be delays in processing of programs and projects". The MDB Committee will review any public sector program or project for which CTF funding has been approved, but which has not been submitted for MDB Board approval within 9 months of the CTF funding decision. Based on its quarterly review, the MDB Committee may decide that the approved funds be reallocated to provide more funding space for other faster-moving projects.

25. A CTF pipeline management analysis[23] in April 2013 finds that Implementation of the CTF during the first four years of operation has pointed to several lessons learned: "country readiness and conditions for transformation were not always in place; changes in sectors required new solutions; in many cases readiness of projects was not a factor taken into account when preparing the investment plans; countries faced unexpected political and/or economic events," making projects "inherently subject to delays" (p. 5). For enhancing pipeline management, the CTF introduced new measures, including shortening the timeframes and improving milestones for project delivery and allowing over-programming.

26. Similarly, the SCF's Pilot Program for Climate Resilience (PPCR) monitors project approval delays (time elapsed between concept endorsement and Sub-Committee approval) and disbursement. Based on information gathered from the MDBs, approval delays for most delayed projects are due to political and social unrest. Other projects are delayed because of protracted government approval process and elections held in the country. In these cases, the government and MDBs are accelerating technical work to expedite project preparation and proceed to requesting approval. Disbursement delays were mostly attributed to slow procurement and bidding processes, government restructuring, and natural disasters. Some projects have indicated that delays were attributed to political and social unrest and lengthy government approval process.[24]

27. In August 2016, the CTF reported accelerated project and program delivery and disbursements and adopted a Pipeline Management and Cancellation Policy[25]. If a project or program fails to meet the applicable timeframes from Trust Fund Committee approval of funding to MDB board approval (12 months for public sector projects), the relevant CTF resources will be canceled and released. In exceptional cases, in which a longer timeframe is warranted, the government and/or MDB should provide a detailed justification either at the time of submitting the program or project before the applicable deadlines, and request approval of the longer timeframe by the Trust Fund Committee. Once a program/project/sub-project has been approved by the MDB, the relevant MDB's cancellation policy and procedures will apply (pp. 3-4).

Comparative Analysis of the Policies of Other Climate Funds

28. 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

[22] CTF Guidelines for Management of Pipeline and Revisions to Investment Plans, December 15, 2011
[23] Proposal for Further Enhancement of CTF Pipeline Management (CTF/TFC.11/10), April 10, 2013
[24] PPCR Operational and Results Report (PPCR/SC.19/3), November 10, 2016
[25] CTF Pipeline Management and Cancellation Policy, August 8, 2016

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 have been resolved, and these projects are now fully under implementation. This is similar to reasons for delay in project/program inception and implementation on the ground experienced by other multilateral climate funds. It must be noted that inception delays in other climate funds have been also linked to disbursement challenges in addition to general implementation challenges.

29. Practices by other multilateral climate funds are similar to the Fund's existing practice: setting a timeline from project/program approval to project inception and reporting by the implementing entity/ agency, which is set out in a legal agreement between the relevant entity/agency and the Fund. After approval by the governing body, the responsibility for project/program monitoring and reporting lies with the implementing entity/agency. Relevant cancellations policies set out the cancellation or suspension of allocated resources in cases of failure of the project/program to comply with the agreed timelines for inception. These policies also contain the opportunity to provide justification for failure to meet conditions or reporting timelines and to request extension of timeline.

30. It must be noted that the different climate funds apply different definitions for project/program effectiveness and inception, as these are related to the different project/program cycles and approval processes. Cancellation policies therefore usually apply to timeframes from project/program approval to finalization of post-approval processes such as Agency approval and first disbursement (GEF), finalization of Funded Activity Agreement (GCF), and MDB approval (CIFs). Upon finalization of these processes, the implementing entities/agencies/MDBs own policies for cancellation apply but they must consult and inform the relevant governing body. Similarly, the Fund's procedure for project/program suspension is set out in Legal Agreement between the Board and Implementing Entity.

31. Beyond project/program suspension and cancellation, other lessons learned and measures for incentivizing the implementing entity's accelerated project/program implementation employed by other climate funds include:

- GEF: revised agency fee schedule with commitment in three tranches: at Council Approval (20%), at first disbursement (equivalent to project inception) (50%), and at mid-term review submission (30%) & review its guidelines and requirements for project-level reporting during implementation to set clear expectations regarding the frequency, completeness and quality of reporting
- GCF: Encouraging implementing entities to promptly communicate to the Fund on any emerging challenges, and clarifications needed on reporting and procedures.
- CIFs: Flagging of delayed projects during the Trust Fund Committees (TFC) meetings and encouraging MDBs to explain reasons for delays and what measures that have been put in place to address the issues with follow-up in the next meeting (6 months later).[26]

32. Similarly, in accordance with relevant AF policies, the AF Secretariat has been monitoring and reporting on elapsed time, not only for project start but also project implementation and closure through the Fund's Annual Performance Reports (APRs). The secretariat has been reminding all IEs of due diligence on the Project Delay Policy and sent 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.

26 From email correspondence with CIF representative.

Conclusion

33. Based on the Fund’s Project Delay Policy and Legal Agreement between the Board and IEs, IEs are required to submit inception reports no later than one month after the first date of project inception workshop which is defined as the project/programme start by decision B.18/29 and should take place within six months from the first cash transfer. In cases where the IE is not able to meet the six months target, it must send a notification to the secretariat with an explanation of the delay and an estimated start date to comply with the Policy for Project/Programme Delays (Amended October 2017). Unlike the request for an extension of the project completion date, the Policy for Project/Programme Delays did not contain a form for IE to notify on delay of project start. Accordingly, to enhance implementation of the required notification by the IE regarding delay of project/programme start, the secretariat prepared a template to be utilized by the IE to notify the Board of the reasons for delay of project programme start through the secretariat, as contained in Annex II to this document.

Recommendation

34. Having considered document AFB/EFC.25/5 and its Annexes I and II as well as the Fund’s Policy for Project/Programme Delays (amended in October 2017), the Ethics and Finance Committee may want to recommend that the Board decides:

a) To consider and approve the form for notification of delay of project/programme inception as contained in Annex II to document AFB/EFC.25/5;
b) To require an implementing entity (IE) to submit the form for notification of its delay of project/programme inception as referred to in subparagraph a), to comply with its notification requirement as per the Policy for Project/Programme Delays;
c) To consider extending the project/programme start target of six months from first cash transfer to a longer duration [12 months] for regional projects/programmes;
d) To request the secretariat to revise the Policy for Project/Programme Delays by reflecting the changes as referred to in subparagraphs a) – c) [as well as any other changes that are considered necessary,] into the Policy; and
e) To request the secretariat to present the revised Policy for Project/Programme Delays for intersessional approval by the Board between its thirty-fourth and thirty-fifth meetings.

Annex I

Adaptation Fund questionnaire on Project/Programme Inception Delays

During the thirty-second Adaptation Fund Board (the Board) meeting, following the presentation of the Adaptation Fund's (the Fund) Annual Performance Report (APR) FY 18, the Adaptation Fund secretariat received a request from 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)?

ANNEX II: NOTIFICATION OF DELAY OF PROJECT/PROGRAMME INCEPTION (PROPOSED ADDITION TO THE

*Notification of delay of project/programme start (As per Decision B.18/29, f*or concrete adaptation projects/programmes the Board decided to consider the start date to be **the first day of the project/ programme' s inception workshop**)

<table>
<tr><td colspan="4">Implementing Entity Name:</td></tr>
<tr><td colspan="4">AF Project/programme ID:</td></tr>
<tr><td colspan="4">Project/programme Title:</td></tr>
<tr><td colspan="4">Country:</td></tr>
<tr><td>Project/Programme Approval (date)</td><td colspan="3"></td></tr>
<tr><td>Expected Project/programme Start (date)</td><td></td><td>Proposed Revised Completion (date):</td><td></td></tr>
</table>

1. *Reasons/ justification for delay in the project's/programme's inception and the number of months of delay from the project approval date*

2. *Approaches/ mitigation measures to ensure the start of implementation*

3. *Challenges (in addition to those mentioned in section 1) that may extend the project/ programme completion date*

Implementing Entity certification

This notification for delay on project/programme inception has been prepared in accordance with Adaptation Fund policies and procedures, and delay on project/programme start has been agreed by participating executing entities and has been notified to the designated authority (DA).	
Name & Signature Project/programme contact person	
Date: *(Month, Day, Year)*	Tel. and Email: