



ADAPTATION FUND

AFB/B.41-42/11
10 February 2024

Adaptation Fund Board

**REQUEST FOR EXTENSION OF PROJECT COMPLETION DATE:
SECRETARIAT OF THE PACIFIC REGIONAL ENVIRONMENT PROGRAMME
(FEDERATED STATES OF MICRONESIA)**

Background

1. The Adaptation Fund Board (the Board) at its twenty-ninth meeting, approved a five-year project titled “Enhancing the Climate Resilience of Vulnerable Island Communities in Federated States of Micronesia” in the Federated States of Micronesia, submitted by the Secretariat of the Pacific Regional Environment Programme (SPREP), a regional implementing entity of the Adaptation Fund, for a requested amount of US\$ 9,000,000 (Decision B.29/14).
2. The overall objective of the project is to build social, ecological and economic resilience of the target island communities of the Federated States of Micronesia and reduce their vulnerabilities to extreme drought, sea level rise and other climate risks through water resource management, coastal resource and development planning, and by promoting gender perspectives and ecologically sound climate resilient livelihoods.
3. As mandated by the decision, an agreement was prepared and signed between the Board and SPREP on 22nd June 2017 and the project started implementation on 13th March 2018.
4. To date, the project implementing entity submitted five project performance reports (PPRs). Four have been cleared by the secretariat and the fifth is under review by the secretariat. A total amount of US\$ 5,903,581 including the project fees, has been disbursed by the trustee, which corresponds to 66% of the approved grant.
5. In March 2023, a first request for no-cost extension of the project completion date from March 2023 to March 2024, due to implementation delays incurred under the COVID-19 pandemic, was approved by the secretariat (Ref: 2023/017).
6. In October 2023, SPREP submitted a request for a regular eighteen-months no-cost extension of the project completion date from 13th March 2024 to 13th September 2025 (see annex 1), including an updated implementation plan and budget to support the no-cost extension, whose changes are not material. The reasons for this request, as outlined in the memo shared by SPREP, are multi-faceted, including: i) lag effects of the COVID-19 pandemic throughout the entire system; ii) changes in the government impacting project execution; iii) challenges in retaining project personnel; and iv) challenges in project execution due to the unique environment across the Federated States of Micronesia’s four autonomous states.

Secretariat’s review of the request

7. Following a review of the request by the secretariat and considering the explanation provided by SPREP, the secretariat is of the view that this eighteen-months extension request is justified. As evidenced by the memo provided by SPREP (Annex 1), it is noted that this request will provide sufficient time to execute the remaining activities.
8. Finally, the secretariat acknowledges that this no-cost project extension request has been agreed with the Executing Entity and has been endorsed by the Designated Authority (Annex 2), in accordance with the Adaptation Fund Policy for Project/Programme Delays.

Recommendation

9. The Board may consider and decide to approve the request for an eighteen-months extension of the project completion date from 13 March 2024 to 13 September 2025, for the project “Enhancing the Climate Resilience of Vulnerable Island Communities in Federated States of Micronesia” as requested by SPREP.

Annex

- 1) Request for a no-cost extension of the project completion date from SPREP for the project “Enhancing the Climate Resilience of Vulnerable Island Communities in Federated States of Micronesia”.
- 2) Endorsement letter from the Designated Authority of the Federated States of Micronesia.

Annex 1: Request for a no-cost extension of the project completion date from SPREP for the project “Enhancing the Climate Resilience of Vulnerable Island Communities in Federated States of Micronesia”

ANNEX A: REQUEST FOR EXTENSION OF CONCRETE ADAPTATION PROJECT/PROGRAMME

Request for extension of project completion date

Implementing Entity Name: Secretariat of the Pacific Regional Environment Programme			
AF Project ID: FSM/RIE/Coastal/2015/1			
Project Title: Enhancing the Climate Resilience of Vulnerable Island Communities in Federated States of Micronesia			
Country: Federated States of Micronesia			
Project/Programme Approval (date)	June 22, 2017		
Expected Project/programme Completion (date)	March 13, 2024	Proposed Revised Completion (date):	September 13, 2025

Reasons/justifications for the extension of project/programme completion:

The project titled *Enhancing the Climate Resilience of Vulnerable Island Communities in Federated States of Micronesia*, started implementation on 13 March, 2018 for a period of five years. The project was granted a blanket no-cost extension of 12 months up until 13 March 2024, due to the impact of COVID-19 which continued to directly affect project implementation up until early 2023 despite international borders reopening in August 2022.

This regular no-cost extension request to the above mentioned project, seeks an additional 18 months extension to the project end date up to 13 September 2025 due to the following reasons/justifications:

- Ongoing impacts of COVID-19 on project execution** – due to a number of activities being directly impacted by COVID-19, a period of 12 months is not sufficient to re-programme activities which had been affected for over two years (24 months in total). Due to the need to reschedule activities over a period of more than 12 months, taking into consideration interdependencies of certain activities directly impacted by COVID-19 on the completion of subsequent activities under relevant project outcomes; an additional 18 months is requested to absorb the rolling impact of delays to project execution beyond March 2024.

2. **Recent changes in FSM Government, impacting project execution** – Following presidential elections finalised in May 2023; there has been a change in FSM’s presidency and elected representatives to Congress. As such, Secretaries responsible for relevant departments involved in project execution; have yet to be confirmed as of September 2023 and are anticipated to be confirmed by the end of October 2023. There is an impact on project execution, due to certain activities (such as approval of policy development and endorsement under component 1 of the project); subject to confirmation of relevant office holders to ensure streamlined review, submission and endorsement of key project deliverables by Congress and/or relevant project governance groupings.
3. **Challenges in retaining project personnel** – Due to the competition for qualified national consultants across development projects in FSM, and faced with a limited pool of qualified personnel; the project has faced several challenges in retaining personnel which has led to high turnover of staff since the project became effective. The increased demand for development professionals that are nationally recruited following COVID-19, has led to a contrasting increase in salaries/remuneration for these professionals and the project has not been able to retain staff who have left for more competitive offers of employment. This has created a gap in project capacity which has had to be filled in on occasion by the Project Manager (which sometimes diverts attention from other activities), and through direct assistance from the Accredited Entity (SPREP). This has directly impacted the timely progress of certain project activities, which requires additional time for their completion.
4. **Challenges in project execution due to the project’s unique implementing environment across FSM’s four autonomous states** – due to the remoteness of several project sites from operational centres within specific states, the logistics requirements to distribute and store materials and equipment in each state has been difficult to achieve within the approved budget. A specific example of the exacerbated challenge of logistics particularly during COVID-19 lock downs has been on scheduled supply of cement to outer island project sites. Due to shortfalls in approved budget for adequate storage, cement supplies have hardened and are no longer usable if they are not transferred in time to outer island locations; due to changes in domestic shipping schedules which have continued despite state borders reopening. Despite training provided to local community members to support installation and repairs to water harvesting and storage systems, due to remuneration being offered by other development projects operating in the same communities; it is difficult to confirm adequate participation in project implementation. For transfer of equipment/supplies from drop-off points to project sites (which are sometimes quite a distance away); it is necessary to engage and remunerate local labour to facilitate these logistics.

The attached updated implementation plan, has taken into consideration the compounded impacts of the above challenges; as reflected in the extended timeframes for delivery of remaining activities over the 18 months requested for a no-cost extension, as well as modification of the following activities (as reflected in the Revised Framework for 2023) in the attached implementation plan:

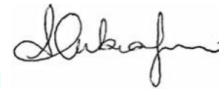
- Modification of activity 1.3.1 as per the Revised Framework for 2023 in annexed *Implementation Plan_Regular Extension*.

Additionally, where revised costs are justified (within available budget) to accommodate extended implementation timelines and to directly address some of the challenges identified above; these have been marked up accordingly in the attached budget for the extension period. Attention is drawn to the component by output budgets, where separate columns have been inserted to reflect reallocation of budget within prescribed policy. There are no additional funds being requested.

Implementing Entity certification

This request has been prepared in accordance with Adaptation Fund policies and procedures, has been agreed by participating executing entities, and the designated authority (DA) has been notified.

Project/programme contact person: Salome Tukuafu



Date: 08 October, 2023

Tel. and Email: (685)21929
salomet@sprep.org

Annex 2: Endorsement letter from the Designated Authority of the Federated States of Micronesia



DEPARTMENT OF FOREIGN AFFAIRS

of the

FEDERATED STATES OF MICRONESIA

P.O. Box P.S. 123

Palikir, Pohnpei FM 96941

Telephone: (691) 320-2641/2613 Fax: (691) 320-2933

October 5, 2023

Mr. Mikko Ollikainen
Head of Secretariat
Adaptation Fund
1899 Pennsylvania Avenue, NW
Washington DC 20433

Subject: (FSM/RIE/Coastal/2015/1) No Objection for Request of Regular Extension for a Period of 18 months

Dear Mr. Ollikainen,

I present my compliments and pursuant to Department's Letter of 15 September 2023, wish to offer No Objection as the Adaptation Fund's Designated Authority for a regular extension of 18 months, for the following project – Enhancing the Climate Change Resilience of Vulnerable Island Communities in the Federated States of Micronesia (FSM/RIE/Coastal/2015/1).

The Project Management Unit under the Department of Environment, Climate Change and Emergency Management as the Executing Entity, has worked closely with the Implementing entity to provide sufficient evidence in the appropriate form seeking no cost extension.

Where appropriate, the Designated Authority wishes to support the project's request to activate project contingency in the extended period. Where it is necessary to revise the project indicators as requested by the Implementing Agency, the Designated Authority also wishes to convey its support and to confirm that the Executing Entity has worked with the Implementing Entity in justifying these changes.

Your consideration, and the Secretariat's appropriate action to progress this request is greatly appreciated.

Thank you and with best regards, I am,

Sincerely,

A handwritten signature in black ink, appearing to read "Lorn S. Robert".

Lorn S. Robert
Secretary