



ADAPTATION FUND

AFB/PPRC.31/63
13 March 2023

Adaptation Fund Board
Project and Programme Review Committee
Fortieth Meeting
Bonn, Germany

Agenda Item 21

ASSESSMENT FOR EXTENDING THE ROLE OF INTERMEDIARY TO ALL IMPLEMENTING ENTITIES FOR READINESS PACKAGE GRANTS

Background

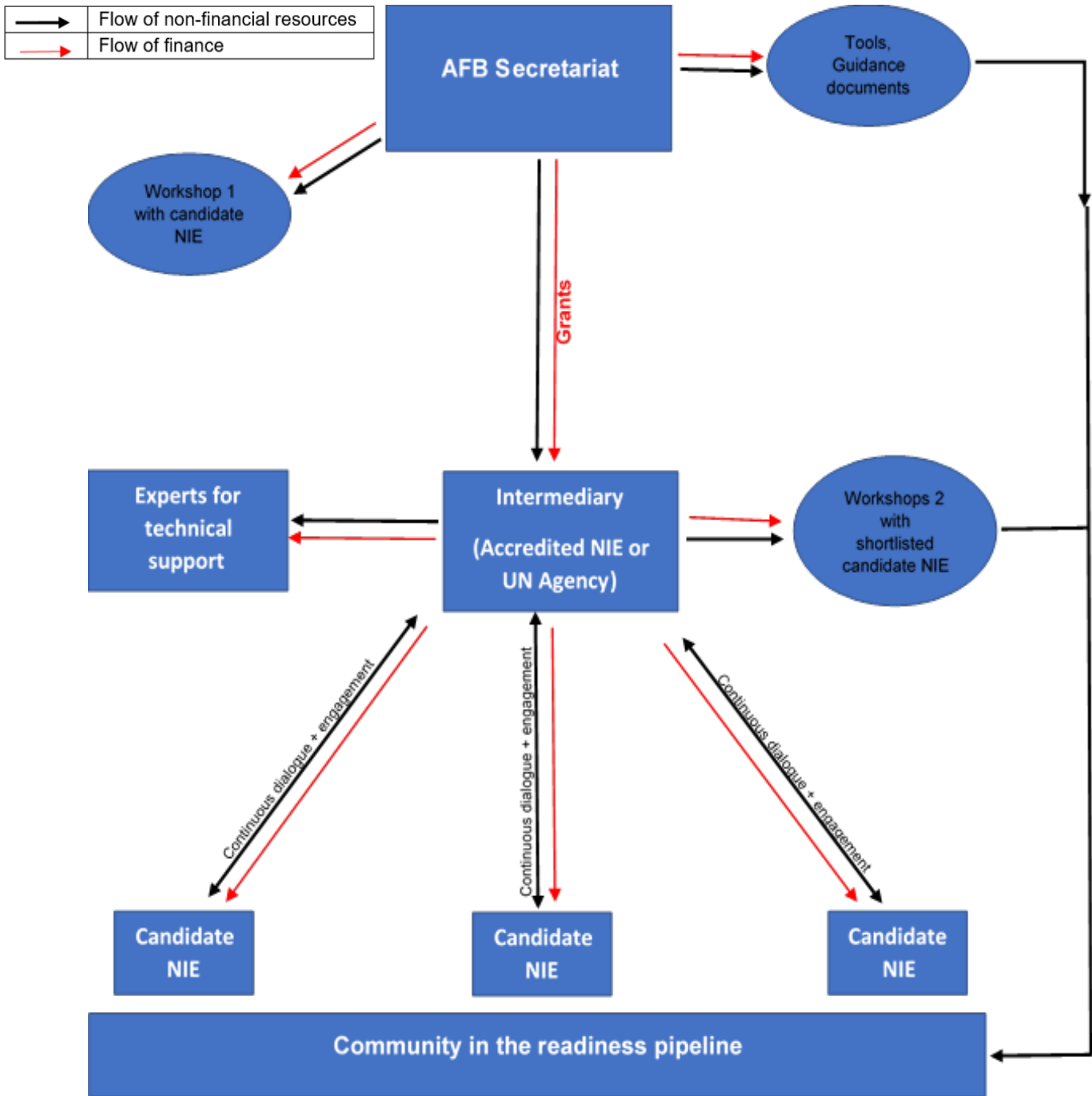
1. This document presents to the Project and Programme Review Committee (PPRC) of the Adaptation Fund Board (the Board) an assessment of the readiness package grant mechanism as requested by the Board at its thirty-sixth meeting. The document provides an analysis for opening the Readiness Package Grant to non-national implementing entity (NIE) intermediaries that are accredited implementing entities of the Fund and presents options for consideration by the Board.

2. At its twenty-ninth meeting the Adaptation Fund Board (the Board) had discussed establishing a readiness package as an additional instrument to existing support for accreditation through which developing countries could receive enhanced support for accreditation by employing a suite of tools simultaneously to advance the delivery of climate finance through Direct Access. The readiness package would facilitate capacity building workshops, provide guidance documents and deliver grants which could be used to finance the hiring of technical expertise to meet the Fund's fiduciary and other accreditation criteria. In addition, the support would be tailored to address specific gap areas identified by the developing countries and recipients of support as requiring further assistance and capacity to swiftly navigate the accreditation process.

3. The Board had also discussed that the readiness package would initially be implemented as a pilot over a period of 1 year, after which the Board would make a decision on whether it should be replicated and implemented with all developing countries that wish to obtain accreditation with the Adaptation Fund, (the Fund), using the Readiness Package Grant (RPG).

4. The RPG would involve the delivery of a suite of tools by an intermediary with complementary support from the Adaptation Fund Board Secretariat (the secretariat). Following the principle of South-South Cooperation, the intermediary in the pilot phase would be an accredited national implementing entity (NIE) in order to promote peer to peer support and South-South cooperation in the delivery of capacity-building support for accreditation. The intermediary would have the flexibility to hire external experts in fiduciary, governance and other relevant expertise as necessary in order to address specific gaps and challenges faced by the selected NIE candidates in the accreditation process. The stakeholders involved in the readiness package and their level of engagement is presented in Figure 1 below.

Figure 1: Design structure of the readiness support package



5. At its twenty-ninth meeting the Board had therefore approved the Readiness Programme workplan for fiscal year 2018 and within the budget set aside for readiness grants, had included a grant for technical assistance through the readiness package. At that meeting, and *having considered the comments and recommendation of the Ethics and Finance Committee, the Adaptation Fund Board (the Board) decided:*

(a) *To approve the draft secretariat work schedule and the proposed work plan for the Readiness Programme for fiscal year 2018, as contained in AFB/EFC.20/7; and*

(b) *To approve the readiness budget increase of US\$ 239,794 to be set aside for direct transfers from the resources of the Adaptation Fund Trust Fund for allocation as small grants under the Readiness Programme, to be transferred at the instruction of the Board as outlined in Annex II of document AFB/EFC.20/7.*

(Decision B.29/36)

6. During the intersessional period between the 34th and 35th meetings of the Board, the Board had approved amendments to readiness grant legal agreements, specifically to update from requiring audited financial statements for small grants, to the requirement for a financial statement signed by the Chief financial officer. *The Adaptation Fund Board, having considered the proposed amendments to legal agreement templates for technical assistance grants for the environmental and social policy and gender policy, gender policy grants, South-South cooperation grants, readiness package grants, and the proposed new legal agreement templates for project formulation assistant grants and project scale-up grants contained in document AFB/B.34-35/12, decided to:*

(a) *Approve the amended and merged legal agreement template for the technical assistance grants for the environmental and social policy and gender policy (TA-ESGP) and the technical assistance grants for the gender policy (TA-GP) as presented in Annex I of document AFB/B.34-35/12.*

(b) *Approve the amended and merged legal agreement template for the South-South Cooperation (SSC) grants and the readiness package grants as presented in Annex II of document AFB/B.34-35/12*

(c) *Approve the legal agreement template for project formulation assistance (PFA) grants as presented in Annex III of document AFB/B.34-35/12*

(d) *Approve the legal agreement template for project scale-up (PSU) grants as presented in Annex IV of document AFB/B.34-35/12*

(e) *Request the Adaptation Fund Board Secretariat to make available on the Fund website, the legal agreement templates mentioned in paragraphs (a) – (d) above.*

(f) *Request the Adaptation Fund Board Secretariat to notify all accredited national implementing entities of the amended and new legal agreement templates for readiness grants.*

(Decision B.34-35/23)

7. At its thirty-sixth meeting, the Board had discussed rolling out the RPG to all developing countries that were eligible¹ to receive funding from the Adaptation Fund (the Fund) following the RPG pilot phase. The RPG would replace South-South Cooperation Grants that had been available under the readiness programme to provide support for the accreditation of an NIE but would retain the principle of South-South Cooperation through a more comprehensive suite of

¹ All developing country Parties to the Kyoto Protocol and Paris Agreement under the United Nations Framework Convention on Climate Change (UNFCCC) that wish to have an NIE accredited with the Fund are eligible to receive the Readiness Package Grant.

tools to address accreditation gap areas within NIE candidates to help them adequately meet the Fund's accreditation criteria. In addition, the RPG would also continue to use accredited NIEs only as intermediaries to deliver readiness and capacity-building support for accreditation to NIE candidates. *Having considered the recommendation of the Project and Programme Review Committee, the Adaptation Fund Board (the Board) decided:*

- (a) To approve the Readiness Package Grant as a standing window and replacement to South-South Cooperation Grants under the Readiness Programme to provide support for the accreditation of a National Implementing Entity (NIE) of the Fund;*
- (b) That the Readiness Package Grant shall be available for accreditation of NIEs only, up to a maximum of US\$ 150,000 per country;*
- (c) That Implementing Entities submitting proposals for the Readiness Package Grant should do so using the application form in Annex I of document AFB/PPRC.27/29 and that such proposals should be reviewed using the review sheet in Annex II of document AFB/PPRC.27/29;*
- (d) That the review cycle and approval of Readiness Package Grants shall follow the review and approval process as well as reporting requirements for readiness grants under the Fund;*
- (e) That already approved South-South Cooperation grants should continue implementation and fulfil all reporting requirements until completion;*
- (f) To request the secretariat to prepare an analysis for opening the Readiness Package Grant to non-NIE intermediaries that are accredited implementing entities of the Fund;*
- (g) To also request the secretariat to notify all accredited implementing entities of this decision by the Board on the Readiness Package Grant and South-South Cooperation Grants.*

(Decision B.36/25)

8. In response to the request by the Board made in paragraph (f) of Decision B.36/25, this document provides an analysis for opening the RPG to non-NIE intermediaries that are accredited implementing entities of the Fund. The non-NIE intermediaries refer to multilateral implementing entities (MIEs) and regional implementing entities (RIEs) that are accredited to the Fund. This therefore means that this document explores the possibility of extending the role of intermediary for the RPGs to all accredited implementing entities (IEs) of the Fund.

Current Readiness Package Grant Mechanism

9. The current process to implement the readiness package follows the structure outlined in Figure 1 above. The structure is meant to facilitate the delivery of enhanced support for accreditation by simultaneously employing a suite of tools to quickly navigate countries through the accreditation process. This includes enabling the recruitment of fiduciary, governance and other experts to support entities navigating the accreditation process to effectively address technical gaps and challenges that could act as barriers for them to obtain accreditation with the Fund.

10. The process involves engaging with all developing countries that are eligible to receive funding from the Fund under the Kyoto Protocol (KP) and Paris Agreement (PA)². The Fund currently has 34 accredited NIEs from 34 countries. As at the time of the present document, there are therefore about 120 Parties to the KP and 123 Parties to the PA that could be eligible to receive funding from the Adaptation Fund through the Direct Access modality.

11. The DA in the country seeking to have an accredited NIE has to nominate a suitable NIE candidate that can successfully meet the Fund's accreditation criteria and requirements. After nominating a suitable NIE candidate, the DA and NIE candidate have to work closely with the intermediary to identify accreditation gaps and needs for the NIE candidate. The intermediary and NIE candidate would also need to identify solutions to address the identified gaps and needs, and then use the RPG to implement a workplan or approach that results in the NIE candidate's successful accreditation with the Fund.

12. In addition to the support via the RPG, the secretariat hosts capacity-building workshops with intermediaries and all eligible developing country Parties to the KP and PA that wish to access resources from the Fund through its Direct Access modality. The workshops can be region specific or more global oriented and cover: Up-to-date information about the Fund's accreditation process and procedures; Challenges and gaps being experienced within different regions and by individual applicants; Challenges faced by intermediaries in delivering support; and experience and lesson sharing by entities still navigating the accreditation process and intermediaries providing support.

13. The activities of the main actors in the RPG are described briefly below:

- ***The Adaptation Fund Board Secretariat:*** The secretariat plays an oversight role and provides guidance on structural matters regarding the RPG mechanism as a whole and may develop additional tools and guidance material on the Fund's accreditation criteria and process.
- ***The intermediary:*** The role of the intermediary is to implement the RPG project. This includes submitting the RPG proposal to the Board on behalf of the entities seeking accreditation and managing the grant upon its approval by the Board. The proposal is expected to provide detailed information on targeted and tailored support to address specific gap areas identified jointly with the NIE candidate.
- ***Developing countries/entities seeking accreditation with the Fund:*** The RPG strongly follows a country driven and demand driven approach. Developing countries and entities seeking accreditation with the Fund that receive support through the RPG would be expected to drive the process of their accreditation and demonstrate commitment to going through the accreditation process to achieve direct access through the Fund.

Specific role of the intermediary in the current RPG mechanism

14. As depicted in Figure 1 above, the RPG process starts with the Adaptation Fund Designated Authority (DA) of an eligible developing country identifying an eligible accredited NIE of the Fund that can act as intermediary to deliver support for accreditation through the

² These include about 155 countries classified as non-Annex I Parties under the KP ([see list of KP Parties here](#)) and 156 classified as developing country Parties under the PA ([see list of Parties to the PA here](#))

RPG. The DA initiates dialogue with the accredited NIE and discusses their current accreditation status and needs.

15. The intermediary engages the DA, and through continued dialogue and exchange, guides the DA on how to nominate a suitable NIE candidate, based on key Adaptation Fund accreditation requirements related to experience managing project finance, institutional capacity and experience implementing and managing the full climate change or development finance project life cycle, and an institution's competency for transparency, self-investigative powers and anti-corruption measures.

16. Following nomination, the intermediary engages directly with the nominated NIE candidate and provides guidance for the NIE candidate to conduct a self-assessment on its suitability to meet the Fund's accreditation criteria. At this point, the intermediary and NIE candidate also jointly identify the NIE candidate's accreditation needs, gaps and required solutions to obtain accreditation with the Fund.

17. The intermediary then jointly prepares a proposal with the NIE candidate for receiving a RPG on behalf of the NIE candidate, based on the assessment of accreditation needs, gaps and proposed solutions, the endorsement of the DA, and the requirements in the RPG application form. Finally, the intermediary submits the completed RPG proposal to the Board through the secretariat for consideration and decision.

Eligibility of intermediaries in the current RPG mechanism

18. The current RPG prescribes that the intermediary in the grant mechanism has to be an accredited NIE of the Fund. Eligible NIEs to provide support as an intermediary should have tangible achievements with the Fund. The accredited NIEs should have experience providing peer support to national, sub-national and/or local entities relevant to the Fund's accreditation process, either through the Fund, or autonomously. The accredited NIEs should also have experience in the preparation and implementation of concrete adaptation projects and programmes of the Fund.

19. To be considered eligible for the role of intermediary, an accredited NIE has to fulfil all of the following criteria;

- must currently have an “active accreditation” status with the Adaptation Fund;
- must have experience advising or organizing support relevant to accreditation or capacity building to institutions, organizations or other entities in developing countries at the national, sub-national or local level to receive climate finance for adaptation projects and programmes.
- must have experience implementing a concrete Adaptation Fund project or programme and have submitted at least one project performance report (PPR), hence demonstrating commitment to adhere to the fund's fiduciary standards, operational policies and guidelines.

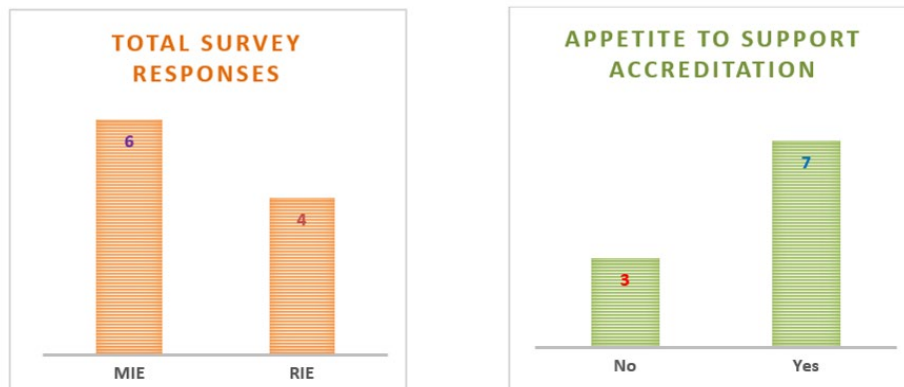
Analysis of survey responses by MIEs and RIEs

20. The secretariat had sent a short four question survey to all the Fund's accredited regional implementing entities (RIEs) and multilateral implementing entities (MIEs) to ascertain

their appetite and ability to act as intermediaries in the delivery of readiness and capacity-building support for accreditation via the RPG. As at the time of the present document, the Fund had 14 MIEs and 9 RIEs, all of whom were sent the survey.

21. The secretariat sent the survey to MIEs and RIEs via SurveyMonkey and followed up with multiple reminders. After 3 weeks of no response, the secretariat re-sent the survey via email and followed up again with multiple reminders for a further week. Ultimately, less than 50% of the entities that were sent the survey responded, and of those, three entities indicated that they were not in a position to take on the role of intermediary. These results are presented in Figure 2 below.

Figure 2: Overall responses to survey



22. The reasons cited by the implementing entities (IEs) that ticked “No” to the question on whether providing capacity-building to NIE candidates to support them to navigate the Fund’s accreditation process was within their mandate and whether it was feasible for them to do it were related to lack of internal capacity to engage in delivering this type of support, or to the support being outside the IE’s mandate. Those that ticked “Yes” explained that they were either already providing similar type of support to countries, that such support was embedded into their organization strategy, or that such support was included in their mandate to support member countries.

23. IEs were also asked how they envisaged the support they could provide for accreditation to the Fund to look like. The responses are shown in Figure 3 below.

Figure 3: IEs take on processes they could follow to support NIE accreditation



24. The responses can be summarized under four main elements which are: Support for in-country engagement; Supporting the application for accreditation; Support for activities related to aligning the NIE candidate's policies with accreditation policies of the Fund; and Support for process oriented activities. However, the specific responses within each of these elements were broad and varied greatly between IEs, and it was apparent that there was limited understanding by most MIEs and RIEs of how the RPG works in practice, and how the grant is tailored to address specific gaps and needs in candidate NIEs.

25. Based on the IE responses in Figure 3 above which show gaps in MIE and RIE understanding of how the RPG works, it could be useful to do outreach to raise awareness and increase the IEs' knowledge on delivering support for NIE accreditation via the RPGs.

26. The fourth question asked in the survey asked IEs if they had any expectations from the secretariat to facilitate their delivery of support for accreditation to NIE candidates. Responses to this question expressed the need for direct engagement with the secretariat, including clear guidance and active support to the MIEs and RIEs, clear guidance for implementing the grant, and clear performance benchmarks. In addition, there was also a request that costs and reporting obligations should be streamlined and addressed at the portfolio level where possible to avoid a project by project approach. Most of these responses are already catered for and embedded in the current operational modality of the RPG. and the responses expressed by the IEs could be further addressed via the outreach activities mentioned earlier, to increase awareness and knowledge on the operational aspects of the RPG and to increase direct engagement between the secretariat staff and IEs interested in supporting NIE accreditation via the RPG.

27. The secretariat also followed up with the MIEs and RIEs regarding the adequacy and relevance of the IE fee/management fee for the purpose of the RPG. In addition, the secretariat reached out to accredited NIEs who had previously delivered support for accreditation to other NIE candidates using South-South Cooperation grants before these grants were replaced with the RPG, and those who had delivered support for accreditation using the RPG. Almost all IEs that responded to the survey indicated that the current management fee was adequate. Only one IE mentioned that the standard fee for their projects was higher, but they also expressed that they accept the current fee for the RPGs and expressed acknowledgement that from their experience, multilateral funding mechanisms generally do have lower fees.

Extending the role of intermediary in future RPGs

28. There are some options the Board could examine in its consideration to extend the role of intermediary to other IEs of the Fund than NIEs. In all options, a key issue is the continuation of the role of the secretariat in the RPG mechanism. One of the key objectives of the readiness programme as set by the Board and articulated in the readiness programme results framework is: *To increase the preparedness of applicant national implementing entities seeking accreditation by the Adaptation Fund*³. In line with this objective, and as an implementing strategy for the RPG, the secretariat has been targeting all developing countries that are eligible to receive funding from the Adaptation Fund in its capacity-building activities. This has been through accreditation focused regional workshops with developing country Parties, the dissemination of accreditation related guidance documents, and active participation at international events that bring developing countries together, such as the United Nations (UN) regional climate weeks, the Paris Committee on Capacity-Building (PCCB) events, the United Nations Framework Convention on Climate Change (UNFCCC) conference of the Parties (COPs), and many others.

29. Through these capacity-building activities, the secretariat has been addressing specific gaps and challenges developing countries have been facing either from a regional context or from a broader global context. Gaps and challenges discussed include the identification of a suitable NIE candidate, initiating and submitting a complete accreditation application, and how to navigate the accreditation process of the Fund from submission of the application to decision by the Board. As there is wide variation in the accreditation status of countries, with some countries having submitted applications that are under review by the Accreditation Panel (AP) and some not yet nominated a Designated Authority (DA) for the Fund, the workshops are iterative in nature and repeated across the same geographic regions where developing countries are located. The workshops are also held in partnership with other organizations, that share the Fund's objectives, as much as is possible. At least two workshops are hosted by the secretariat per fiscal year as Adaptation Fund sponsored events wholly focused on delivering readiness and capacity-building support for accreditation to the Fund. It should be noted as highlighted earlier, that the secretariat also participates in other events by other organizations outside of its own workshops, to support accreditation to the Fund and to raise awareness on the RPGs.

30. The role of the secretariat could therefore continue as before but add a layer of raising awareness and enhancing knowledge for intermediaries on the RPG mechanism regardless of which option would be taken up by the Board.

Option 1: Maintain the status quo

³ See decision B.30/45

31. Maintaining the status quo would mean that the role of intermediary stays only with NIEs and MIEs and RIEs cannot act as intermediaries in the RPG mechanism.

32. This option could be justified based on the low feedback received from MIEs and RIEs in the survey sent out by the secretariat to explore their level of interest. Despite numerous efforts by the secretariat to solicit feedback, less than 50% of surveyed IEs responded, and within those that responded, 30% indicated that they were currently not in a position to take on the role of intermediary. Due to this low level of interest, the Board could focus more on accredited NIEs by raising awareness and increasing outreach to them so that they increase the number of active NIE intermediaries.

Advantages

33. The benefit of maintaining the status quo would be to further strengthen the concept of South-South cooperation towards obtaining accreditation with the Fund through a process driven by peer to peer support, in which organizations operating in similar contexts can strengthen collective self-reliance, share solutions, experts and develop complementary capacity.

Disadvantages

34. The number of intermediaries would remain low compared to the situation in which all accredited IEs have the possibility of becoming intermediaries.

35. NIE candidates could miss out on learning from the experience of larger institutions that have regional and global reach. This wider reach could open up wider sources of support e.g., international consultants and experiences of international office staff.

Option 2: Open the RPG to all IE intermediaries

36. Under this option, the role of intermediary could be opened to all accredited IEs of the Fund. The eligibility criteria for an IE to access the RPG and deliver support for accreditation would remain unchanged and would apply uniformly to all IEs. As highlighted earlier, these requirements would be that:

- the IE must currently have an “active accreditation” status with the Adaptation Fund;
- the IE must have experience advising or organizing support relevant to accreditation or capacity building to institutions, organizations or other entities in developing countries at the national, sub-national or local level to receive climate finance for adaptation projects and programmes; and
- the IE must have experience implementing a concrete Adaptation Fund project or programme and have submitted at least one project performance report (PPR), hence demonstrating commitment to adhere to the fund’s fiduciary standards, operational policies and guidelines.

Advantages

37. This approach would effectively increase the number of entities supporting accreditation of NIE candidates. This could mean that there would be more options for NIE candidates to choose from and could lead to more NIE candidates receiving support for accreditation.

38. This approach would increase the diversity of IEs supporting accreditation as well as the variety and pool of skills available to NIE candidates. Different types of IEs offer different skills and experience which could benefit both the NIE candidates as well as other intermediaries through lesson and knowledge sharing. This could ultimately improve the quality of support delivered to NIE candidates.

39. Following this approach would not require a change in Fund policies, procedures or templates. This would mean that the approach could be immediately implemented following a decision by the Board on the approach, and NIE candidates could access the RPG and wider pool of intermediaries without delay.

Disadvantages

40. A disadvantage of this approach could be the need for more resources to raise awareness and increase knowledge for a higher number of intermediaries than before. However, this could be mitigated through merging such activities with other readiness events by the Fund, or with events by partner organizations.

Proposed recommendation for option 1

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

- a) To maintain it as an eligibility criterion that an intermediary delivering support for the accreditation of a national implementing entity (NIE) via the readiness package grant should be an accredited NIE of the Fund;

Proposed recommendation for option 2

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

- a) To extend the role of intermediary in the delivery of support for the accreditation of a national implementing entity (NIE) via the readiness package grant to all accredited implementing entities (IEs) of the Fund;
- b) To require that all accredited IEs of the Fund that wish to deliver support for accreditation of an NIE via the readiness package grant should meet the eligibility requirements specified under option 2 of document AFB/PPRC.31/63;
- c) To request the Adaptation Fund Board Secretariat to update the website and notify all accredited IEs of the above decision by the Board.