MTS-II Implementation Developments and Operational Updates

Programming and Innovation Unit,

Adaptation Fund Board secretariat

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What is available for eligible Parties

Concrete adaptation activities in the most vulnerable communities

visible and tangible impacts at the local level that can be scaled up

No prescribed sectors or approaches

country-driven process that accommodates countries' priorities and adaptation reasoning

Country allocation USD 20 million available per country & up to 2 NIEs per country

For single country projects, other grants available outside of country cap.

(Must access at least 8M or have a project completed more than 4 years to access second US 10M.)

Finance the full cost of adaptation

No co-financing requirements

50% of portfolio for Direct Access

Total allocation for projects/ programmes submitted by MIEs cannot exceed 50% of resources

Available Funding Windows

ACTION	INNOVATION	LEARNING & SHARING
Single country projects (up to $10M) within cap of $20M per country +Project Formulation Grants (PFG)	**Small grants (up to $250K)**	**Learning grants (up to $500K)**
NIEs, RIEs, MIEs	NIEs	NIEs
Regional projects (multi-country) Up to $14M +PFG	**Small grants (up to $250K)** in innovation for non-accredited entities through AFCIA	
RIEs, MIEs	Current AFCIA Partners: UNDP, UNEP-CTCN, UNIDO, WFP	
Locally-led Adaptation (LLA) (formerly Enhanced Direct Access - EDA) Up to $5M per project/programme +PFG	**Large grants (up to $5M)**	
NIEs, RIEs, MIEs	Single country (NIE, RIE, MIE) or Regional (RIE, MIE)	

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Additional delivery modalities for expanding support to LLA in the Adaptation Fund

Action Funding Windows

Windows	Country Cap	Process (*1)	Accredited Implementing Entities (IEs)		
			National IEs	Regional IEs	Multilateral IEs
Single Country (one country) Up to USD 10M per project/program	USD 20M	1 or 2 steps	✓ PFG accessible	✓ PFG accessible	✓ PFG accessible
Regional (2+ countries) Up to USD 14M per project/program		1, 2, or 3 steps		✓ PFG accessible	✓ PFG accessible
Single Country LLA Window (*2) Up to USD 5M per programme			✓ PFG accessible	✓ PFG accessible	✓ PFG accessible
Project Scale-Up (*3) Up to USD 100K per project/program			✓ No PFG		

(*1) 1 step: Full Proposal, 2 steps: Concept → Full Proposal, 3 steps: Pre-Concept → Concept → Full Proposal

(*2) Supports bottom-up approaches through local knowledge and locally-led action. Project selection occurs at the national and sub-national level

(*3) Supports planning, design and overall capacity to develop scale-up pathways for AF funded projects nearing completion on already completed

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LLA Funding Windows (outside of country cap)

National IEs

Regional IEs

Multilateral IEs

Non-Accredited Entities

Global Aggregator

Scale UP

Single Country

Regional
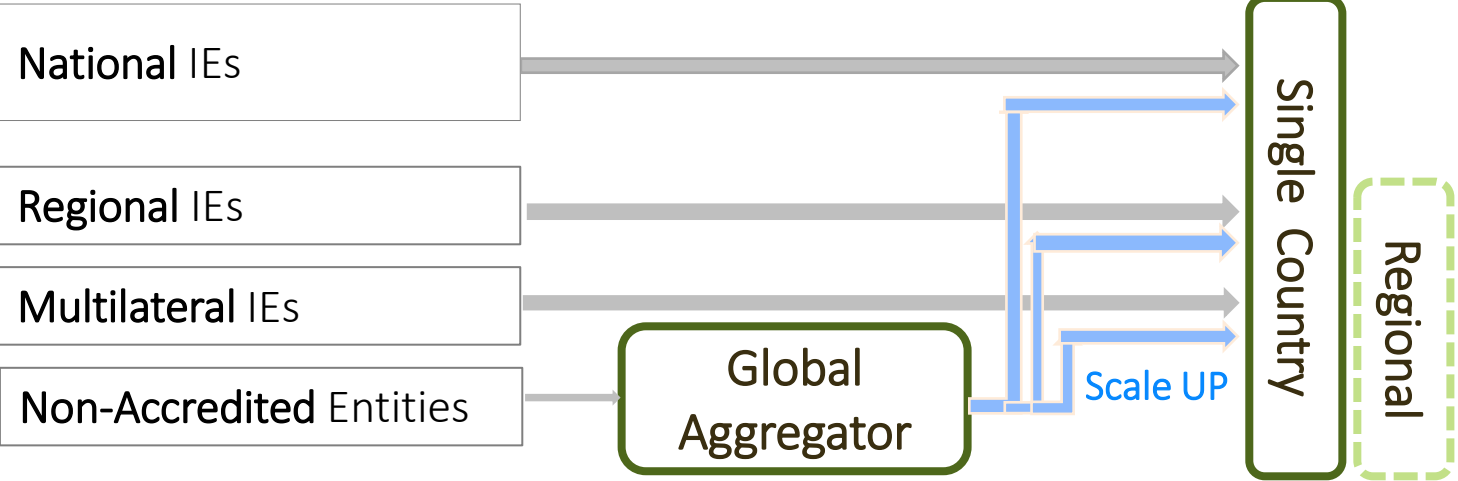
Support to Locally-led adaptation

Devolving finance

- Based on the 8 Principles for Locally-led Adaptation

Direct support to non-accredited actors

- Small grants made available to local actors
- Tailored to local needs and capacities
- M&E to be defined so as to appropriate for local contexts

Photo by UNDP

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Additional delivery modalities for expanding support to LLA in the Adaptation Fund https://www.adaptation-fund.org/apply-funding/locally-led-adaptation/

Single country LLA projects

Replacing the existing Enhanced Direct Access window with Single Country LLA Window

> Encourage national programming
>
> Build capacity of national delivery mechanisms
>
> Enable involvement of subnational and local actors

> NIE, RIE, MIE
>
> Countries can access up to US$ 5 million per project/programme
>
> PFG set for a maximum of US$ 150k + US$ 100K
>
> Operationalizing LLA Principles

Global Aggregator

EOI has been issued, EOIs currently under consideration

> Enable direct access to non-accredited entities
>
> Coordinate capacity development (tools, marketplace, networks)
>
> Support to build in-country programming

> RIE, MIE
>
> Secretariat to issue Expressions of Interest (EOI)
>
> Provisional size of the aggregator US$ 35 Million

Regional LLA projects (3+ countries)

> Strengthen regional delivery mechanism(s)
>
> Deliver tailored capacity building & Learning Hubs
>
> Leveraging synergies based on regional similarities
>
> Address transboundary needs

> Details of this funding window, including the size of the grant, size of PFG and specific criteria for review of regional LLA projects for consideration by the Board at its AFB44 (Spring 2025)

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Next steps

Single Country LLA projects

- Revised proposal template and project review sheet contained respectively in Annex 3 and Annex 4 of document AFB/PPRC.33/39 approved at AFB42 https://www.adaptation-fund.org/document/additional-delivery-modalities-for-expanding-support-to-locally-led-adaptation/

- Instructions for preparing requests for proposals and additional guideline materials for projects/programmes under this window https://www.adaptation-fund.org/apply-funding/locally-led-adaptation/lla-single-country-grants/

Global Aggregator for LLA

- Secretariat has recently issued a request for EOIs from MIEs and RIEs to serve as aggregator(s) for small grants for LLA under the Global LLA Aggregator programme.

- Criteria described in paragraphs 45-53 https://www.adaptation-fund.org/document/additional-delivery-modalities-for-expanding-support-to-locally-led-adaptation/

- EOIs are received, and to present the results to the PPRC at its 34th meeting (Oct 2024).

- Guidance to the MIE and RIE aggregators for preparing proposals the Global LLA Aggregator programme (about to be launched)

Regional LLA projects/ programmes

- Secretariat to present options for a new window for regional projects for consideration by the AFB at its 44th meeting (Spring 2025).
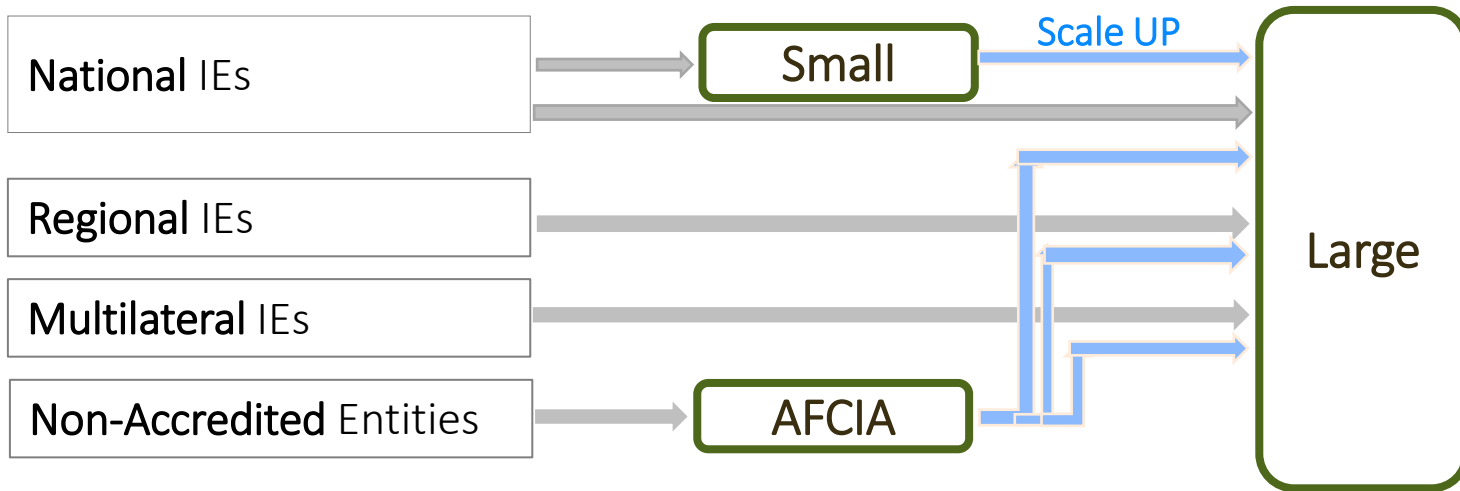
Indicators for LLA projects and programmes

- Secretariat developing indicators for LLA projects and programme for consideration by the AFB at its 44th meeting (Spring 2025)

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Overview of AF Funding Windows

Innovation

Innovation Funding Window (outside of country cap)

National IEs → Small → Scale UP → Large

Regional IEs → Large

Multilateral IEs → Large

Non-Accredited Entities → AFCIA → Large

Examples: Types of Interventions with small and large grants

Testing New Products/Service

- Introduce new traps for pests management
- Introduce an innovative water-filled barrier for flood and drought
- New financial mechanism tailored to adaptation business

Co-Creating Solutions

- Digital education for youth
- The distributed generation of drinking water through engagement with academic and private sector

Photo by UNDP

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Expanding AFCIA Partners

Project Status	Implementing Entities	Amount AF Financed	Current Result / Project Target
Under Implementation	UNDP	$5M	44 grantees (as of 2023), Two-time calls
	UNEP-CTCN -I	$5M	25 grantees (as of 2023), Three-time calls
Proposal Approved	UNIDO	$10M	Support SMEs in developing countries with incubation/acceleration programs and grants, aiming to 80 early-stage and 32 growth-stage SMEs. (2024-2028)
	WFP	$10M	Support startups in developing countries with acceleration programs and grants, aiming to 16-20 startups each at early and growth stage. (2024-2028)
	UNEP-CTCN -II	$10M	Target: Non-Annex1 countries. The project includes 1) TA to 40 technologies, 2) Additional TA to scale up, and 3) Further assistance to strengthen NSIs.
Invited to submit proposal	SPC		Not yet submitted.
	SPREP		Not yet submitted.
Proposal submitted	UNEP-CTCN	$2.6 M	AF Board invited UNEP-CTCN to submit the AFCIA Coordination Proposal to develop synergy among partners. The Board will consider this proposal at October 2024 meeting.

Small Grants Latest Updates

Learning Grants and Bundling

Background

At the 42nd meeting , the Board decided to:

(a) To approve the increase of learning grants from the current US$ 150,000 per project to US$ 500,000 per project to provide support for national implementing entities in capturing and disseminating practical lessons from adaptation interventions;

(b) To request the secretariat:

  (i) To prepare operational policies for the learning grant window, reflecting the change in project scale;

  (ii) To prepare, through a consultative process, a proposal for a framework approach for bundling with small grants; and

  (iii) To present the outputs of the work described under subparagraphs (b) (i) and (b) (ii) above to the Project and Programme Review Committee at its thirty-fourth meeting.

- *(Decision B.42/34)*

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Overview of Learning Grants

Main objectives of learning grants are:

(a) Transferring knowledge from one NIE to another;

(b) Transferring knowledge from NIEs to the wider climate finance adaptation community and

(c) Developing knowledge and guidelines through partnerships.

The goal of learning grants is to help encourage a culture of learning across institutions and help build NIE capacities in knowledge management. They represent a window of opportunity to capture, study and disseminate practical lessons from adaptation interventions that are additional to KM activities already financed under Adaptation Fund-approved projects/ programmes.

Learning grants represent an opportunity for implementing entities to develop knowledge products as well as setting up a knowledge management system for effective management and dissemination of learning material. Additionally, they aim to complement collaborative knowledge and sharing efforts with respect to partnerships with diverse stakeholders on the ground.

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List of Activities Funded under Learning Grants

- Activities to be funded by the learning grants should fall under the following categories of activities:
(i) transferring knowledge between NIEs or from NIEs to the wider climate adaptation community
(ii) developing knowledge and guidelines through partnerships. Below is a <u>non-exhaustive</u> list of activities that could be funded by the learning grants.

  - Lessons learnt
  - Studies and publications
  - Technical guidance briefs
  - Policy briefs
  - Partnerships
  - Knowledge platforms
  - Adaptation finance workshops
  - Resource centers
  - Knowledge sharing events
  - Country exchanges
  - Learning courses

  - Monitoring, evaluation and learning
  - Research and academia

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Bundling pilot

- MTS-II IP calls **for stronger linkages among pillars generally, and Innovation and Learning-and-Sharing specifically** (develop options and policies for bundling innovation grants with other small grants)

- Combining resources and accessing funding via a single submission template:
  - Streamlined process
  - Planning projects and programmes more holistically, including alignment with NAPs and NDCs
  - More efficient allocation of resources to critical areas of innovation and learning
  - By leveraging the strengths of both innovation and learning, integrated projects can achieve more comprehensive and sustainable results
  - Combining innovative solutions with dedicated learning components, bundled projects can create a virtuous cycle of innovation, application, and continuous improvement.

- NIE-driven interest already apparent – some proposals seem relevant/eligible for both innovation and learning grants.

- This is a pilot that may lead to insights on how to bundle different types of grants.

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Project Implementation and Execution

Costs and Fees

IMPLEMENTATION ARRANGEMENTS

Role of the <u>implementing entities</u>: to administer the AF financing and supervise the project

- Full responsibility for the overall management of a project or programme financed by the AF
- Within the project, specific responsibilities may be delegated to Executing Entities (project partners) but IE bears ultimate responsibility of EE actions
- All financial, monitoring and reporting responsibilities
- No differentiation between MIE, RIE and NIE

Role of the <u>executing entities</u>: executes and manage day-to-day project operations and activities

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Cost and Fees Calculation

- Project/programme activities cost = A

- Project/programme execution cost =B (capped at 10%, 9.5%, 1.5% of A+B)

- Total project/programme cost = A+B

- Implementing Entity Fee = C (capped at 10%, 8.5% of A+B)

- Total amount of funding requested, or the grant amount=A+B+C

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Additional Guidance

MAINTAIN THE PRINCIPLE OF THE SEPARATION BETWEEN IMPLEMENTING AND EXECUTION SERVICES

EE COSTS WOULD BE CAPPED AT 1.5% IF IE EXECUTES THE PROJECTS OR PART OF IT (DECISIONS B.17/17, B.18/30)

DISBURSEMENT SCHEDULE TABLE SHOULD COMPLY WITH PRESCRIBED FORMAT

HTTPS://WWW.ADAPTATION-FUND.ORG/APPLY-FUNDING/PROJECT-FUNDING/PROJECT-PROPOSAL-MATERIALS/

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Harmonized Costs and fees

- The harmonization of EE costs and IE fees across the various windows **aims to reduce confusion for IEs and simplify calculations by IE as well as reduce risk of errors in the review and oversight process by Secretariat**.

a) Regarding IE fees, the limit is to be:

i. i. For single country projects and programmes, 8.5% of total project/programme cost for all funding windows;

- ii. For regional projects and programmes, 10% of total project/programme cost for all funding windows;

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Harmonized Costs and fees

- **(b) Regarding the EE costs:**

i. Where the EE is different from the IE, for single country projects and programmes, the limit is to be 9.5% of total project/programme and, for regional projects and programmes, 10% of total project/programme cost for all windows, with the following specifications:

  - 1. In line with Decisions B.13/17 and B.38/42, to require the IE to **provide justification as part of its proposal submission if requesting costs beyond the cap on an** <u>exceptional</u> **case-by-case basis**;

  - 2. **For LLA and innovation projects, reflecting the need for added flexibility**, to require the IE to provide justification as part of its proposal submission if requesting costs beyond the cap on a case-by-case basis;

  - 3. For LLA and innovation projects which may require additional investments to support execution, **certain activities may be eligible to be charged under a project component when the EE or EEs in those cases is/are not yet identified**. The IE would be required to **provide justification as part of its proposal submission if requesting costs beyond the cap on a case-by-case basis**.

Harmonized Costs and fees

- **(b) Regarding the EE costs:**

i. Where the EE is different from the IE, for single country projects and programmes, the limit is to be 9.5% of total project/programme and, for regional projects and programmes, 10% of total project/programme cost for all windows, with the following specifications:

  - 1. In line with Decisions B.13/17 and B.38/42, to require the IE to **provide justification as part of its proposal submission if requesting costs beyond the cap on an** <u>exceptional</u> **case-by-case basis**;

  - 2. **For LLA and innovation projects, reflecting the need for added flexibility**, to require the IE to provide justification as part of its proposal submission if requesting costs beyond the cap on a case-by-case basis;

  - 3. For LLA and innovation projects which may require additional investments to support execution, **certain activities may be eligible to be charged under a project component when the EE or EEs in those cases is/are not yet identified**. The IE would be required to provide justification as part of its proposal submission if requesting costs beyond the cap on a case-by-case basis.

Harmonized Costs and fees

- ii. **Maintain the principle of the separation between implementing and execution services** and that EE costs would be **capped at 1.5%** if IE executes the projects or part of it pursuant to Decisions B.17/17, B.18/30 and, also **recalling the option of flexibility with justifications on a case-by-case basis**, Decision B.38/42.

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IE and EE Fees Calculation

- The Excel tool to calculate or verify IE and EE fees

- Follow the instructions and enter data into the green cells

- IE and EE Fees Calculator (EXCEL)

Project Formulation Grants

Expanded Access to PFG Funding

Increased PFG support to implementing entities

Increasing the size of the PFG to better provide for the actual needs of undertaking key assessments and required consultations and could therefore be expected to enhance the quality of the proposals.

Additional PFG funding for LLA projects to support activities that enable devolving decision making to local actors & to enable local actors to make informed decisions on how adaptation actions are defined, prioritized, designed and implemented.

Project formulation grants (PFG)

- The limits for PFG grants were amended since AFB42 as follows:

1. For *single country projects across all windows* [regular and large innovation are accessible through NIEs, RIEs and NIEs

    a. Project size below US$2M = PFG amount US$50,0000

    b. Project size US$2M to US$5M = PFG amount US$100,000

    c. Project size US$5M and above =PFG amount US$150,000

    d. LLA projects = PFG amount US$150,000 plus additional PFG up to US$100,000. (to tap into the additional US$100,000 requests will be evaluated on a case by case basis)

2. For *regional projects across all windows*

    a. Project size US$5M and above with less than three countries = PFG amount of US$150,000

    b. Project size US$5M and above with 3 and above countries = PFG additional amount of US$15,000 per additional country up to a maximum of US$250,000.

- When a 3-step approach is used, the maximum amount of PFG that can be requested at Pre-concept stage is limited twenty percent 20% of the maximum total PFG applicable to the project.

Template available at https://www.adaptation-fund.org/apply-funding/project-funding/project-proposal-materials/

PFG Description AF PFG Webpage ; AFB/PPRC.33/40_ PFG Paper

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Activities that are eligible for PFG funding

Local consultations, and/or workshops to discuss the specific project and program ideas (including translation into local languages, preparation of background papers, etc).	Travel costs for experts, when required, for consultations and discussions with interested parties and stakeholders, and local participation as needed in project design.	Country-, region-, or site-specific risk assessments, including identifying hazards, vulnerabilities, development of scenarios and determining hazard mitigation options.	Consultancies and contracts to develop program and/or project options.
Gender and Environmental and Social risk analyses and formulation of Environmental and Social Management Plan and Gender Action Plan.	Free prior and informed consent and related consultations where appropriate to ensure compliance with the Environmental and Social Policy.	Specific analyses in support of the proposed projects (policy analysis, data inventories and analyses, cost effectiveness, etc).	Identification of project or programme indicators and development of monitoring and evaluation plan.
Costs of translating documents into and out of English.	Assessing capacity of executing partners.	Enabling activities that support devolving the decision making regarding the project design to the lowest appropriate level.	Identification of project/programme level indicators

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Expenditures that are **not eligible** for PFG support include:

Costs associated with normal responsibilities of an IE and/or government staff beyond specific project preparation and formulation activities.

Project start-up costs; demonstration and pilot projects and large-scale enabling activities.

Capital goods other than those directly required for project preparation (e.g. computers, hardware and mechanical equipment).

Purchase of motorized vehicles.

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Updated PFG template

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Revised PFG Submission Form[1] (additions in red)

Project Formulation Grant (PFG)

Submission Date:

Adaptation Fund Project ID:
Country/ies:
Title of Project/Programme:
Type of IE (NIE/RIE/MIE):
Implementing Entity:
Executing Entity/ies:

A. Project Preparation Timeframe

Start date of PFG	
Completion date of PFG	

B.   Proposed Project Preparation Activities ($)

List of Proposed Project Preparation Activities	Output of the PFG Activities	US$ Amount	Budget note[2]
Total Project Formulation Grant			

Please describe below each of the PFG activities and provide justifications for their need and for the amount of funding required:

For LLA Projects only:

If requesting additional funding for LLA projects to enable devolving decision making to the local level, please specify the activities that would directly serve to enable devolving decision making to the lowest

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[1] As presented in AFB/PPRC.33/40 Annex 1.
[2] The proposal should include a detailed budget with budget notes indicating the break- down of costs at the activity level. It should also include a budget on the Implementing Entity management fee use.
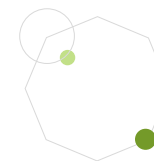
appropriate level and enable local actors to make informed decisions on how adaptation actions are defined, prioritized, designed, and implemented:

Please provide justifications for their need and for the amount of additional funding required:

C. Implementing Entity

This request has been prepared in accordance with the Adaptation Fund Board's procedures and meets the Adaptation Fund's criteria for project identification and formulation

| Implementing Entity Coordinator, IE Name	Signature	Date (Month, day, year)	Project Contact Person	Telephone	Email Address

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COSTS & FEES: TYPES OF SUPPORT

Cost item	Covered by IE fees	Covered by EE costs	Not covered by AF grant
Staff	IE staff salary or time for project development, monitoring and supervision. Project preparation and management oversight including financial management and quality insurance, Implementation reports supervision, and Project completion and evaluation oversight.	Salary of project staff and project related activity expenditures (Monitoring and evaluation costs) Costs related to drafting progress reports and financial reports; Consultation with project stakeholders (meetings, workshops); Communication,	Government seconded staff
Corporate activities fees related to engagement with donor	Policy support, Portfolio management, Reporting, Outreach and knowledge sharing		
Monitoring and Evaluation	*Mid-term Evaluation costs, if mandatory for IE *Supervision of preparation of annual project reports and project evaluation reports	*Project financial reports *RBM *Final Evaluation costs *Office facilities, equipment and communications	Independent reviews or evaluations of the projects and programmes by AF Board
Travel	Project supervision missions and steering committee meetings	Travel related to project execution	
Audit	Ensure compliance with audit requirements	Project financial audit	

Table 3: List of activities to-date funded by AF grant and covered by IE fees and execution costs

Cost item	Type of support		
	Covered by IE fees	**Covered by project execution costs**	**Not covered by AF grant**
Staff	IE staff salary or time for project development, monitoring and supervision	Salary of project staff	Government-seconded staff
Monitoring and evaluation	Mid-term Evaluation costs, if mandatory for IE Supervision of preparation of annual project reports and project evaluation reports	Project financial reports RBM Final Evaluation costs Office facilities, equipment and communications	Independent reviews or evaluations of the projects and programmes by AF Board
Travel	Project supervision missions and steering committee meetings	Travel related to project execution	
Audit	Ensure compliance with audit requirements	Project financial audit	

AFB/PPRC.32/22

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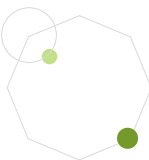
PFG caps per project/programme inclusive of IE fee
IE fee capped at 8.5%

Single Country projects under all funding windows (regular, large innovation and [EDA/LLA]): MIE/RIE/NIE projects	PFG for LLA projects:	Regional projects under all funding windows:	PFG for projects submitted using three-step approach:
• For single country projects below US$ 2 million the limit is set at US$ 50,000; • For single country projects US$ 2 million and above but below US$ 5 million the limit is set at US$ 100,000; • For single country projects US$ 5 million and above, the limit is set at US$ 150,000;	• For single country LLA projects US$ 150,000 in PFG support. • Additional PFG amount up to a maximum of US$ 100,000 and will be evaluated on a case-by-case basis as per the provided justifications	• For all regional projects of US$ 5 million and above with less than three countries, the limit is set at US$ 150,000. • The limit can **increase by US$ 15,000 for each additional country involved**, up to a maximum of US$ 250,000.	• When a 3-step approach is used, the maximum amount of PFG that can be requested at the pre-concept stage is twenty percent (20%) of the maximum total PFG applicable to the project.

Requests for a PFG should be made at the same time as the submission of a project concept or pre-concept to the secretariat using the revised PFG form in Annex I of document AFB/PPRC.33/40.

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Thank You | ADAPTATION FUND

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