GREEN CLIMATE FUND

Readiness and Preparatory Support

Direct Access Proposal Template

DAE Support Window

Proposal title

Strengthening the Federated States of Micronesia Development Bank's capacity as a Direct Access Entity to support the Federated States of Micronesia's Country Programme priorities (38210)

Direct Access Entity

Federated States of Micronesia Development Bank

Version Update: 15 Sep 2025 | Initial: 22 Sep 2024
Aligned with the Revised Readiness Results Management Framework

How to complete this template?

This proposal template is designed for Direct Access by Direct Access Entities (DAEs) for the DAE Support Window.

To assist with completing this proposal template, the GCF provides the following guiding documents available on the GCF website:

- **Guide for Direct Access Entities to Access Readiness Support**
- **Guide for Direct Access Entities on Strategic Planning of Readiness Support**

If the DAE opts for the Direct Access option under the DAE window[1], there is no need to complete the FMCA questionnaire, as accreditation already verifies the entity's financial capacity.

While this template allows DAEs to prepare the direct access proposal offline, please note that all information must be entered and officially submitted through the online submission platform in the **GCF Partner Portal**.

How to get support to complete this template?

If you are not sure how to complete the proposal, or require support, please send an email to the relevant GCF regional team. Please refer to the GCF website to identify the relevant GCF regional team.

[1] Within the DAE window, funding is provided to assist accredited DAEs as well as candidate DAEs in the advanced stages of the accreditation process. For candidate DAEs, this refers to the stage of resolving outstanding accreditation conditions subsequent to the Board's approval of accreditation.

Proposal Details

Title of the Direct Access Proposal

Strengthening the Federated States of Micronesia Development Bank's capacity as a Direct Access Entity to support the Federated States of Micronesia's Country Programme priorities

Total Approved Amount (in USD)

$997,354

Implementation Period (in months)

36 months

Country Information

☐ Single DAE

☐ Multi-DAE

Lead DAE

Federated States of Micronesia Development Bank

Contact person

Ms. Anna Mendiola

Position

President & Chief Executive Officer

Email

annam@fsmdb.fm

Additional email addresses that need to be copied in correspondences

alika@fsmdb.fm, norleeno@fsmdb.fm

Type of Access

● Direct Access by DAE

Participating DAE Information

If the proposal involves multiple DAEs (multi-DAE)– please list each one below, adding as many rows as necessary. The entry listed above serves as the lead for the multi-DAE proposal.

Participating DAE	Name of contact person	Contact person's position	Contact person's email	Budget

1. Summary of the proposal

The Federated States of Micronesia Development Bank (FSMDB) was accredited to the Green Climate Fund (GCF) on the 25th October 2023 at B.37. As a newly accredited national direct access entity to the GCF, the FSM Development Bank acknowledges deficiencies in capacity to ensure it has the necessary core mechanisms and platforms in place to enable the Bank to effectively undertake the accredited entity functions, and, to establish a viable project pipeline in support of the FSM Government's priorities and as outlined in the Country Programme. Reflecting the identified Readiness needs, the **overarching goal** of this Readiness project is to enhance the Bank's engagement with the GCF through the development of a medium-term green finance strategy and roadmap – aligning the Bank's capabilities to FSM's broader climate ambitions – and resulting in the Bank's first concept note. In doing so, building upon the Bank's accreditation credentials through strengthening technical, systems and human capacity – will further support the Bank's climate finance programming and implementation capacity.

1. Establish the human, institutional and technical mechanisms and systems within the national accredited entity to meet the Green Climate Fund's requirements for planning, programming and implementing climate finance.
2. Establish Development Bank capacity through knowledge and skills development in (a) GCF policies, procedures and standards; (b) Bank policies and procedures to plan, programme and implement climate finance, and (c) project pipeline development.
3. Foster private sector investment in climate initiatives through improved mechanisms for engagement and participation, and the development of a roadmap guiding opportunities for investment.
4. Develop a viable private sector-led project pipeline focusing on green finance across priority sectors.
5. Enhance the Bank's engagement with the GCF through the development of the DAE's first GCF concept note.

2. DAE Context

Guidance

This section provides an overview o– the DAE context, including institutional capacity and accreditation status, priority areas for funding by the GCF and programming capacity. It also highlights the DAE's key challenges, pipeline as well as readiness needs and stakeholder engagement.

2.1 Institutional Context and Accreditation Track

Project/programme size

- Micro

Environmental & social risk category

- Category C

Financing modalities

- Basic, Project Management, Grant award and/or funding allocation mechanisms, On-lending and/or blending (Loans), On-lending and/or blending (Equity), On-lending and/or blending (Guarantees), On-lending and/or blending

The Federated States of Micronesia Development Bank (FSMDB) is a national direct access entity based in the Federated States of Micronesia. The Bank was accredited to the GCF on 25th October 2023 as a Micro [Category C/I-3] with basic, project management, grant and on-lending and/or blending (loans and guarantees) financing modalities.

FSM DB's accreditation to the GCF contains a number of conditions:

i. Conditions to be met by the applicant prior to the submission of the first funding proposal to the Board during the accreditation term:
ii. Delivery to the GCF by the applicant of evidence, in a form and substance satisfactory to the AP, of the adoption of an information disclosure policy applicable to GCF-funded programmes and projects which is consistent with the requirements of the GCF Information Disclosure Policy and which includes a requirement to publish project summary information, grant and beneficiary information, procurement notices and awards, and monitoring and evaluation reports;
iii. Delivery to the GCF by the applicant of evidence, in a form and substance satisfactory to the AP, of publication on the applicant's website of the applicant's Anti-Fraud Policy and Whistleblowing Policy, which website shall include complete information on the available mechanisms for whistleblowing, ESS and other complaints including by telephone, post, email, online form and a link to the Office of National Public Auditor's complaints mechanism, and publication of a statement on how anonymous complaints may be made and a summary of the applicant's investigative process;
iv. Delivery to the GCF by the applicant of evidence, in a form and substance satisfactory to the AP, of the adoption of the applicant's procedures for the mitigation, management and monitoring of the E&S risks and impacts, including those that are unanticipated, of its GCF-funded activities;
v. Delivery to the GCF by the applicant of evidence, in a form and substance satisfactory to the AP, of evidence of the establishment of a grievance redress mechanism for GCF-financed activities; and

vi. Delivery to the GCF by the applicant of evidence, in a form and substance satisfactory to the AP, of recruiting a gender specialist with adequate competencies to implement the applicant's Gender Policy; and
vii. Condition to be met by the applicant prior to the second disbursement by GCF for the first approved project/programme to be undertaken by the applicant during the accreditation term:
    i. Evidence in a form and substance satisfactory to the AP, of implementation of the applicant's information disclosure policy in relation to its first GCF-funded project.

Conditions under (i) have been addressed through support from the Asian Development Bank with the GCF Accreditation Panel reviewing and closing the conditions in mid-2025. Condition (ii) does not come into effect until approval of a funded project.

Accreditation stage

● Negotiation Finalized

FSMDB is accredited and is applying for the readiness resources to strenghten its capacity to effectuate the AMA signed in 2024.

2.2 Entity Climate Priorities and Programming Capacity

With a mandate to support the development priorities of the Federated States of Micronesia, FSMDB finances projects to contribute to the socioeconomic and environmental sustainability of the country. It facilitates the sustainable development of the Federated States of Micronesia through strategic partnerships with its stakeholders to deliver financial products and services to Micronesian people. In line with the national government's sector priorities FSMDB actively supports development of energy-efficient housing, renewable energy, agriculture, fisheries, tourism, marine resources, transportation and communication infrastructure upgrades.

Under its engagement with the GCF, the FSMDB will focus on sectors including: renewable energy; building the resilience of food-insecure smallholder farmers through integrated management of climate risk; strengthening climate resilience of agriculture livelihoods in low-lying island and coastal communities; and ensuring climate-resilient water supplies in remote, low and small islands in the Pacific.

As a newly accredited entity to the GCF, the FSM Development Bank is targeting strengthening its climate finance planning, programming and implementation capacity noting that current capacity is suited to the Bank's mandate of lending, however, it is not yet structured to undertake the type and level of technical and systems capacity required for GCF engagement post accreditation. As noted in the accreditation report, FSM DB has experience in providing loans for amounts up to USD6.7 million, however, these relate to commercial ventures and not to direct climate financing and implementation of projects as required of a GCF accredited entity. For example, whilst core staff are able to take on some climate financing functions e.g. internal audit, risk management, gender and fiduciary requirements, there remains gaps in technical expertise for (a) project programming and management, (b) environmental and social safeguards, and (c) monitoring and reviewing of a project portfolio outside of the Bank's current lending portfolio.

In addition, the GCF Accreditation Report made a number of findings in addition to the conditions including: (a) project cycle management manual covering all aspects of developing, implementing, evaluating and closing projects – with a recommendation to develop a GCF-specific project development and management manual covering all fiduciary and environmental and social safeguards (ESS) and gender aspects of applying for GCF funding and implementing GCF funding agreements; (b) alignment of the Bank's monitoring and evaluation systems for loans - with GCF requirements for GCF-funded programmes and projects with the GCF Evaluation Policy; and (c) organizational capacity to implement E&S risk management is currently limited.

Whilst the FSM DB received support from the Asian Development Bank to address the accreditation conditions pertaining to public disclosure of information and environmental and social safeguards, support is required under this Readiness to address the technical and system gaps remaining as outlined above e.g. project management, monitoring and evaluation and climate financing technical expertise. This Readiness therefore, aims to address these gaps and build the Bank's first GCF project pipeline culminating in the submission of the Bank's first concept note to the GCF and effectively advancing the relationship with the GCF through the Bank's identified Bank's green finance portfolio.

2.3 Past and Ongoing Readiness Grants (GCF and non-GCF) and PPF support

Please list past and current GCF readiness grants, and relevant capacity-building initiatives funded by other agencies and funds

GCF Readiness and PPF Activities

Title & Reference Number	Start and End Dates	Amount Approved	Status	Objectives	Key Outcomes & Results	Complementarity with the readiness proposal
N/A	N/A	N/A	N/A	N/A	N/A	N/A

Other Capacity-Building Initiatives Funded or Commissioned by Parties Other Than GCF

Title	Start and End Dates	Status	Funding Agency	Main objectives	Complementarity with the readiness proposal
National Adaptation Planning for the Federated States of Micronesia FSM-RS-004	27 Aug 2024 - 27 Aug 2027	underImplementation	GCF	Development of the National Adaptation Plan (NAP) for the FSM through a comprehensive consultative adaptation planning process, evidence base and climate finance investment plan for adaptation including developing potential draft project /program concept notes.	Not applicable for this DAE readiness.
Supporting Regional Direct Access Entities to increase Pacific SIDS access to climate financing	1 June 2022 - 1 June 2025	underImplementation	GCF	Key outcomes include: Strengthen the capacity of the Pacific Direct Access Entities to further support their constituency in accessing the Green Climate Fund; (b) Improve engagement with the private sector in the Pacific through an increased understanding of the private sector in the region, and how the private sector can best be engaged with through climate mitigation and adaptation projects within each country and as a region as a whole; (c)	Not applicable for this DAE readiness.

				Increase the number of bankable projects submitted to, and approved by, the Green Climate Fund.	
Strengthening the capacity of DAEs through the Community of Practice for DAEs to access climate finance and implement adaptation and mitigation programs and projects FSM-RS-003	1 Jan 2022 - 1 Jan 2024	completed	GCF	strengthen the CPDAE at an institutional level, and the capacity of its members to perform better and access climate finance and develop and implement adaptation and mitigation projects and programs efficiently.	This Readiness outlines a proposal for the FSM DB to actively participate in the CPDAE to build capacity, knowledge and networks, with the goal to co-host a CPDAE session or regional clinic to institutionalize peer learning.
NDA Strengthening and Country Programming support in FSM Phase II FSM-RS-002	1 June 2016 - 1 June 2022	completed	GCF	enhance country ownership and climate finance access during early phase of operations of the GCF in FSM through the establishment of the human, institutional and technical systems and mechanisms.	Not applicable for this DAE readiness.
Institutional Gender Gap Analysis	1 Dec 2023 - 1 Mar 2025	completed	Investment Climate Reform Facility (ICR)	1. To help understand the gender disparities in the Bank's operations, products and service delivery. 2. To improve the Bank's gender policy. 3. To develop the Bank's Gender strategy and action plan. 4. To develop a gender lens lending guideline; 5. To complete a market segmentation assessment to understand the market variables. 6. To develop a performance measurement framework to monitor the progress of gender mainstreaming in the Bank.	This Readiness proposal will build on the platforms, systems and policies developed under the ICR support led by the Bank's Gender Officer.
Baseline Report	1 Sept 2024 - 1 Feb 2025	completed	Asian Development Bank	To understand the gender utilization of the Bank's loan products and services	This Readiness proposal will build on the platforms, systems and policies developed under the ICR support led by the Bank's Gender Officer.
NDA Strengthening and Country Programming support in FSM FSM-RS-001	1 June 2016 - 1 Dec 2018	completed	GCF	To enhance country ownership and climate finance access during early phase of operations of the GCF in FSM through the establishment of the human, institutional and technical systems and mechanisms.	Not applicable for this DAE readiness.

Completing GCF's requirements for Accreditation	4 Apr 2024 - 8 July 2025	completed	Asian Development Bank	To develop the following policies for the Bank: • Information and Disclosure Policy • Environment and Social Inclusion Policy • Grievance redress mechanism	The Readiness builds on the platforms developed through Development Bank capacity through knowledge and skills development in (a) GCF policies, procedures and standards; (b) Bank policies and procedures to plan, programme and implement climate finance, and (c) project pipeline development.

2.4 Past and Ongoing Funded Activity Implementation and Project Pipeline

Please briefly describe GCF-funded proposals/projects or programmes that the DAE has implemented, is currently implementing, and is in the process of conceptualising and preparing

GCF Funded Activities

Project Title	Status	Amount	Details	Complementarity with the readiness proposal
N/A	N/A	N/A	N/A	N/A

2.5 Challenges, Gaps, and Barriers

As a new accredited national direct access entity to the GCF, the FSM Development Bank acknowledges the need to ensure it builds on the policies, systems and procedures required for initial accreditation and establish and/or expand on the necessary foundational platforms required to enhance and strengthen its engagement with the GCF and the climate finance architecture more broadly. In supporting the Bank's goals to develop and implement a green finance pipeline aligned to the FSM Government's broader climate ambitions, this Readiness aims to address the following identified gaps and barriers.

Barrier 1. Gaps in technical capacity to strengthen and expand the Bank's accredited entity function

As a newly accredited entity to the GCF, the FSM Development Bank is not yet structured to undertake the type and level of technical and systems capacity required for GCF engagement post accreditation. Whilst FSM DB has experience in operating under its mandate of lending, it does not have the necessary technical capacity to ensure effective climate finance planning, programming and implementation. For example, whilst core staff are able to take on some climate financing functions e.g. internal audit, risk management, gender and fiduciary requirements - there remains gaps in technical expertise for (a) project programming and management, (b) environmental and social safeguards, and (c) monitoring and reviewing of a climate finance project portfolio outside of the Bank's current lending portfolio.

Barrier 2. Lack of knowledge and understanding of green finance and the private sector

Whilst the Bank has been tasked by the FSM Government to lead on green financing in FSM, there is limited strategic direction on what this means in the broader context. The Bank traditionally provides lending for small-scale commercial operations but there has been limited to no planning on how to translate the Bank's lending role into the country's climate finance architecture and where to focus effort in the medium-term. This lack of planning and conceptualization impacts upon the Bank's ability to build an investment ready pipeline focusing on green finance and the private sector. Hence, the first step in developing an investment pipeline is lacking.

This Readiness project will support the planning and development of a Bank strategy for green finance and a subsequent roadmap to guide programming of project priorities for the pipeline to be developed under this Readiness and in the future.

Barrier 3. Gaps in procedures and systems to support climate finance project planning, programming and implementation

Acknowledging the findings of the Accreditation Report, FSMDB highlights the importance of ensuring compliance and alignment of its fiduciary procedures and mechanisms, and project management procedures to the requirements of the GCF and other donors. Whilst the accreditation review found the Bank has in place the necessary policies and procedures to meet the GCF fiduciary requirements and initial ESS and gender requirements, there remains gaps in the operating and implementing capacity to more effectively meet climate finance project requirements. In particular, the accreditation report encourages the Bank to develop a specific project development and management manual covering all fiduciary and environmental and social safeguards (ESS) and gender aspects of applying for GCF funding and implementing GCF funding agreements – noting the manual should be aligned to the Bank's functions and current lending procedures and manuals.

Whilst the Bank has in place a financial management system, and other functions such as the Environmental and Social Safeguards (ESS) policy and Grievance Redress Mechanism (GRM) which was developed through support from the Asian Development Bank, this Readiness focuses on filling the gaps in the systems and procedures required for effective programming, implementation and tracking of climate finance. Having strong foundational systems and procedures will guide future decision-making, tracking of climate investments [with the ability to easily report up to the national level reporting indicators] and enable the Bank to more effectively support the FSM Government's climate targets through the NDC and NAP as a conduit for private sector participation and access to private financing modalities.

Barrier 4. Lack of awareness and understanding of the Bank's function as a GCF direct access entity by Bank personnel and private sector constituency

There remains throughout the Bank and the private sector - at national and state levels - a lack of awareness and understanding of what it means to be an accredited entity [AE]; the functions of an AE and the Bank's responsibilities; the policies and processes which provide the overarching framework to accreditation and project management; new project-related systems and mechanisms; GCF policies and procedures; and a lack of awareness and understanding of the role FSMDB will play in FSM's climate strategies e.g. Nationally Determined Contributions (NDCs), National Adaptation Plans (NAPs), and Long-term Strategies (LTS).

This Readiness aims to establish the foundational understanding and knowledge of national and state Bank personnel, and of their private sector clients, across these areas through a number of engagement pathways and mechanisms.

Barrier 5. Gaps in knowledge and understanding of climate finance matters and the private sector linkages to climate finance

Whilst the Bank has met the accreditation criteria for the GCF, many of the Bank's personnel were not involved in the process and there remains a knowledge gap within Bank personnel of what climate finance is; the Bank's and the private sector's role in climate finance; how to better engage with partners and actors in the sector; and how to bridge the gaps with private sector – leading to a more comprehensive climate strategy for FSM.

The intent of the Readiness is to build this knowledge of Bank personnel and to bring back learnings, ideas and collaborations to strengthen the Bank's work with the private sector through knowledge and learning exchanges with peers in the region.

2.6 Stakeholder Engagement

This Readiness proposal is to support the FSM Development Bank (FSMDB) – as a national Direct Access Entity (DAE) – to implement measures aimed at strengthening the FSMDB's capability in supporting the planning, development and implementation of private sector-related climate priorities in the Federated States of Micronesia. Within this context, FSMDB has consulted across the relevant Units within the Bank including the Executive Management Team, Loan Division, and the Social Responsibility Division during the preparation of this Readiness proposal. Each of these Divisions have provided significant inputs into the proposal's contents and have been involved in the review and feedback process of this Readiness proposal.

In addition, the FSM Development Bank has undertaken consultations with FSM's National Designated Authority (NDA) on the focus of the proposed Readiness. The NDA fully supports FSMDB's focus on strengthening internal institutional and project management capacities and engaging with the private sector to develop FSM's first private sector climate finance project with the Green Climate Fund. The NDA hopes the Readiness will result in a concerted effort to provide funding to build the climate financing capacity of the Bank, and commence development of a private sector project pipeline for FSM.

2.7 Specific Readiness Needs

The Readiness needs identified through the Bank's strategic planning process include:

- Build long-term, skilled and experienced climate finance personnel to lead the Bank's climate finance functions, including its accreditation credentials with the GCF, and move forward on developing a pipeline of bankable, private sector investment projects
- Providing strategic direction for green financing and identification of opportunities for private sector in FSM to engage in climate change investments
- Filling gaps in project-related systems, in particular, a project management system and MERL – to ensure effective project development and delivery, and compliance with GCF and international standards.
- Improve Bank personnel's – at the national and State branch level - understanding of the Bank's accredited entity function and related policies and procedures.

- Improve and strengthen Bank personnel's knowledge and understanding of climate finance and the private sector through learnings, ideas and collaborations with external networks to strengthen the Bank's work with the private sector.

3. Statement of Objectives

Guidance

This section aims to clearly define the objectives and scope of readiness support being sought. It outlines: (1) the anticipated impact of readiness support to establish and advance DAEs' capacities to effectively programme, implement and report on GCF-funded activities, as well as broader climate finance, and (2) specific areas of readiness support required, addressing capacity gaps and aligning with the objectives and outcomes of the 2024-2027 readiness strategy.

3.1 Objectives of the Readiness Support

Reflecting the identified Readiness needs, the overarching **goal** of this Readiness project is to enhance the Bank's engagement with the GCF through the development of a medium-term green finance strategy and roadmap – aligning the Bank's capabilities to FSM's broader climate ambitions – and resulting in the Bank's first concept note. In doing so, building upon the Bank's accreditation credentials through strengthening technical, systems and human capacity – will further support the Bank's climate finance programming and implementation capacity.
In support of this goal, the Readiness's objectives will be to:

- Enhance the human, institutional and technical mechanisms and systems within the national accredited entity for planning, programming and implementing climate finance. [GCF Objective 2 & 3]
- Build Development Bank capacity through knowledge and skills development in (a) GCF policies, procedures and standards; (b) Bank policies and procedures to plan, programme and implement climate finance, and (c) project pipeline development [GCF Objective 2].
- Foster private sector investment in climate initiatives through improved mechanisms for engagement and participation, and the development of a roadmap guiding opportunities for investment [GCF Objective 2].
- Develop a viable private sector-led project pipeline focusing on green finance across priority sectors [GCF Objective 2].
- Develop the Bank's first GCF concept note as identified from the investment pipeline [GCF Objective 2].

In delivering against the goal and objectives, the Readiness will enhance and expand upon the Bank's project management capability through the establishment of a MERL and project management system enabling monitoring and reporting across the project portfolio [Outcome 2.3]; identify and prepare a pipeline of green finance investment projects [Outcome 2.2] to support development of a concept note to be financed through the Country Readiness; build the skills and knowledge of Bank personnel both at HQ and the State branches in climate finance to build long-term capacity [Outcome 2.3]; and establish peer networks with the aim of bringing in new ideas, approaches and technologies to the Bank's [Outcome 3.2]. Full details of activities undertaken to achieve against these outcomes is outlined below.

Objective 1. Capacity-building for climate finance coordination and setting up the enabling environment for integrated climate investment

☐ 1.1. Developing countries, through NDAs or focal points, have enhanced capacity to fulfil their roles, responsibilities and policy requirements, including coordination mechanisms to engage relevant stakeholders to develop, advance, and implement NDCs, NAPs and LTSs.

☐ 1.2. Developing countries design and implement strategic frameworks (including NDC/NAP/LTS), policies and instruments, including climate investment plans, to create enabling environments for integrated climate investments.

☐ 1.3. Direct access applicants and accredited entities (DAEs) have met and maintained the accreditation standards of the GCF and strengthened their programming capacities, as evidenced by the development of GCF-funded activities.

Objective 2. Paradigm-shifting GCF pipeline development and implementation for adaptation and mitigation, based on country needs and guided by USP-2

☐ 2.1. Developing countries have developed or updated their country programmes to guide GCF investment.

☒ 2.2. Developing countries have developed high-quality concept notes linked to approved GCF proposals for adaptation and mitigation that are aligned with the USP-2 results, including through DAEs, that build on readiness support and country programmes.

☒ 2.3. NDAs and DAEs have enhanced processes and systems to effectively oversee the implementation, financial management, monitoring and reporting of climate programmes and projects.

Objective 3. Knowledge-sharing and learning to enhance national and regional cooperation on climate programming and financing

☐ 3.1. Developing countries, through NDAs or focal points, have made use of knowledge products to address policy gaps and integrated climate investment programming and implementation.

☒ 3.2. Enhanced collaboration among developing countries on climate change issues, evidenced by transboundary and regional cooperations/South-South cooperation.

3.2 Anticipated Impact on Direct Access Entity Climate Programming and Implementation Capacity

The expected impact of the Readiness activities include:

- FSM DB will be positioned to develop its first GCF proposal (and FSM's first private sector project) supported by green finance technical studies and pre-feasibility study(ies).
- Filling the gaps in the Bank's project-related systems and procedures e.g. monitoring and evaluation, and project management – will lead to strengthened climate financing programming and implementation monitoring, tracking and reporting capacity including monitoring and reporting aligned to the GCF IRMF.
- Highly skilled and knowledgeable DAE personnel at the national and state level, equipped in climate finance functions, monitoring and evaluation, project management and green finance – leading to an increase in engagement and investments with the private sector.

- Approx. 44 Development Bank personnel i.e. Pohnpei (30), Yap (4), Kosrae (5) and Chuuk (5) - with an expected participation rate of 50% women – trained in / made aware of, the Bank's DAE mandate and climate finance more broadly.
- Private sector in FSM at the national and state level (targeting approximately 50% of private sector), aware of the services offered by the Bank, accessing those services including climate finance – and directly engaged in building a green finance pipeline.
- The Bank will commence its first project engagement with the GCF through initiating the development of its first project concept note.
- FSM DB is bringing back new knowledge and technologies to incorporate into the Bank's business modalities gained from interactions with peer networks and learnings.

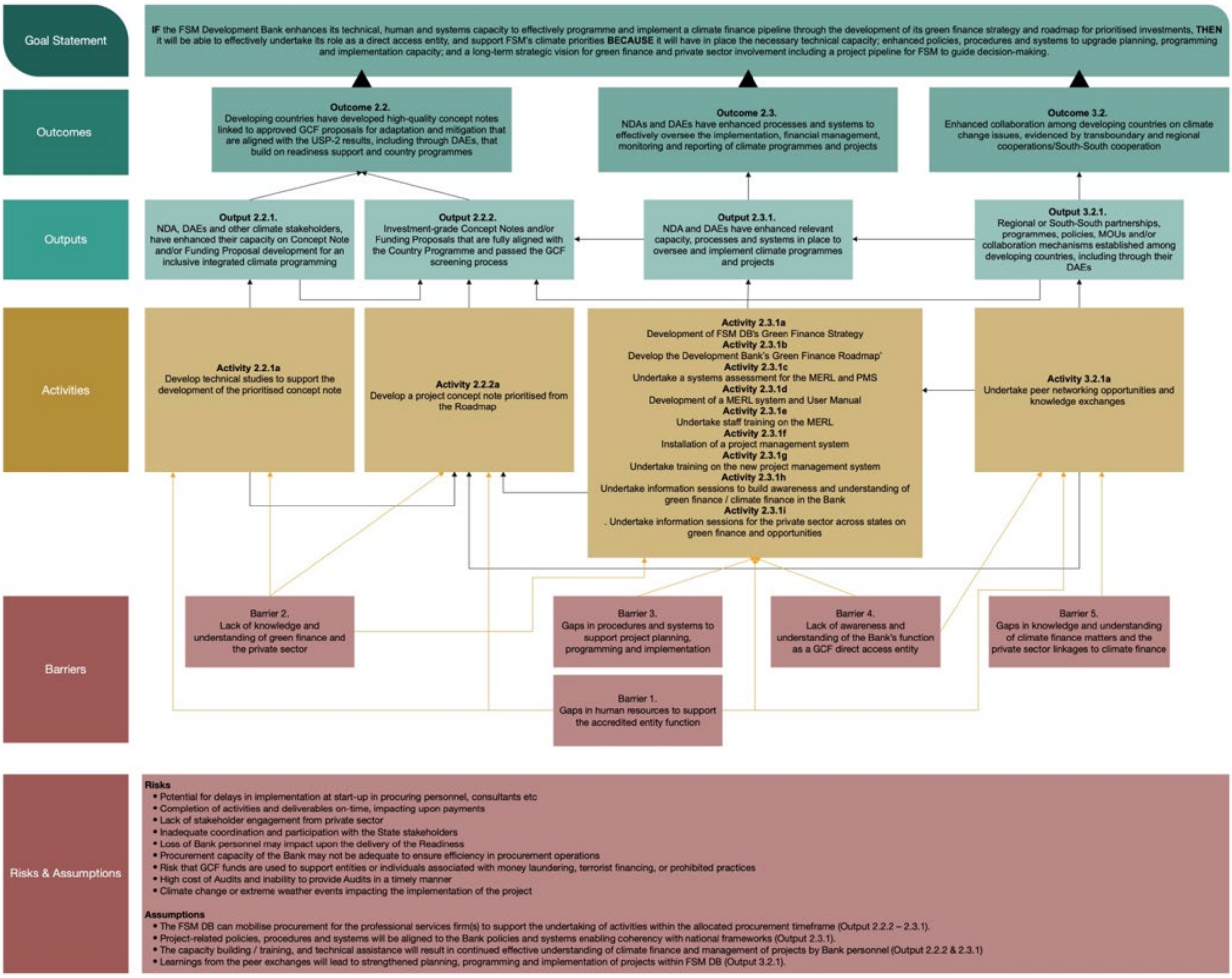
4. Approach, Methodology, and Implementation Activities

Guidance

Please describe technical approach, methodology, and implementation plan to address the country needs and gaps, through the Direct Access modality.

4.1 Theory of Change

The first step in articulating the programme's objectives as well as the logic behind the delivery of its intended results is the formulation of a TOC. Please provide a TOC which highlights key challenges being addressed, as well as the step-by-step pathways to achieving the expected results. Key steps to designing a TOC are outlined in the **RRMF Handbook**.



As a newly accredited national direct access entity to the GCF, the FSM Development Bank acknowledges the need to ensure it has the necessary core mechanisms and platforms in place to enable the Bank to effectively undertake the accredited entity functions, and, to establish a viable project pipeline in support of the FSM Government's priorities and as outlined in the Country Programme.

The **overarching goal** of this Readiness project is to enhance the Bank's engagement with the GCF through (a) enhancing the Bank's accreditation credentials through strengthening technical, systems and human capacity to further support climate finance programming and implementation, and (b) the development of a medium-term green

finance strategy and roadmap – aligning the Bank's capabilities to FSM's broader climate ambitions – and resulting in the Bank's first concept note. The goal statement is therefore:
IF the FSM Development Bank enhances its technical, human and systems capacity to effectively programme and implement a climate finance pipeline through the development of its green finance strategy and roadmap for prioritised investments, **THEN** it will be able to effectively undertake its role as a direct access entity, and support FSM's climate priorities **BECAUSE** it will have in place the necessary technical capacity; enhanced policies, procedures and systems to upgrade planning, programming and implementation capacity; and a long-term strategic vision for green finance and private sector involvement including a project pipeline for FSM to guide decision-making.
In addressing the identified gaps, this Readiness project aims to:

1. Enhance the human, institutional and technical mechanisms and systems within the national accredited entity for planning, programming and implementing climate finance.
2. Build Development Bank capacity through knowledge and skills development in (a) GCF policies, procedures and standards; (b) Bank policies and procedures to plan, programme and implement climate finance, and (c) project pipeline development.
3. Foster private sector investment in climate initiatives through improved mechanisms for engagement and participation, and the development of a roadmap guiding opportunities for investment.
4. Develop a viable private sector-led project pipeline focusing on green finance across priority sectors.
5. Enhance the Bank's engagement with the GCF through the development of the DAE's first GCF concept note.

This will be achieved through delivery of outputs and activities under the following GCF outcomes:

- Outcome 2.2. Developing countries have developed high-quality concept notes linked to approved GCF proposals for adaptation and mitigation that are aligned with the USP-2 results, including through DAEs, that build on readiness support and country programmes.
- Outcome 2.3. NDAs and DAEs have enhanced processes and systems to effectively oversee the implementation, financial management, monitoring and reporting of climate programmes and projects.
- Outcome 3.2. Enhanced collaboration among developing countries on climate change issues, evidenced by transboundary and regional cooperations/South-South cooperation.

Outlined below are details of the outcomes, outputs and activities supported under this Readiness project. Addressing *Barrier 1. Inadequate human resources to support the accredited entity function,* the Bank will strengthen the internal climate finance governance and reporting lines to strengthen the ongoing relationship with the GCF. A sustainability strategy will be developed aimed at aligning human resource requirements with the Bank's short-and-medium term climate finance goals. The strategy will focus on expertise requirements (particularly looking at future requirements to undertake the accredited entity function and implement GCF projects), recruitment of expertise, retention of experienced climate finance personnel, training needs for climate finance and Bank personnel, and funding support and budgeting - noting the need to reduce reliance on GCF funding support and move towards a long-term financing model.
Key risks under this Readiness include:

- Potential for delays in implementation at start-up in procuring personnel, consultants etc
- Completion of activities and deliverables on-time, impacting upon payments
- Lack of stakeholder engagement from private sector
- Inadequate coordination and participation with State stakeholders
- Loss of Bank personnel may impact upon the delivery of the Readiness
- Procurement capacity of the Bank may not be adequate to ensure efficiency in procurement operations
- Risk that GCF funds are used to support entities or individuals associated with money laundering, terrorist financing, or prohibited practices
- High cost of Audits and inability to provide Audits in a timely manner

- Climate change or extreme weather events impacting the implementation of the project

Key assumptions under this Readiness include:

- The FSM DB can mobilise procurement for the professional services firm(s) to support the undertaking of activities within the allocated procurement timeframe (Output 2.2.2 – 2.3.1).
- Project-related policies, procedures and systems will be aligned to the Bank policies and systems enabling coherency with national frameworks (Output 2.3.1).
- The capacity building / training, and technical assistance will result in continued effective understanding of climate finance and management of projects by Bank personnel (Output 2.2.2 & 2.3.1)
- Learnings from the peer exchanges will lead to strengthened planning, programming and implementation of projects within FSM DB (Output 3.2.1).

4.2 Implementation Activities

Please list all proposed activities under their corresponding outputs. For each activity:

- Assign a unique identifier using the format aligned with the output (e.g., activities under Output 1.2.1 should be labelled as 1.2.1a, 1.2.1b, 1.2.1c, etc.).
- Ensure these activity labels match those referenced in the Financial Proposal to maintain consistency and traceability.
- Provide a clear and detailed description of each activity, specifying the exact actions that will be undertaken.

Objective 2. Paradigm-shifting GCF pipeline development and implementation for adaptation and mitigation, based on country needs and guided by USP-2 programming targets

☒ Outcome 2.2. Developing countries have developed high-quality concept notes linked to approved GCF proposals for adaptation and mitigation that are aligned with the USP-2 results, including through DAEs, that build on readiness support and country programmes.

☒ Output 2.2.1. NDA, DAEs and other climate stakeholders, have enhanced their capacity on Concept Note and/or Funding Proposal development for an inclusive integrated climate programming.

Activities

2-2-1.a. Develop technical studies to support the development of the prioritised concept note Following the development of the Green Finance Strategy and Roadmap [activity 2.3.1a and 2.3.1b], the Bank will develop the first climate finance concept note, supported by technical studies / pre-feasibility study. This activity will therefore include [but not necessarily limited to]: • Working with the appropriate private sector stakeholders and ministries, to undertake the problem identification and solution mapping. This will include (a) provision of the technical expertise to identify specific climate risks and vulnerabilities related to the prioritised project, (b) conducting climate impact assessments, and (c) identifying appropriate solutions and integrating innovative approaches into the project design. • Ensuring the project design incorporates international best practices and lessons learned from similar projects, tailored to the local context of FSM. • Conduct comprehensive risk assessments and develop mitigation strategies that align with GCF safeguards and policies, ensuring that the proposals address financial, environmental and social risks. • Where appropriate and required, undertake a detailed financial analysis, including cost-benefit analysis and explore co-financing options to ensure the economic viability of the projects. • Develop strategies for the long-term financial sustainability of the project, including the exploration of public-private partnerships (PPPs) and other recurrent funding mechanisms where appropriate. • Prepare all necessary documentation in support of the concept note including annexes, budget justifications and compliance with GCF’s submission requirements. Deliverables: • Technical studies / pre-feasibility study

☒ Output 2.2.2. Investment-grade Concept Notes and/or Funding Proposals that are fully aligned with the Country Programme and passed the GCF screening process.

Activities

2-2-2.a. Develop a project concept note prioritised from the Roadmap with supporting technical studies Linked to Barrier 2. Lack of knowledge and understanding of green finance and the private sector, this Readiness will support the development of the Bank’s first GCF project concept note and PPF request from a priority identified in the Green Finance Roadmap [refer Activity 2.3.1b]. The development of the concept note will align to the GCF requirements for concept note development and at a minimum include: • climate change context including vulnerability assessments • alignment with the GCF’s investment criteria • project information i.e. theory of change, activities, • target beneficiaries • alignment with national priorities • implementation arrangements • risks and mitigation strategies • indicative financing • alignment with the IRMF • Annexes e.g. Technical studies / pre-feasibility study, ESS screening, economic or financial modelling results Given the synergies and flow-on components of these activities, the Bank will procure the services of a professional services firm who will be tasked with undertaking the complete work package as outlined above. It is expected this approach will ensure an integrated approach across the activities, reduce stakeholder fatigue and produce high-quality, integrated deliverables. The activity will also include the development of an accompanying PPF request, noting funding for the preparation of the funded proposal will be sought from the PPF. Deliverables include: • Concept note submitted to the GCF • PPF request prepared and CN approval dependent, submitted to the GCF

Objective 2. Paradigm-shifting GCF pipeline development and implementation for adaptation and mitigation, based on country needs and guided by USP-2 programming targets

☒ Outcome 2.3. NDAs and DAEs have enhanced processes and systems to effectively oversee the implementation, financial management, monitoring and reporting of climate programmes and projects.

☒ Output 2.3.1. NDA and DAEs have enhanced relevant capacity, processes and systems in place to oversee and implement climate programmes and projects.

Activities

2-3-1.a. Development of FSM DB's Green Finance Strategy FSM's private sector is mainly comprised of Micro, Small and Medium Enterprises (MSME), and is susceptible to economic shocks. The private sector in FSM is relatively underdeveloped and heavily reliant upon government spending. With about 95 percent of businesses in the retail sector, the private sector is highly dependent on a stable supply chain and is vulnerable to rising interest rates and surging food and energy prices. Similar to many Pacific islands, FSM's private sector faces challenges including limited export activity, a lack of major industries and a reliance on the public sector for economic performance. Challenges remain in fostering a competitive environment and attracting investment. The FSM Development Bank's vision is an expansion of green finance and a credit risk abatement facility to stimulate increased market activity resulting in an accelerated level of commercially viable investments in sectors including energy-efficient housing, renewable energy, agriculture, fisheries, tourism, retail, marine resources, transportation and communication infrastructure. To build this vision and provide strategic direction for future investment, the Bank will undergo a progression of core strategic planning and development actions to ultimately build a 'fit-for-purpose' pipeline of investment ready projects in which to focus efforts in the medium term - thereby addressing Barrier 2. Lack of knowledge and understanding of green finance and the private sector [refer Figure 1 on the phased approach for the three interventions in this Readiness leading to a clear strategy to guide the Bank's actions and decision-making towards the development of investment ready projects]. The first step in this process is the development of a green finance strategy. The strategy is the precursor to the roadmap [refer Activity 2.3.1b] which defines the Bank's concept of green financing and the Bank's interface with this through accessing climate finance – and ultimately leading to the development of a climate financing pipeline aligned to FSM's overall country priorities. The strategy will focus on defining what green finance means in the FSM context given the other organizations' operating in this space; defining the sectors and sub-sectors for the Bank's focus in the medium-term; the absorptive capacity of the private sector in FSM to take up financing instruments such as loans and mobilize capital; the identification of entry points for the Bank; and the challenges for operating in this space. It is expected the study will also reflect on international and regional case studies or learnings to identify strengths and gaps which can be incorporated into the FSM approach. Information gathered from the consultations and analysis to develop the Green Finance Strategy will be used to identify options for the investment pipeline to be developed as part of the Roadmap. Deliverables include: • Technical study / assessment on green finance and private sector capacity in FSM

2-3-1.b. Develop the Development Bank's Green Finance Roadmap The findings and recommendations from the Green Finance Strategy [refer Activity 2.3.1a] will be extrapolated to develop the FSMDB's 'Green Finance Roadmap' - a 5-10 year investment pathways strategy to guide the Bank's green finance / climate finance approach over the medium term and identify options on the entry points for the Bank and how it can mobilise capital and/or financial instruments in the identified sectors to achieve climate objectives. The Roadmap will include the identification of options most suitable for the Bank's mandate and capacity - which may include green loans, blended financial instruments etc. The Roadmap will be validated and approved through the Bank's governance structure including approval by the Board, to ensure adoption and uptake. Deliverables include: • FSMDB Board approved Green Finance Roadmap

	2-3-1.c. Undertake a systems assessment for the MERL and PMS Acknowledging the findings of the Accreditation Report, FSMDB highlights the importance of ensuring compliance and alignment of its fiduciary procedures and mechanisms, and project management procedures to the requirements of the GCF and other donors. Activity 2.3.1c addresses Barrier 3. Inadequate procedures and systems to support project planning, programming and implementation by enhancing the Bank's project-related capacity and systems. Having strong foundational systems and procedures will guide future decision-making, tracking of climate investments [with the ability to easily report up to the national level reporting indicators] and enable the Bank to more effectively support the FSM Government's climate targets through the NDC and NAP as a conduit for private sector participation and access to private financing modalities. Activity 2.3.1c will undertake an assessment of the Bank's current systems and capability to determine the requirements for a monitoring, evaluation, reporting and learning [MERL] system and a project management system e.g. functionality, data flows, training needs etc. In particular, a key component of the assessment will be reviewing the reporting requirements for the Bank to the FSM NDA on climate-related finance, the GCF and to other Bank stakeholders. Based on the recommendations of systems assessment, the implementation plans for both systems, and the FSMDB Board approval, the Readiness will support the development of a MERL and PMS systems to support effective development and implementation of projects (refer Activity 2.3.1d & 2.3.1e). Deliverables include: • Assessment of the Bank's current systems, gaps and requirements including recommendations including systems specification for the Monitoring, Evaluation, Reporting and Learning (MERL) system and Project Management System.
	2-3-1.d. Development of a MERL system and User Manual The establishment of a Monitoring, Evaluation, Reporting and Learning (MERL) system is designed to align with the Bank's operations and meeting international donors M&E requirements, including the GCF's Integrated Results Management Framework (IRMF) requirements. It is noted that the system needs to be robust and flexible enough to operate within changes of donor frameworks and be able to easily integrate into national-level climate reporting requirements. The MERL will therefore need to ensure the Bank can readily report against multiple donor and project M&E frameworks, including the capturing of data and information at the organisational and portfolio level to support the FSM Government's international and national climate reporting. To support the implementation of the MERL system, an accompanying user guide / manual will be developed. To ensure the ability to secure in-country expertise if available, the procurement for the MERL system will be open to both national and international specialists. It is anticipated the implementation plans for the MERL will include a pilot phase within the testing phase and first year of operation, which will involve the collection of usage data, and feedback data. Furthermore, the implementation plans will outline the key project milestones to the onboarding of both systems to include securing of the Bank's commitment to procure the system, the trial run(s) and adoption of the system in the Bank's operations. Activity 2.3.1d & 2.3.1e addresses Barrier 3. Inadequate procedures and systems to support project planning, programming and implementation. Deliverables include: • Implementation Plans for the MERL and Project Management System. • Finalised Monitoring, Evaluation, Reporting and Learning system • MERL User Manual • Assessment report on the MERL during the piloting of the systems including recommendations to improve implementation.
	2-3-1.e. Undertake staff training on the MERL Following development of the MERL system, Bank personnel (at HQ and State branches) will be trained on the system to ensure it is embedded into the Bank's systems and processes, and all relevant staff are utilising the system to monitor their projects. The training will consist of training workshops for 44 Bank personnel i.e. Pohnpei (30), Yap (4), Kosrae (5) and Chuuk (5) - with an expected participation rate of 50% women. Deliverables include: • MERL Training reports detailing agenda, materials, discussion outcomes, participant listing (gender disaggregated) and participant surveys / evaluations.

	2-3-1.f. Installation of a project management system Addressing Barrier 3. Inadequate procedures and systems to support project planning, programming and implementation, the Readiness will support the development and implementation of a project management system to enable oversight, management and monitoring of individual projects in the Bank's climate finance portfolio. Utilising lessons learned from NDAs in the region in relation to the implementation of PMS's, the PMS may be custom-made, or be procured from available on-line, dedicated project management systems such as Monday.com (noting for budgeting purposes, the costings have been calculated on implementation of an on-line system) – noting the assessment (Activity 2.3.1c) will determine the best option. The implementation plan for the PMS will include a pilot phase within the testing phase and first year of operation, which will involve the collection of usage data, and feedback data. Furthermore, the implementation plans will outline the key project milestones to the onboarding of both systems to include securing of the Bank's commitment to procure the system, the trial run(s) and adoption of the system in the Bank's operations. Lastly, sustainability of the system will be supported through financial support provided by the Bank post-readiness completion. Deliverables include: •Final Project Management System • Project Management System User Guide • Assessment report on the PMS during the piloting of the systems including recommendations to improve implementation.	
	2-3-1.g. Undertake training on the project management system Bank personnel (at HQ and State branches) will be trained on the PMS system to ensure it is embedded into the Bank's systems and processes, and all relevant staff are utilising the system in their projects. The training will consist of training workshops for 44 Bank personnel i.e. Pohnpei (30), Yap (4), Kosrae (5) and Chuuk (5) - with an expected participation rate of 50% women. Deliverables include: • PMS Training reports detailing agenda, materials, discussion outcomes, participant listing (gender disaggregated) and participant surveys / evaluations.	
	2-3-1.h. Undertake information sessions to build awareness and understanding of green finance / climate finance in the Bank To strengthen the development and implementation of climate finance, the output will also support ongoing awareness activities noting that as a new direct access entity, there remains throughout the Bank at both the national and state levels, a lack of awareness and understanding of the Bank's function as a GCF direct access entity; the policies and processes which provide the overarching framework to accreditation and project management; new project-related systems and mechanisms; GCF policies and procedures; and a lack of awareness and understanding of the role FSMDB will play in FSM's climate strategies e.g. Nationally Determined Contributions (NDCs), National Adaptation Plans (NAPs), and Long-term Strategies (LTS). This Readiness aims to improve the level of understanding and knowledge of Bank personnel across these areas through the undertaking of a series of information sessions. The aim of the information sessions is to build a better understanding of Bank personnel on FSM's climate agenda, and on the application of both the Bank's and the GCF's policies and procedures into the Bank's climate-related work. The information sessions are to be delivered annually across the four states, to approximately 44 Development Bank personnel i.e. Pohnpei (30), Yap (4), Kosrae (5) and Chuuk (5) - with an expected participation rate of 50% women. These information sessions will also help to build the confidence of Bank personnel to effectively engage and contribute towards the development of the green finance technical study, roadmap and project technical study / pre-feasibility as outlined in Activities 2.2.1a, 2.3.1a & b, and 2.2.2a respectively. In delivering these information sessions, the FSMDB will also work closely with the FSM NDA to ensure Bank personnel are participating in any Country Readiness relevant trainings, and to ensure the information sessions are complementary to any training sessions delivered through the Country Readiness. Deliverables include: • Information Session reports for the private sector detailing agenda, materials, discussions, participant listing (gender disaggregated) and participant surveys / evaluations • Knowledge products on green finance and climate finance including reports on the uptake of the products to target audiences	

2-3-1.i. Undertake information sessions for the private sector across states on green finance and opportunities In addition to the Bank-led learning sessions, it is acknowledged a key stakeholder group for the Bank is the private sector. Supporting the private sector engagement and participation through activities outlined in outputs 2.2.1, 2.2.2 and 2.3.1, and acknowledging the work already being undertaken through the NDA Country Readiness and the National Adaptation Planning (NAP) process, the Bank will undertake concurrent information sessions where required to engage and inform businesses of the Bank's work in the green finance sector. To support the delivery of these information sessions and support the understanding and learnings of participants (targeting approximately 50% of the private sector across the four States) - knowledge and learning products will be developed for dissemination, focusing on issues and topics relating to climate and green finance of interest and importance to the private sector, to support learning and knowledge sharing on the role FSMDB can play in supporting their requirements. In delivering these information sessions, the FSMDB will also work closely with the FSM NDA to ensure Bank personnel are participating in any Country Readiness relevant trainings, and to ensure the information sessions are complementary to any training sessions delivered through the Country Readiness and NAP. Deliverables include: • Information Session reports for the private sector detailing agenda, materials, discussions, participant listing (gender disaggregated) and participant surveys / evaluations • Knowledge products on green finance and climate finance including reports on the uptake of the products to target audiences

Objective 3. Knowledge-sharing and learning to enhance national and regional cooperation on climate programming and financing

☒ Outcome 3.2. Enhanced collaboration among developing countries on climate change issues, evidenced by transboundary and regional cooperations/South-South cooperation.

☒ Output 3.2.1. Regional or South-South partnerships, programmes, policies, MOUs and/or collaboration mechanisms established among developing countries, including through their DAEs.

Activities

3-2-1.a. Undertake peer networking opportunities and knowledge exchanges Participation in knowledge exchanges will be designed to build knowledge and skills of Bank personnel in the fields of climate finance, green finance and the private sector focusing on bringing back learnings, ideas, innovative technologies etc to strengthen the Bank's work with the private sector. To advance these learnings and building networks in these fields, FSMDB is therefore seeking closer ties and learning exchanges with a number of peer networks such as Associations or Communities of Practices to support their learning goals. Addressing Barrier 5. Gaps in knowledge and understanding of climate finance matters and the private sector linkages to climate finance, it is proposed that 2-3 Bank personnel participate learning exchanges to broaden their exposure to ideas, knowledge and collaboration - ultimately using these learnings to strengthen their DAE function and support of FSM's country priorities. It is envisaged participation in learning exchanges such as the Community of Practice for Direct Access Entities (CPDAE) and the Association of Government Financial Institutions in the Pacific, as well as networking opportunities with other national development banks in the region, would provide immediate and future benefit including: strengthening knowledge and awareness of systems and best practices in project management (Output 2.3.1 / Activities 2.3.1.1 – 2.3.1.3); providing inputs through lessons and knowledge gained from peer exchanges into the Green Finance Strategy and Roadmap; support and guidance in managing the concept note development [particularly given this is the first CN for the Bank]; and more broadly – providing insights and lessons in how the Bank can transition smoothly into the climate finance space. The knowledge built from these exchanges and interactions will support confidence-building within the Bank of undertaking the DAE function, plus strengthen inputs and management of the Roadmap pipeline including prioritisation and requirements to be able to mobilise financing for identified priorities. Participating personnel would be required to develop a 'concept note' prior to each exchange (approved by the President or Vice President) outlining the objectives and proposed learning outcomes and detailing a plan for how they will integrate the information, knowledge and learnings back into the Bank's processes and where relevant, building the understanding and knowledge of key stakeholders through information exchange. Participating personnel to any peer exchange or learning exchange would also be required to follow the Bank's travel requirement of submitting trip report to the Senior Management and where necessary, provide in person post-trip debriefs. Additionally, delivery of a learning seminar will be required by the participating personnel upon returning to the office to ensure relevant new knowledge and learnings be integrated into the Bank's systems and processes to improve the Bank's operations relating to its DAE functions. It is expected that during the course of the Readiness Project, the Bank will engage in co-hosting at least one CPDAE session or regional clinic to institutionalize peer learning. Deliverables include: • Peer exchange / learning exchange reports • Outline/PPT of learning seminar delivered to Bank staff • Evidence of learnings incorporated into Bank operations • Record listing of applied outcomes such as policy changes, tools adopted, CNs prepared from each exchange • Evidence of co-hosting at least one CPDAE session or regional clinic

4.3 Stakeholder Engagement Strategy

As outlined in Section 2.6, this Readiness proposal is to support the FSM Development Bank (FSMDB) – as a national Direct Access Entity (DAE) – to implement measures aimed at strengthening the FSMDB's capability in supporting the planning, development and implementation of private sector-related climate priorities in the Federated States of Micronesia.
Within this context, FSMDB has consulted across the relevant Units within the Bank including the Executive Management Team, Loan Division, and the Social Responsibility Division during the preparation of this Readiness proposal. Each of these Divisions have provided significant inputs into the proposal's contents and have been involved in the review and feedback process of this Readiness proposal.

In addition, the FSM Development Bank has undertaken consultations with FSM's National Designated Authority (NDA) on the focus of the proposed Readiness. The NDA fully supports FSMDB's focus on strengthening internal institutional and project management capacities and engaging with the private sector to develop FSM's first private sector climate finance project with the Green Climate Fund. The NDA hopes the Readiness will result in a concerted effort to provide funding to build the climate financing capacity of the Bank, and commence development of a private sector project pipeline for FSM.
Direct beneficiaries of this Readiness project include: (a) Bank personnel at HQ in Pohnpei who are directly involved in the implementation of readiness activities, (b) Bank personnel in the State branches who will be implementing activities including green finance products and information, and (c) the private sector within FSM across all four states who will be directly engaged in the green finance technical studies and the concept note (to be developed under the Country Window), and the information sessions to raise awareness of the Bank's GCF accreditation, the capacity to access finance and green finance products and opportunities.
Outcome 2.3 targets raising awareness of the Bank's new function and role, as well as necessary policies and procedures [for Bank personnel] and opportunities to engage and connect with the Bank through climate / green financing [private sector]. However, activities in developing the Green Finance Strategy and Roadmap will directly engage both Bank personnel and private sector at the national and state level – enabling direct inputs into the Bank's medium-term climate financing strategy and the prioritised direction forward including the development of a prioritised project pipeline under the Roadmap.
Additionally, the Bank's PCDS consultation process for its own projects will capture stakeholder's inputs on priority climate risks, sectoral vulnerabilities, and adaptation and mitigation opportunities. Stakeholders' consultations therefore play both the substantive and substantiating roles for climate relevance in Bank projects and investments. The coordination of this DAE Readiness with the Country and the NAP readiness programs is an essential piece that will ensure a programmatic, systemized treatment of Bank initiatives before, during and after (including at scale-up stages).
Indirect beneficiaries will include (a) the FSM National Designated Authority and Government, who will benefit from a stronger private sector, noting the proposed concept note will help build green investments in FSM and therefore addressing FSM climate priorities and targets in this sector; and (b) all FSM stakeholders who will benefit from a stronger private sector offering improved and expanded services in the green sector e.g. renewable energy options for HHs or businesses.

4.4 Risk Assessment and Mitigation measures

Please describe potential risks and risk monitoring plan, as follows:

- Please list the key identified and potential risks as well as the mitigation measures proposed. The potential risks could include, for example, delays, disruptions, cost and market risks, inadequate coordination/participation, lack of political support, money-laundering/terrorist financing, and prohibited practices.
- Please indicate the probability of occurrence (low/medium/high) and impact level (low/medium/high) for each potential risk.
- If managed remotely, please describe the measures (mechanisms and controls) to be taken to identify, assess, monitor and mitigate any risk of money-laundering, terrorist financing or prohibited practices.
- Please describe the measures (mechanisms and controls) to be taken for activities within the proposal to identify, assess, monitor and mitigate any risk of money-laundering, terrorist financing, prohibited practices and other integrity matters.

Risk Category	Specific risk(s) / Risk(s) description	Probability of occurrence	Impact level	Mitigation action(s)	Entity(ies) responsible to manage the risk(s)
Operational	Potential for delays in implementation at start-up in procuring personnel, consultants etc	High	Medium	Inclusion of a 4-month inception period to prepare for implementation including procurement Development of a detailed workplan and implementation plan during the inception period Development of a detailed procurement plan	FSMDB
Operational	Loss of Bank personnel may impact upon the delivery of the Readiness	Low	Medium	Staff retention policies are in place including competitive terms and conditions	FSMDB
Operational	Completion of activities and deliverables on-time, impacting upon payments	Medium	High	Detailed workplans and implementation plans in place Oversight and support from Bank technical personnel Regular progress meetings to highlight emerging challenges or issues Procurement of experienced personnel, professional service firms and consultants	FSMDB
Operational	Inadequate coordination and participation with the State stakeholders	Low	Medium	The Development Bank has offices in each of the FSM States and has worked closely in the past with the state governments and private sector stakeholders. The states will be engaged early in this readiness proposal particularly relating to the green financing and private sector components and will continue to be actively engaged throughout these activities.	FSMDB

Operational	Lack of stakeholder engagement from private sector	Low	Medium	The Bank has a well-established relationship with the private sector and offices across all four states to support the engagement with, and participation of, the private sector in the project	FSMDB
Financial	Risk that GCF funds are used to support entities or individuals associated with money laundering, terrorist financing, or prohibited practices	Low	High	The Bank has in place due diligence and financial management procedures, including AML & CFT policies	FSMDB
Financial	Procurement capacity of the Bank may not be adequate to ensure efficiency in procurement operations	Low	High	The Bank has undergone a review of its procurement processes as part of its GCF accreditation. Continued review and updating of the Bank's procurement processes and internal capacity will be undertaken throughout the life of the Readiness	FSMDB
Financial	High cost of Audits and inability to provide Audits in a timely manner	High	Medium	The budget has been costed at the current rate for an annual audit to enable funding to be available. Audit firms in FSM are in high demand and the Bank will seek alternatives for Audits including potential to combine procurement with other DAEs in the region.	FSMDB
Environmental	Climate change or extreme weather events impacting the implementation of the project	Low	Low	In the event of any external-related disasters, the FSM Government and DAE will put in place procedures as per those implemented under previous disaster events including the COVID-19 pandemic i.e. remote communications with support from in-country personnel. Activities themselves are designed so as not to be impacted by any climate change challenges.	FSMDB

5. Logical Framework (output)

Guidance

Please complete the logical framework in the separate document.

Objective: Paradigm-shifting GCF pipeline development and implementation for adaptation and mitigation, based on country needs and guided by USP-2 programming targets.

Outcome: Developing countries have developed high-quality concept notes linked to approved GCF proposals for adaptation and mitigation that are aligned with the USP-2 results, including through DAEs, that build on readiness support and country programmes.

Output: NDA, DAEs and other climate stakeholders, have enhanced their capacity on Concept Note and/or Funding Proposal development for an inclusive integrated climate programming.

Indicator: Number of studies, assessments, and other actions undertaken to support the development of investment-grade Concept Notes and/or Funding Proposals.

Please provide the number of studies, assessments, and other actions to develop CN/FP
Unit: No. of Studies/assessments

Conducted to	Baseline	Target
Conducted for GCF	0	1

Output: Investment-grade Concept Notes and/or Funding Proposals that are fully aligned with the Country Programme and passed the GCF screening process.

Indicator: Number of Concept Notes and/or Funding Proposals developed that are fully aligned with the Country Programme.

Please provide the CN/FP developed
Unit: No. of Projects

Baseline	Target
0	1

Expected Deliverables

☒ Concept Note and studies, assessment, reports, etc. to support the development of investment-grade Concept Notes.

☒ Funding Proposal and studies, assessment, reports, etc. to support the development of investment-grade Funding Proposals.

Outcome: NDAs and DAEs have enhanced processes and systems to effectively oversee the implementation, financial management, monitoring and reporting of climate programmes and projects.

Output: NDA and DAEs have enhanced relevant capacity, processes and systems in place to oversee and implement climate programmes and projects.

Indicator: Number of NDA and DAEs reporting enhanced processes and systems, knowledge and skills that advance their programme/project implementation, financial management, monitoring and reporting, and compliance with GCF standards and policies.

Please provide the number of NDAs/DAEs advancing their programme/project of GCF Funded Activities
Unit: No. of Entities

Institution Roles	Baseline	Target
DAE	0	1

Expected Deliverables

☒ Status report on capacity building of NDA and DAEs in the Country/Region in project/ program design, implementation and oversight.

Objective: Knowledge-sharing and learning to enhance national and regional cooperation on climate programming and financing.

Outcome: Enhanced collaboration among developing countries on climate change issues, evidenced by transboundary and regional cooperations/South-South cooperation.

Output: Regional or South-South partnerships, programmes, policies, MOUs and/or collaboration mechanisms established among developing countries, including through their DAEs.

Indicator: Number of regional or South-South partnerships, programmes, policies, MOUs and/or collaboration mechanisms established.

Please provide the number of regional, multi-regional, South-South partnerships established or strengthened
Unit: No. of Regional Partnerships

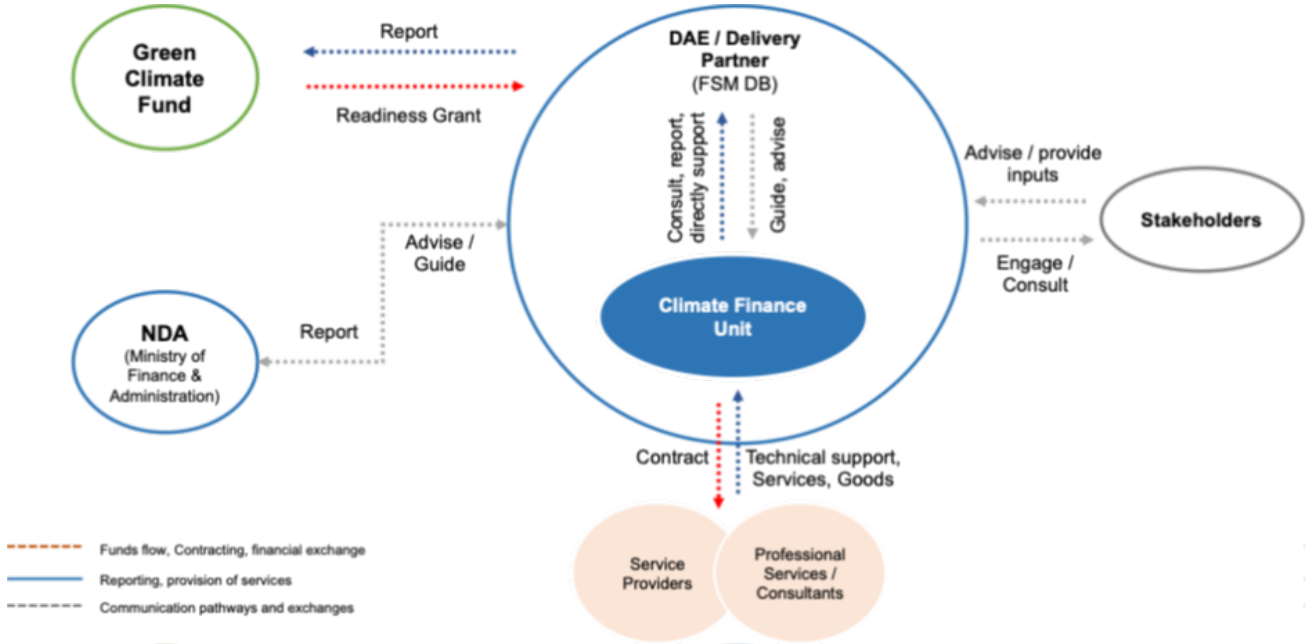
Effectiveness Status	Baseline	Target
Establish	0	1

Expected Deliverables

☒ Status report on the regional or South-South partnerships, programmes, policies, MOUs and/or collaboration mechanisms promoted by the Country or Region.

6. Implementation Arrangements

6.1.1 Partnering under Direct Access



Direct Access Entity

As the Direct Access Entity, the FSM Development Bank will be directly responsible for the implementation of this Readiness project under the DAE funding window. This will include undertaking responsibility for managing the Bilateral Grant Agreement to be signed with GCF or its fiduciary agent and be responsible for implementation of the readiness support, and will carry out all fiduciary and financial management, procurement of goods and services, monitoring and reporting activities under this proposal in compliance with the Delivery Partner's policies and procedures and with the Bilateral Grant Agreement to be signed with GCF or its fiduciary agent. FSM Development Bank retains ultimate management responsibility and accountability for all grant implementation matters, including the execution of the activities and budget resources.

Though FSM Development Bank has demonstrated its capability and success by staying in the banking industry for 40 plus years, taking on the function of a green climate finance accredited entity is new and will require additional human resource and resource materials to help mainstream the functions of green climate financing into the normal operations of the Bank. To address the gap in staffing capacity to support the DAE's accreditation function, dedicated support will be provided, designed to provide high quality management services across the Bank's climate finance work streams. This will include ensuring the Bank maintains and strengthens its accreditation credentials with the Green Climate Fund, and the provision of high-quality project management services oversighting the development and implementation of the Bank's climate finance pipeline and portfolio with reporting responsibility to Management.

In consideration of future sustainability of the climate finance function, during the first two-years of this Readiness project, a formal sustainability strategy for the climate finance function will be developed aimed at aligning human resource requirements with the Bank's short-and-medium term climate finance goals. The strategy will focus on expertise requirements (particularly looking at future requirements to undertake the accredited entity function and implement GCF projects), recruitment of expertise, retention of experienced climate finance personnel, training needs for climate finance and Bank personnel, and funding support and budgeting - noting the need to reduce reliance on GCF funding support and move towards a long-term financing model.

Establishment of this expertise will follow the same support unit structure of the Bank where there is a unit manager overseeing pertinent staff responsible for supporting the integration of the green climate finance activities into the Bank's core function of lending. Its line of reporting will be directly to the President/Chief Executive Officer of the Bank.

Technical Advice and Backstopping

Within the Bank there resides a number of technical capabilities relevant for both the Bank's accreditation function and for the advancement of green finance / climate finance in FSM including the advancement of a private sector pipeline with the GCF. These roles include the overarching banking responsibility; private sector engagement; loans management; green finance; auditing; monitoring and evaluation; procurement; financial management; gender equality disability and social inclusion (GEDSI); and communications. Personnel within the FSM Development Bank will be periodically called upon to engage and / or lead on some of the Readiness activities as aligned with their levels of technical expertise.

National Designated Authority

The FSM National Designated Authority (NDA) – Ministry of Finance and Administration (MoFA) – will be directly engaged throughout the Readiness timeframe to ensure continued alignment with the country priorities and climate goals, and in particular to align with and provide support to the country project pipeline. The FSM Development Bank will ensure the NDA is kept regularly updated on progress relating to the DAE Readiness project, and in particular, in regards to the development of the Green Finance Roadmap. The DAE shall communicate and coordinate with the NDA and the GCF Secretariat regularly on the progress and status of the Readiness programme implementation.

Professional Services / Consultants

Professional Services (i.e. firms and/or consortiums of consultants) and individual consultants (international and national) will be recipients of funds to plan and implement specific activities as outlined in this proposal and supporting budget (Table 1 and Annex 2). The services required will be dependent upon the activity and subsequent tenders for services will be constructed to meet the specific needs.

Service Providers

Provision of goods and services outside of professional services / consultants, will be procured through the FSM Development Bank's procurement policy.

6.1.2 Framework Agreements

Not applicable.

6.2 Organisation and Staffing

In this chapter, propose the structure and composition of your team. Consider including a visual depiction of the programme team through an organisational chart, depicting reporting responsibilities. List the main disciplines, key experts responsible, and technical and support staff, including their relevant past experience, using the form below.

Please also include any details on any other relevant group of stakeholders, such as steering committees, technical teams, tasks force, coordination mechanisms, PMC structure, etc.

For these groups, describe their composition, decision-making processes, operational procedures, terms of reference (if any) and how the DAE will manage or oversee these units to ensure fulfillment of its obligations.

Name of staff	Organization	Area of Expertise	Position Assigned	Task Assigned	Base Country During Assignment
To be procured	FSMDB	Academic: Post Graduate Qualifications [Eg Masters, Graduate certificate or diploma] in climate change, project management, governance and public policy, international development, business administration or similar field. Professional: At least 8 years of relevant experience preferably in environment and climate change, governance and policy, project management,	Climate Finance Manager	Management and oversight of the Climate Finance function within the Bank. including management of the Unit including Readiness project Primary responsibility will be to ensure FSM DB fulfils its accredited entity responsibilities and strengthens its systems, policies and procedures, as well as raise awareness of the DAE role to its	Micronesia (Federated States of)

		institutional capacity development, and finance in government institutions, private sector, NGOs and / or development agencies on similar assignments. Proven experience in project management and coordination with the Governments, private sector, NGOs, and other development agencies nationally and internationally. Knowledge and understanding of climate change issues in the Pacific preferred. Proven track record in stakeholder engagement and consultation with government agencies, development agencies, NGOs, private sector, and the community. Experience in managing teams, preparing reports, meeting minutes, and undertaking research and data collection and managing information.		stakeholders. To ensure the project delivers the results and outcomes specified in the project document and that the project is delivered in a manner that ensures compliance with the terms and conditions of the project execution agreement	
To be procured	FSMDB	Academic qualifications: Bachelors qualifications in development studies, climate change, natural resource management or equivalent. Professional qualifications: At least 5 years' work experience in managing projects preferably with a climate change or natural resource management focus. Demonstrated knowledge or understanding of climate finance and GCF processes. Strong communication skills (oral and written). Experience in working with multiple stakeholders to achieve outputs and outcomes is an advantage Climate Finance Specialist Support the development of the Green Finance Strategy and Roadmap and project pipeline Build relationships and networks with stakeholders across government, private sector, CSOs and communities to inform on climate finance.	Climate Finance Specialist	Support the development of the Green Finance Strategy and Roadmap and project pipeline, Technical studies and concept note. Build relationships and networks with stakeholders across government, private sector, CSOs and communities to inform on climate finance.	Micronesia (Federated States of)

To be procured	FSMDB	Academic Post Graduate Qualifications (Eg Masters, Graduate certificate or diploma) in environmental or social sciences, conservation studies, environmental health, anthropology or related studies. Professional General experience: Minimum 10 years of experience in environmental and social due diligence including designing, implementing, assessing and monitoring safeguards of programmes and projects and the use of established safeguards standards; Demonstrated capacity to provide concise and thorough reports of assessments, recommendations and project or programme due diligence or performance reviews; Experience working in the Pacific region.	ESS Officer	Environmental and Social Safeguards GRM	Micronesia (Federated States of)
To be procured	Professional Firm	Academic At least a master's degree in social science, development studies, business management or a relevant field Professional General experience: At least 8 years of work experience in private sector companies, with exposure to green financing; Strong private sector contacts, across different sectors, and business type (SMEs, MNCs etc.); Experience in engaging with senior management at private corporates; Experience in GCF processes including concept note and/or feasibility study development; Excellent written and verbal communication skills; Strong interpersonal skills, networking and managerial capacity; Excellent inter-personal and technical communication (oral, written, and visual) skills with high level English language writing skills are essential; Strong evidence of resource mobilization experience in the development sector.	Green Financing / Private Sector expertise	Output 2.2.1 and 2.2.2. Technical study on green finance and the role of FSM Development Bank Develop the Development Bank's medium-term 'Green Finance Roadmap' Develop the technical study or pre-feasibility study to support the development of a concept note: and concept note.	Micronesia (Federated States of)

To be procured	Consultant (International)	Academic University degree (Bachelor's) in climate science, environmental studies, economics, administration, international relations, international development or related studies. Postgraduate: a master's degree in monitoring and evaluation studies, management or administration, climate science, environmental studies or related studies. Professional General experience: At least 10 years practical experience in evaluating organizations or projects, and / or monitoring and evaluation; experience in developing methodologies for climate metric monitoring and evaluation, including baseline data; strong facilitation and communication skills; experience in training staff to undertake M&E of climate metrics would be an advantage.	Monitoring, Evaluation, Learning and Reporting Specialist	Output 2.3.1 Development of a MERL system and Manual	Micronesia (Federated States of)

N/A

6.3 Fund flow arrangements

The funds will flow directly from the GCF to the FSM Development Bank as per the Bilateral Agreement arrangements to be signed upon approval of the Readiness project. As FSM's currency is the USD, receiving funds will be retained in a USD account with all contracts and payments to be made in USD, thus removing any currency exchange risks.
FSMDB will open a bank account at the Bank of Guam, a commercial bank to receive disbursement from GCF. Internally FSMDB will create separate general ledger accounts, balance sheet and income statement, for GCF funds to be monitored separately. GCF funds will not be commingled with FSMDB own funds for ease of reporting and audit purposes.

7. Monitoring, Evaluation and Reporting

Guidance

The RRMF has been revised to align with the objectives and outcomes outlined in the 2024-2027 readiness strategy, with the view to (1) simplify and streamline monitoring and reporting procedures; (ii) appropriately capture and reflect the systemic approach and strategic, programme-based methodology for planning and implementing readiness support; and (iii) establish a clear connection between readiness support and the enhanced programming capacities of developing countries and DAEs to effectively access and utilise climate finance.

Please note that there are as per the Revised RRMF, there are two levels of monitoring and reporting. The first is at the programme/project level, and the second is at the Country level. Outlined below are the monitoring and reporting requirements and responsible parties.

7.1 Programme Monitoring and Reporting (Output-Level)

Responsibility & Tasks:

- In the case of direct access, the DAE or a Framework Agreement (FWA) holder is responsible for monitoring the programme/project's implementation and preparing relevant reports that detail the progress of output-level results and deliverables as articulated in the programme/project logframe.

Financial Reporting:

- Regular financial reporting is the principal reporting mechanism under Readiness. Reports should provide an overview of funds received and expended and a comparison of planned versus actual expenditure with rationale for any variances. All financial reports must be presented in USD, in line with the approved programme budget. The detailed reporting requirements, including content and format, will be specified in the implementation-related templates.

Reporting Frequency:

- Annual progress reports, including financial reporting, are to be submitted to the GCF Secretariat by 31 March of each year, unless otherwise agreed to in the respective legal agreements. Upon project closure, a completion report must be submitted within three months of the completion of the activities

☒ By checking this box, I acknowledge awareness of reporting tasks, including frequency and content

7.2 Financial Audits

Responsibility:

- Independent, third-party auditor commissioned by [choose appropriate] the DAE or FWA holder in case of direct access, or by the delivery partner if chosen from the GCF pre-qualified pool through mini-tenders.

Task:

- Regular financial audits to ensure responsible and transparent fund management, preventing misuse or mismanagement and ensuring compliance with GCF and national requirements.

Reporting Frequency:

- Annual financial audit reports must be submitted to the GCF Secretariat by 31 March of each calendar year, unless an alternative frequency and deadline is agreed upon at the conclusion of the legal agreement. The completion financial audit report to be submitted to the GCF Secretariat within three months of completing the activities.

Please confirm which type of auditor will be selected and provide any details

○ Private sector auditor Auditor

(If Public Auditor (such as Country Supreme Audit Institution (SAI) or other)):

N/A
N/A

☒ By checking this box, I acknowledge awareness of financial audit responsibilities, including frequency

7.3 Mid-Term Review (if the programme is four years)

This will align with the Year 2 annual progress report; a separate mid-term report is not required. Instead, a specific section in the Year 2 annual progress report will focus on the assessment of the adequacy of the initial design of the four-year programmes, the evaluation of the progress made towards achieving project objectives, and the review of the effectiveness of the delivery partner (if selected from the GCF pre-qualified pool). It will also identify any challenges encountered. The findings from this review will be used to make necessary adjustments to the project implementation plan in Years 3-4.

☒ By checking this box, I acknowledge awareness of reporting tasks, including frequency and content

7.4 Final Evaluation

Responsibility:

- An independent evaluator will be commissioned by the DAE, or a FWA holder, in case of direct access

Task:

- Upon completion of the project implementation period, an independent evaluation will be conducted to assess the overall impact of the readiness activities. This evaluation will measure the contribution of these activities to the country's objectives and GCF outcomes, guided by the GCF Evaluation Policy and Standards. It will include an impact assessment and document lessons learned to inform future project planning and readiness support. If the country selects two programmes, the GCF Secretariat and the country may consult to explore the rationale and feasibility of conducting a single evaluation for both programmes.

Reporting Frequency:

- The final evaluation report will be submitted to the GCF Secretariat within three months of completing the Readiness activities.

☒ By checking this box, I acknowledge awareness of reporting tasks, including frequency and content

7.5 Sanctions and Restrictive Measures

There are no entities or individuals who are subject to or affected by United Nations Security Council sanctions regimes that will be involved in such projects/activities, either as counterparties or as beneficiaries.

7.6 Grievance Redress Mechanisms
The FSMDB has in place a number of policies to protect the rights of staff and stakeholders including Whistleblower policy, a Grievance Redress Mechanism (GRM) policy, Code of Ethics and Conflict of Interest policy, and anti-fraud policy. The Bank's GRM will be used for the implementation of this Readiness project. The GRM policy provides the content and structure for a Grievance Redress Mechanism (GRM) to be implemented at the institutional as well as at the project level within FSMDB. This Policy applies to internally funded as well as externally co-financed activities. A copy of the policy as well as instructions relating to filing of complaints is available on the FSMDB website http://www.fsmdb.fm/contact-us/complaint/. The Bank's Whistleblower procedures are outlined on the website noting the anonymous and confidential reporting process. The process provides details on the investigation procedures and independent investigation process. The Bank's website [https://www.fsmdb.fm] provides access to a complaints mechanism which clearly outlines the Bank's policies; information relating to the complaints process including instructions on how to lodge a complaint and an electronic for lodging the complaint, and the investigation process.

8. Budget

8.1 Budget
The DAE (for the DAE Support Window) is required to prepare and submit the Budget for the proposal period. Please complete the Budget using the specified Excel template. As necessary, provide an accompanying narrative (text) explanation in this section of the proposal. If not necessary, please indicate "Refer to the Excel file". The Budget must include a disbursement schedule linked to deliverables and aligned with the Implementation Plan. Use the Budget narrative to explain and justify the figures as needed. Download template
Budget plan (please complete in the separate document) While developing the budget, please consider the ineligible costs as per page 13 of the Initial Guide for Countries to Access Readiness Support

9. Other relevant information

9.1 Exit and Sustainability Strategy

As the FSM Development Bank is undertaking the delivery partner function, the sustainability of project activities will be embedded directly into the on-going operations of the Bank across both Headquarters and the State Offices. In particular, the sustainability of the project activities can be viewed through a commitment to:

Capacity Building and Institutionalization

- The training programmes outlined under Objective 2 – relating to the MERL and project management system training - will lead to a knowledgeable and skilled Bank personnel supporting the broader organisational and accreditation function of the Bank. The training will also include a train-the-trainer components which will ensure an embedding of knowledge and skills through peer learning over the longer-term. The trainings will be targeting 44 personnel of which 50% will be women.
- In addition, this Readiness aims to improve the level of understanding and knowledge of Bank personnel in green finance / climate finance in the Bank. The information sessions are to be delivered annually across the four states, to approximately 44 Development Bank personnel i.e. Pohnpei (30), Yap (4), Kosrae (5) and Chuuk (5) - with an expected participation rate of 50% women.
- Additional skills and knowledge will be developed through the participation of Bank personnel in the development of the studies on green financing, the Green Finance Roadmap and the subsequent development of a concept note targeting the private sector. Working closely with the professional services firm, Bank personnel will gain insights into the development of climate finance related strategies and hands-on-experience in project design and development.
- The peer learning exchanges under Objective 3 will be designed to ensure learnings and knowledge are brought back into the Bank, with clear outcomes to be reported against showcasing evidence of learnings incorporated into the Bank's climate finance practices.

Integration into National Systems:

- This Readiness proposal is enhancing existing procedures, frameworks and systems through the upgrading and / or development of key systems and procedures (e.g. project management, MERL). The upgrading of, or development of new systems and procedures will strengthen the capability of FSMDB to effectively lead on its accredited entity responsibilities and prepare and implement high quality projects. Equally important, FSMDB will continue to work closely with NDA to ensure that by subscribing to the two systems (MERL and PMS) the systems functional capability factor in the production of national climate finance reporting requirements to streamline reporting from the Bank through these systems.

Sustainability Mechanisms:

- This Readiness proposal is supporting sustainable training and imparting of knowledge and skills through on a "train-the-trainer" approach as outlined in the capacity building sub-section above.
- In addition to the capacity development, this Readiness proposal is supporting learning and sharing platforms through FSMDB participation and contributions towards regional climate finance peer learning networks. The peer learning experiences will enable collaborations and the sharing of ideas, skills, experiences and resources to improve or strengthen project development and implementation. The aim will be for FSMDB personnel to benefit from the opportunities to exchange information, share success stories and best practices and discuss how to strengthen processes, priorities and ways of accessing financing to support FSM's climate priorities In addition to the aforementioned project commitments and to ensure a successful phase out strategy of the project,

the core functions and competencies developed during the project will then be reverted to the exit and sustainability strategy plan that will be developed and approved by the Bank in the second year of the project. The exit and sustainability strategy will outline the goal of the strategy, how the Bank can sustain its built capacity beyond the life of the project. This will include its post project human resources and budget plans.

- Adaptive Management The FSM Development Bank will undertake an adaptive management approach to the implementation of this Readiness project through incorporation of lessons learned from previous projects including:
- Ensuring flexibility in the approach of each output is embedded in the implementation plan. This includes building in realistic timeframes for procurement of high-quality expertise, development of internal expertise to support activities and building upon existing activities or partnerships.
- Ensuring contingency is built into the budget components for each output to avoid multiple change requests to budgets and workplans. Whilst the budget and workplan has been developed on best practice ideals and has utilised current costings for the implementation of activities, a conservative approach to the budgeting has also been undertaken to account for any variances in prices (particularly given the four-year timeframe of the project) and any unexpected occurrences arising.
- Undertaking a continual monitoring process through the Project's M&E Plan to ensure activities are tracking as per the implementation plan, are well supported to achieve results and to highlight any challenges or potential challenges which could arise, which may impact upon the delivery of the outputs and activities.
- Risk management plans will be reviewed regularly (i.e. bi-annually) to ensure all risks are being monitored and mitigation measures are effectively in place, as well as highlight any emerging risks and capturing these into the risk management plan.
- The mid-term review will provide for a formal opportunity to review and reassess the project and provide for adaptive management measures to be implemented for the remaining implementation period. This will include (but not limited to) the opportunity to assess: (a) whether the outputs and activities continue to remain relevant and appropriate; (b) whether the required resources have been effectively allocated; (c) emerging priority areas or issues.Moreover, the Bank will ensure that the design and implementation of activities of the Readiness project are following the relevant established Bank policies covering the cross-cutting issues on Gender Equality, Disability and Social Inclusion considerations and that the development of the CNs or FPs as outputs of the Readiness Project are gender – responsive projects/product design or that they pilot women – led business.

9.2 Readiness Programme Closure

Given the Direct Access Entity (i.e. FSMDB) is implementing this DAE Window Readiness project, there will be a process of continual transferring and archiving of all documentation that will result from the outcomes of this project to use for future reference by the Bank. Any asset procurement under this Readiness, will be treated as per FSMDB's asset management procedures.

During Year 2 of the project, the DAE will develop a transition / sustainability plan focusing on maintaining [and potential expansion as the portfolio grows] of the climate finance function beyond the GCF readiness support. This plan will be presented to the Bank's Board for review and endorsement.