

Annex XIV: Accreditation assessment of Applicant 053 (APL053)

I. Introduction

1. Applicant 053 (APL053), the Micronesia Conservation Trust (MCT), is an entity based in Micronesia (Federated States of) operating in that country with a mission to promote biodiversity conservation and related sustainable development. In order to achieve its mission, it focuses on providing long-term sustained funding through grant programmes, building the capacity of organizations of the Federated States of Micronesia to design and manage conservation and climate adaptation programmes, providing regional forums for collaborations among government, the private sector, the community and non-profit organizations to collectively address the challenges of natural resource management and climate adaptation, and managing endowment funds and other piloting revolving funds for ecosystem services.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 31 December 2016. The Stage I institutional assessment and completeness check was completed on 26 April 2017 and was progressed to the Stage II (Step 1) accreditation review, which was concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** direct access, national. The applicant received nominations for its accreditation application from the national designated authorities of the Micronesia (Federated States of) and Palau;
- (b) **Track:** fast track under the Adaptation Fund;
- (c) **Maximum size of an individual project or activity within a programme:** micro;¹
- (d) **Fiduciary functions:**²
 - (i) Basic fiduciary standards;
 - (ii) Specialized fiduciary standard for project management; and
 - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
- (e) **Maximum environmental and social risk category:** minimal to no risk (Category C/Intermediation 3 (I-3)).³

II. Stage I institutional assessment and completeness check

3. The applicant is eligible for, and applied under, the fast-track accreditation process as an Adaptation Fund accredited entity. Its application has been assessed by the Secretariat during Stage I in accordance with the requirements and gaps identified in decisions B.08/03 and B.10/06.

¹ As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "micro" is defined as „total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of up to and including US\$ 10 million for an individual project or an activity within a programme”.

² Decision B.07/02.

³ As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), Category C is defined as „Activities with minimal or no adverse environmental and/or social risks and/or impacts” and Intermediation 3 is defined as “When an intermediary’s existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts”.

2.1 Legal status, registration, permits and licences

4. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. The applicant is constituted as a non-profit corporation, subject to the provisions of the non-profit corporation charter, Articles of Incorporation and Bylaws of the Corporation filed with the Federated States of Micronesia Registrar of Corporations of the, and to the laws of Micronesia (Federated States of) in 2002.

2.2 Institutional presence and relevant networks

5. The applicant is a civil society organization comprised of 10 full-time staff and is governed by a 10-member independent board of trustees. The applicant supports biodiversity conservation, climate change adaptation and related sustainable development for the people of the Marshall Islands, Micronesia (Federated States of), the Northern Mariana Islands, Palau and the Territory of Guam. The applicant has been active in small-sized grant-making at the community level, sustaining operations and working with the government, United Nations agencies and other donors. The applicant has a diverse network at both the regional and national levels.

6. In order to advance the objectives of the GCF, the applicant aims to build the resilience of communities of the Federated States of Micronesia through ecosystem-based adaptation strategies, capacity-building, and sustainable and innovative funding mechanisms. It intends to direct resources to community stakeholders based on resource management plans, policy frameworks and strategies that have been driven primarily by community-identified needs and priorities and informed by science and other technical inputs.

7. The applicant anticipates addressing emission reductions from energy generation and access as well as increasing the resilience of health, food and water security, and livelihoods and communities. It will also continue managing the Micronesia Challenge Endowment to serve as a resource providing bridging funding for new initiatives.

2.3 Track record

8. The applicant has been working with local partner organizations and people at the community level, and undertakes projects largely focused on climate change adaptation. It has implemented projects related to marine and forestry conservation, the management of protected areas in small-scale and capacity-building activities.

9. The applicant's track record in financing climate change related projects includes the following:

- (a) USD 1.1 million (grants) for Building the Resilience of Communities and their Ecosystems to the Impacts of Climate Change in Micronesia and Melanesia;
- (b) USD 850,000 (grants) for Supporting More Effective Natural Resource Management in Micronesia Fisheries, management, terrestrial and nearshore conservation, scholarships;
- (c) USD 600,000 (grants) for Enhancing sustainable coral reef monitoring and management capacity for the Micronesia Challenge, and beyond;
- (d) USD 150,000 (grants) for Increasing Coastal Resilience of Micronesia's Mangroves – Terrestrial Conservation, mangrove conservation/climate change resilience; and

- (e) USD 115,000 (grants) for the implementation of Micronesia Challenge and Climate Adaptation Plans for Forest Areas in Micronesia (Federated States of) – Terrestrial conservation, Micronesia Challenge Terrestrial Goals.

III. Stage II accreditation review assessment

10. The applicant is eligible for, and applied under, the fast-track accreditation process as an Adaptation Fund entity. Its application has been assessed by the Accreditation Panel (AP) during Stage II (Step 1) against the standards of the GCF in accordance with the requirements and gaps identified in decisions B.08/03 and B.10/06.
11. As part of this assessment, the AP consulted the applicant's website and third-party websites to complement the information provided in the application.

3.1 Fiduciary standards

3.1.1 Section 4.1: Basic fiduciary standards: key administrative and financial capacities

12. As per paragraph 10 above, the basic fiduciary standards concerning key administrative and financial capacities is considered to have been met by way of fast-track accreditation.

3.1.2 Section 4.2: Basic fiduciary standards: transparency and accountability

13. As per paragraph 10 above, the basic fiduciary standards concerning transparency and accountability, with the exception of item 4.2.4, investigation function, and item 4.2.5, anti-money laundering and countering the financing of terrorism policies, have been met by way of fast-track accreditation.
14. Regarding item 4.2.4, the applicant has an investigation function in place, including a transparent formalized process for the submission and handling of complaints and concerns regarding actual or suspected violations of national law and actual or suspected violations of the applicant's internal policies for misconduct in the projects financed by the applicant. The whistle-blower protection policy and the mechanism that allows the public to launch complaints are available on a dedicated webpage.
15. The applicant's operations manual specifies the corresponding authorities for conducting an investigation. In particular, if the report of a concern is directed at an employee, the investigation function is carried out under the authority of the executive director, who takes a decision on the action taken regarding the disciplinary process. In cases where the complaint is directed to the executive director, the investigation function is carried out by the applicant's board executive committee that decides on actions to be taken. However, the existing investigation procedures do not describe the process of conducting the investigation itself, once the merit of it is recognized by the corresponding authority. The applicant has indicated to the AP that it is currently in the process of updating the corresponding clauses in its operations manual in order to clearly spell out the investigation process and corresponding follow-up actions.
16. The applicant has provided a statement that there have been no fraud or corruption-related investigations in the last three years.
17. Regarding item 4.2.5, the applicant has anti-money laundering and countering the financing of terrorism policies, which are approved by the applicant's board of trustees. Both policies include a statement on adherence to the corresponding national laws, the Patriot Act of the United States of America and the United Nations General Assembly resolution A/RES/70/291, and they contain the requirement to check on the United Nations and United States of America's federal list of debarred individuals or entities. However, the anti-money laundering and countering the financing of terrorism policies do not include a definition of the

prohibited practices as is required to be fully in line with the list of the prohibited practices contained in the GCF interim policy on prohibited practices.

18. Risk-based 'know-your-customer' counterparty due diligence is carried out by the applicant using specific operational tools and worksheets to collect and analyse the necessary information on the credibility of the potential grantee organization, as well as on the eligibility of the potential on-granting project activity. The sample copies of recently undertaken 'know-your-customer' due diligence reports were provided.

19. The applicant has a sound mechanism for the approval and recording of the wire transfers that targets payments that are undertaken through banking transactions. Specifically, the mechanism aims to ensure that payments are approved by the designated authority and processed in accordance with a specific banking instruction. Copies of the wire transfers to the sub-contractors were provided. Due to the small amount of payments, the applicant has not deemed it necessary to develop a complex in-house electronic payment system. However, this is considered acceptable by the AP given the size of the institution and the scale of projects financed through the grant award mechanism.

3.1.3 **Section 5.1: Specialized fiduciary standard for project management**

20. As per paragraph 10 above, the specialized fiduciary standard for project management is considered to have been met by way of fast-track accreditation.

3.1.4 **Section 5.2: Specialized fiduciary standard for grant award and/or funding allocation mechanisms**

21. The applicant's grant award mechanism procedural framework is found to be mature and well-developed. The grant management procedure, contained in the policy and operations manual, as well as its supporting guidance documents include clear standardized provisions for conducting calls for proposals, evaluating proposals and awarding grants, eligibility criteria for projects and potential grantees, due diligence procedures, as well as roles and responsibilities for grant disbursements and reporting.

22. The applicant's grant award management procedure also includes standardized provisions for the recovery of funds paid to the grantees, in respect of expenditures which are unauthorized or fall outside the scope of the funding for projects, procedures for the suspension, reduction or termination of grants in the event of the beneficiary failing to comply with its obligations and systems to prevent irregularities in the use of grant funds.

23. The competitive grant award programme is managed by the applicant through the supporting manuals and scoring tools that are used by its technical committee in the preparation of the recommendations on the grant awards to the applicants' board of trustees. The terms of reference and records of the work of the technical committee and the board of trustees were provided and contain evidence of the competence and independence of their members and objectivity of the decision-making.

24. The applicant has provisions for the periodic reviews of its grant award activities and has provided the examples of the mid-term reviews of the programmes implemented in the last two years. In addition, the applicant provided reports compiled by its donor partners (multilateral organizations) containing positive observations and conclusions on the performance of the applicant in respect of its management of projects and grant award programmes.

25. Although the applicant publishes information on grant award notices on its website in the form of a press release, it does not have a formal procedure in place to provide public access to information on the grant award decisions and grant award programme results, mainly because the local communities in Micronesia (Federated States of) still do not have access to the Internet and newspapers. The applicant is currently in the process of creating a system of knowledge management to record and effectively communicate project and programme

information, results and lessons learned to the wider community. The development of the system is expected to begin in September 2017 and to be finalized by the end of 2017. Therefore, in order to fully meet the GCF specialized fiduciary standard for grant award and/or funding allocation mechanisms, the applicant would need to provide a policy for the public disclosure of grant award information and results, as well as to demonstrate the effective implementation of the policy.

26. The applicant conducts close monitoring of the projects implemented under its grant award programme and undertakes regular site visits to support its beneficiaries, disseminate best practices and maintain good relations with the grant awardees. Examples of such site visit reports were provided to demonstrate the effective implementation of the monitoring procedures.

27. Overall, following the assessment, it has been concluded that the grant award mechanisms implemented by the applicant are mature and well-established and can be applicable to GCF-funded activities subject to the development and implementation of the policy for the public disclosure of grant award information and results.

3.1.5 **Section 5.3: Specialized fiduciary standard for on-lending and/or blending**

28. The applicant did not apply for assessment against this standard at this time.

3.2 Environmental and social safeguards

3.2.1 **Section 6.1: Policy**

29. While an environmental and social (E&S) policy is not required for Category C/I-3, the applicant has provided its E&S policy that was approved by its board of trustees in October 2016. This policy was developed in order for the applicant to meet the requirements of the Adaptation Fund, and also with the view to becoming accredited to the GCF.

3.2.2 **Section 6.2: Identification of risks and impacts**

30. The applicant has provided its updated guide to project performance, environmental and social risk assessment and management framework (dated May 2017). This document guides the applicant's staff in identifying the E&S risks and impacts of projects and programmes as they evolve over the project life cycle. The framework includes an environmental and social risk rating matrix, which rates the consequences of projects as minimal, limited or significant. These correspond to the GCF E&S risk Categories C, B and A, respectively. The applicant indicated that its grants officers, conservation programme manager or capacity building programme manager will have the primary responsibility for managing the applicable grant award and the associated projects and contracts. The applicant provided a list of project examples, and their retrospective categories (i.e. applying the newly established procedure to existing experience), indicating that the projects fall under E&S risk Category C/I-3. The applicant has planned further training of its staff in implementing its newly established E&S risk and impacts identification procedure.

3.2.3 **Section 6.3: Management programme**

31. The applicant has stated that currently no document describing an institutional process to identify and manage risks (including unanticipated risks and impacts) exists. The applicant's Monitoring and Evaluation Specialist is in the process of developing an institutional monitoring and evaluation system to include the requisite processes for monitoring mitigation measures, including unanticipated risks and impacts, which is expected to be available by September 2017. The document will also include designated roles and responsibilities for implementing the projects and programmes.

3.2.4 **Section 6.4: Organizational capacity and competency**

32. The applicant has provided an organization chart and indicated roles and responsibilities of its staff related to E&S risks and impacts identification and management. The staff have adequate knowledge of performance standards 1 to 8 of the GCF interim environmental and social safeguards, and are able to properly categorize potential funding proposals through a screening process.

3.2.5 **Section 6.5: Monitoring and review**

33. The applicant has provided a description of its project monitoring process in its operations manual, and in the use of the grant instruments. However, it has not provided sample project monitoring reports with respect to E&S requirements. The applicant is willing to maintain such data for projects and programmes financed using GCF resources.

3.2.6 **Section 6.6: External communications**

34. The applicant's documented procedure with assigned responsibilities for receiving, registering and handling complaints is provided in its policy and operations manual. The applicant's website for sharing relevant E&S reports with the public is under design. The applicant indicated that its register for receiving and responding to E&S related complaints does not currently exist, however, there have been no complaints launched against it. However, the applicant is willing to maintain such a registry for projects financed using GCF resources.

3.3 Gender

35. The applicant has provided its final approved gender policy, which is in line with the GCF Gender policy. The applicant also provided its gender assessment tool to implement its policy. The applicant stated that all of the projects to which the applicant provides financing have non-discriminatory practices. The applicant's staff have undergone gender training and it has demonstrated its project and programme experience with gender consideration in the context of climate change. However, the applicant could not provide sample projects showing gender disaggregated data and non-discriminatory practices in terms of benefits and remuneration for both men and women employees.

IV. Conclusions and recommendation

4.1 Conclusions

36. Following its assessment and noting that the applicant has applied under the fast-track accreditation process, the AP concludes the following in relation to the application:

- (a) The applicant partially meets the requirements of the GCF basic fiduciary standards, meets the specialized fiduciary standard for project management and partially meets the specialized fiduciary standard for grant award and/or funding allocation mechanisms. In the course of the accreditation assessment, some minor procedural gaps were identified, in particular with regard to the investigation procedures and a procedure for making information on the grant award decisions and grant award results publicly available;
- (b) The applicant partially meets the requirements of the interim environmental and social safeguards of the GCF in relation to the minimal to no E&S risk (Category C/I-3). The applicant's system to systematically carry out and document E&S mitigation and management measures and related subsequent E&S monitoring of its programmes is under development. The applicant's external communications system, particularly its channels and website to receive, register and respond to E&S related complaints, is under development; and

- (c) The applicant's gender policy and related assessment tools demonstrate that it has the required competencies, policies and procedures in order to implement its gender policy in line with the GCF Gender policy. However, the applicant did not provide adequate evidence of track record in implementing its gender policy.

4.2 Recommendation on accreditation

37. The AP recommends, for consideration by the Board, applicant APL053 for accreditation as follows:

(a) **Accreditation type:**

(i) **Maximum size of an individual project or activity within a programme:** micro;

(ii) **Fiduciary functions:**

1. Basic fiduciary standards;
2. Specialized fiduciary standard for project management; and
3. Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and

(iii) **Maximum environmental and social risk category:** minimal to no risk (Category C/I-3); and

(b) **Conditions:** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the condition(s). The AP will thereafter assess whether the condition(s) has/have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes.

(i) Condition to be met for each funding proposal:

1. Provide in its funding proposal a gender action plan that reflects the applicant's adequate competency in terms of human and financial resources and a system for maintaining data that addresses gender aspects in line with the GCF Gender policy;

(ii) Conditions to be met prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:

1. Provide an investigation procedure containing the description of the investigation process and corresponding follow-up actions to be taken;
2. Provide anti-money laundering and countering the financing of terrorism policies that are fully in line with the GCF interim policy on prohibited practices;
3. Provide an approved policy for the public disclosure of the decisions on grants awarded under a grant award programme;
4. Provide evidence 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 programmes; and
5. Provide evidence of the establishment of an external communication channel, which may include a website to receive, register and respond to E&S complaints; and

(iii) Condition to be met within one year of the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:

1. Provide evidence of the implementation of the policies and procedures referred to in paragraph 37(b)(ii)(3) above, in regard to the public disclosure of the results of the grants awarded under a grant award mechanism, under the projects/programmes approved and funded by the GCF.

38. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition(s), as identified in paragraph 37 above, and agrees to the recommendation.

4.3 Remarks

39. The applicant may wish to consider providing to the AP, through the Secretariat, information on the knowledge management system referred to in paragraph 25 once it is launched.