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Ethics and Finance Committee  
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Agenda item 5

**EFFICIENCY AND EFFECTIVENESS OF THE  
ACCREDITATION PROCESS: REPORT ON THE  
EXPERIENCE GAINED AND LESSONS LEARNED FROM  
THE ACCREDITATION PROCESS**

## Background

1. At its 26th meeting, in addition to reviewing applications, the Accreditation Panel (the Panel) had discussed ways to improve the efficiency and effectiveness of the accreditation process and reported to the Adaptation Fund Board (the Board) at its thirtieth meeting. In response to a request of the Board, this paper presents an analysis of the accreditation experience together with lessons learned and an overview of guidance available during the accreditation process.

2. At the thirtieth meeting of the Adaptation Fund Board, the Board requested the Adaptation Fund Board secretariat (the secretariat):

- (i) *To reflect on the accreditation experience of the Adaptation Fund; and*
- (ii) *To prepare, in collaboration with the Accreditation Panel, a report on the experience gained and lessons learned, including an overview of guidance on accreditation, for consideration by the Board at its thirty-first meeting”.*

*(Decision B.30/2)*

3. This is the first review of the accreditation process by the secretariat, in collaboration with the Panel, since the inception of the Adaptation Fund. The secretariat contracted a former Accreditation Panel member to carry out the main part of the analysis, in cooperation with and under the supervision by the secretariat. The draft analysis was discussed with the Accreditation Panel during its twenty-seventh meeting on 6-7 February 2018.

4. Because the accreditation process has been in use for a representative period and the Fund has been in existence for 10 years, such a review is timely. The accreditation process has evolved over the years and is seen as having reached a mature stage, with procedures, processes, required documents and guidance notes in place. Furthermore, a significant number of entities have gone through the process so that there is a reliable experience base. Other independent reviews and discussions have also considered the operation of the Adaptation Fund and the Green Climate Fund (GCF), including the accreditation process, especially in the light of the Direct Access modality. These studies have been used as a reference in this analysis.

5. The content of this document is as follows:

- (i) a review of the accreditation processes and accreditation statistics;
- (ii) a review of documents, guidelines, guidance documents, relevant board papers and decisions;
- (iii) a summary of findings and conclusions of recent external independent reviews; and
- (iv) the experience of the secretariat and Panel together with a summary of any gaps, challenges, and opportunities and conclusions and recommendations

6. While this review intends fully to respond to the request of the Board, its scope was intentionally limited by not performing additional surveys in partner organizations or with staff from Implementing Agencies since it was considered that a number of outside studies that had

performed such surveys could be relied upon and used in this analysis. This helped avoid additional costs and duplication of efforts.

### **The Accreditation Process: the Processes and Statistical Overview**

7. The accreditation process is well established and documented on the website of the Adaptation Fund<sup>1</sup>. The process is essentially similar for a National Implementing Entity (NIE), a Multilateral Implementing Entity (MIE) or Regional Implementing Entity (RIE) in terms of assessment of compliance with the Adaptation Fund Fiduciary, Social and Environmental Standards, and compliance with the Gender Policy.<sup>2</sup> First, a Designated Authority (DA) is selected and appointed in accordance with Decision B.9/4. The DA is a government official who acts as a point of contact for the Adaptation Fund. On behalf of the national government, the DA endorses:

- (i) the accreditation applications of NIEs or RIEs before they are sent to the secretariat for assessment; and/or
- (ii) proposals by National, Regional, or Multilateral Implementing Entities for adaptation projects and programmes in the DA's country.

8. The DA's role is also critical in helping the government through a consultative process to identify and select an appropriate entity within the government or country, which meets the requirements of the fiduciary and other standards. It is therefore judged vital that the selection of the DA is well considered.

9. Once the DA has nominated an NIE candidate, the applicant entity must demonstrate that it meets the Fiduciary Standards, and is compliant with the Environmental and Social Policy and Gender Policy. It does so by completing an application form online (using a secure submission and file sharing online platform called the "Accreditation Workflow" with access being granted once a nomination letter from the DA has been received). The applicant needs not only to demonstrate that there are policies and procedures in place that meet these standards but it also needs to demonstrate that these have been in practice and in operation. Thus, it is not only sufficient to provide the policies as documented in the entity, but it is also required that the applicant can demonstrate how these policies are being used and in effect, usually by giving at least two examples. Once the application has been filed, the next step is a review by the secretariat for completeness of the application followed by a detailed review by the Accreditation Panel Experts.

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<sup>1</sup> <https://www.adaptation-fund.org/apply-funding/accreditation/>

<sup>2</sup> Accreditation Standards consist of the following:

- (1) Legal status: Status to contract with the Adaptation Fund Board;
- (2) Financial and management integrity: Accurate recording of transactions, disbursing funds on a timely basis, and audited periodically by an independent firm or organization;
- (3) Institutional capacity: Ability to manage procurement procedures, ability to identify, formulate and appraise projects/programmes, competency to manage or oversee the execution of the project/programme, competency to undertake monitoring and evaluation, including monitoring of measures for the management of environmental and social risks;
- (4) Transparency, self-investigation, & anti-corruption: Mechanism to monitor and address complaints about environmental or social harms caused by projects;
- (5) Compliance with Adaptation Fund's Environmental and Social Policy and the Gender Policy.

10. As a matter of practice, the Panel takes decisions by consensus. The Panel consists of four independent experts and two Board members (who act as Chair and Vice-Chair). The secretariat assigns the review of the application by designating one of the independent experts as a lead-reviewer and another as the co-reviewer.

11. During the review, very often a number of teleconferences or online video calls are held with the applicant to seek clarifications, or additional information. On-site visits are conducted very rarely because of budget restrictions but also because visits have been used only in cases where all other means have been depleted and where a visit is considered to be able to tip the scales in favour of accreditation. These visits provide a level of interaction between the panel and the applicant that results in a common understanding of the AF requirements and an on-the-ground opportunity for the panel to assess, more comprehensively, the entity's capacity and competence to perform its work according to AF Standards. Once the review is completed, the cases are presented to the Panel as a whole and, if agreement is reached, a recommendation is made to the Board.

12. The work of the Panel is guided by the Terms of Reference<sup>3</sup>. The Panel established its working methods and its independence respecting a clear division of duties. The independent experts with in-depth experience in the standards examine the applications and supporting documents, conduct follow-up discussions with the applicant via teleconferencing or online video calls and discuss these during the Panel meetings. After the Panel reaches a consensus over a recommendation of accreditation, the Panel's recommendation is submitted to the Board for its consideration and decision. This working method also sufficiently helps maintain the independence of the expert review conducted by the Panel Experts from any potential Board influences and pressures. In addition to avoid any conflict of interest, the Panel members signs the Oath of Service.

13. The earlier applications for accreditation consisted of a mix of multilateral development agencies and some national entities. Accreditation of the multilateral banks and development agencies that were affiliated with the United Nations was reasonably straightforward. Nevertheless, achieving the Adaptation Fund's fiduciary standards could not be taken for granted. The accreditation of some multilateral agencies needed to be delayed until systems, procedures or performance had been strengthened. In all cases, the review was thorough and substantive, and no accreditation was proposed based on the reputation of these institutions alone. Over time, the Panel documentation, in support to accreditation, progressively improved. It was also soon realized that conditional accreditation was problematic as it was difficult to monitor how conditions were fulfilled. This practice ceased early on.

14. The accreditation system and its requirements continued to evolve over time. The Board approved guidance notes on accreditation standards that were developed to help entities overcome hurdles in the application process. The Application Form was revised several times to incorporate the new standards on the Fund's Environmental and Social Policy, and Gender Policy,

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<sup>3</sup> [https://www.adaptation-fund.org/wp-content/uploads/2014/09/Accreditation-Panel-TORs\\_0.pdf](https://www.adaptation-fund.org/wp-content/uploads/2014/09/Accreditation-Panel-TORs_0.pdf)

and also to refine or redefine the requirements. Important work practice changes were that the reviews and the progress of reviews and conclusions were more fully and formally documented, in agreed formats in the Accreditation Workflow, and that tasks were divided among experts, taking into account language skills, where possible, rather than performed by all experts individually, with findings shared and discussed to reach consensus. The legal requirements were verified and assessed by a secretariat member with the necessary legal expertise. Timelines were also developed to speed up and better control the process. Accreditation requirements were discussed and agreed in the Panel, which led to a more uniform application of the requirements and which also facilitated formulation of guidelines for applicants that were made available on the website.

15. A further important milestone was the development of a “fit-for-purpose” approach for smaller entities. Some smaller entities, typically in smaller countries, were lacking the capacity to meet the formal Fiduciary Standards using the typically applied means of demonstration. In response, the Fund approved a streamlined accreditation process in 2015 (Decision B.23/17).<sup>4</sup> This approach was developed to give recognition to the fact that smaller entities could not fully illustrate requirements of the Fiduciary Standards using the typically applied means of demonstration, but often had mitigating processes in place that provided sufficient safeguards. This allowed entities to submit alternative documentation for each standard that shows how it mitigates risk, while still respecting the Fund’s policies. Streamlined entities are eligible to receive funding amounts that are decided depending on the financial management capacity of the entity which is assessed by the Panel during the accreditation process. After the entity feels it can handle larger amounts, it can have such financial limitation re-evaluated and possibly lifted by the Fund. At the request of the entity, this approach can be used for entities with the following guiding or illustrative criteria: executing or implementing projects up to US\$ 1 million per project or programme, with less than 25 staff and an administrative budget of less than \$1 million<sup>5</sup>. The Micronesia Conservation Trust (MCT) in the Federated States of Micronesia is one of the three NIEs that have been approved through the Fund’s innovative streamlined access feature. MCT was the first to open these doors for other smaller entities. NIEs for the Cook Islands and Armenia have since followed suit.

16. An accreditation lapses after five years after which the entity must be re-accredited. During the re-accreditation process, the applicant’s capacity (and commitment) relating to the Environmental and Social Policy and to the Gender Policy, which had been approved after the applicants were initially accredited, is examined in full. The re-accreditation process is not part of this review.

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<sup>4</sup> [https://www.adaptation-fund.org/wp-content/uploads/2015/04/AFB.EFC\\_.16.7.Rev\\_.1-Streamlined-accreditation-process.pdf](https://www.adaptation-fund.org/wp-content/uploads/2015/04/AFB.EFC_.16.7.Rev_.1-Streamlined-accreditation-process.pdf)

<sup>5</sup> The streamlined process aligns the Fund’s accreditation process further with key international agreements. The Paris Agreement on climate change, for example, emphasizes the importance of efficient access to financial resources through simplified approval procedures and enhanced readiness support for developing country Parties. This is especially the case for least developed countries (LDCs) and Small Island Developing States (SIDS).

17. The direct access modality, as well as Fiduciary Standards and working methods of the Panel, have inspired other environmental and climate-related funds. In 2010, the Global Environmental Facility's (GEF) pilot project,<sup>6</sup> which resulted in accreditation of eleven GEF agencies<sup>7</sup>, borrowed extensively from the Adaptation Fund's approach. In 2016, the Green Climate Fund (GCF) concluded it could rely on the accreditation policies, processes and practices of the Adaptation Fund. On this basis, it allowed applicants accredited by the Adaptation Fund to use a fast-track approach for accreditation with the GCF. Furthermore, in relation to the re-accreditation applications, recognition was given to the fact that the GCF had fast-tracked several of the Fund's implementing entities. Following a gap analysis, the Fund reciprocated through its own fast-track re-accreditation process to increase the efficiency of the Panel and reduce duplication of work between the funds and unnecessary administrative burden for applicant entities. This was in line with the effort by the Board to identify areas that foster complementarity with the GCF, including accreditation, as well as improve the effectiveness and efficiency of the accreditation process. Following a detailed gap analysis, it was decided to rely on the accreditation process of the GCF, except the demonstration of the legal personality which was considered too important; in the Environmental & Social Standards and Gender standards, where the Fund wanted to ensure that there was a clear commitment to these standards; and the complaints handling or grievance mechanism, in addition to an existing capacity in this regard.

18. Readiness seminars and workshops convened by the Fund have helped increase applicants' familiarity with these processes, including how to demonstrate that they were meeting the accreditation requirements. Accredited entities also began sharing their experiences and assisting new applicants with the application process using South-South Cooperation grants made available by the Board through the Fund's Readiness Programme for Climate Finance (the Readiness Programme). In addition, one on one clinics which are held between the applicants and secretariat staff during Readiness workshops and seminars have all assisted in building capacity and preparing a current or future application.

19. Up to January 2018, the Fund has accredited 46 implementing entities (28 NIEs, 12 MIEs, and six RIEs) and re-accredited 15 of those. The GCF has accredited 26 of these entities—most, if not all, through the fast-track accreditation process. The 46 accredited implementing entities of the Fund are responsible for the past and ongoing implementation of projects, as well as bringing new proposals forward for final approval by the Board. **Accreditation Documents, Guidelines and Guidance Notes**

20. Several obstacles needed to be addressed in the early accreditations. These included issues such as: how to consistently apply the same requirements to meet the standards and avoid

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[https://www.thegef.org/sites/default/files/documents/PR.IN\\_04.Accreditation\\_Procedure\\_for\\_GEF\\_Project\\_Agencies.05212012\\_0.pdf](https://www.thegef.org/sites/default/files/documents/PR.IN_04.Accreditation_Procedure_for_GEF_Project_Agencies.05212012_0.pdf).

7 [https://www.thegef.org/sites/default/files/council-meeting-documents/C.42.09.Rev\\_.01\\_Secretariat%20Recommendations%20of%20Project%20Agencies%20for%20Accreditation.pdf](https://www.thegef.org/sites/default/files/council-meeting-documents/C.42.09.Rev_.01_Secretariat%20Recommendations%20of%20Project%20Agencies%20for%20Accreditation.pdf)

any bias resulting from the view of the expert; how to deal with incomplete applications; how to evaluate systems that were only partially documented or how to take into account mitigating or alternative systems; how to evaluate an entity that had experience in executing projects under the guidance of a donor, but not the required experience to independently implement projects on its own with its own systems and dedicated personnel; how to evaluate whether the Fiduciary Standards were met in cases where the applicant relied on government-wide systems within their country; and how to insist on the need for a clear message that robust and strong anti-fraud policies and practices had to be in place, since for many national and regional applicants, this was not the case a decade ago. Finally, how to evaluate the proper use of the new Environmental & Social Policy, and subsequently the Gender Policy, since Adaptation Fund was the first fund in the environmental field that, for instance, included respect and promotion of human rights among its safeguards.

21. In response to these challenges, the Panel, the secretariat and the Board developed guidelines, guidance documents, and Board papers and decisions that helped with the guidance. The relevant guidance notes and documents that were developed and that can be accessed online are as follows:

- (i) Accreditation Application Form
- (ii) Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund (amended in October 2017)
- (iii) Environmental and Social Policy (amended in March 2016)
- (iv) Gender Policy (approved in March 2016)
- (v) Re-accreditation process (approved in October 2013)
- (vi) Guidance on Accreditation Standards (approved in 2016)
- (vii) Accreditation Panel – Terms of Reference
- (viii) Guidelines for Designated Authorities to Select an NIE
- (ix) Accreditation Toolkit

22. The secretariat prepared guidance notes which included detailed guidance on all the Fiduciary, Environmental and Social, and Gender Standards<sup>8</sup>. Detailed Guidance Notes were prepared on the following areas:

- (i) Requirements for Legal Personality;
- (ii) Guidance on Typical Functions of an Audit Committee;
- (iii) Guidance on an Internal Control Framework;
- (iv) Typical Elements of an Annual Internal Control Statement;
- (v) Typical Elements of Quality-at-Entry Review;
- (vi) Guidance on Project Risk Assessment;

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<sup>8</sup> See <https://www.adaptation-fund.org/wp-content/uploads/2016/03/AFB-EFC-18-4-Effectiveness-and-efficiency-of-the-accreditation-process.pdf> and; [https://www.adaptation-fund.org/wp-content/uploads/2016/09/AFB-EFC19-7-Rev.1\\_Effectiveness-and-efficiency\\_Gap-Analysis-GCF.pdf](https://www.adaptation-fund.org/wp-content/uploads/2016/09/AFB-EFC19-7-Rev.1_Effectiveness-and-efficiency_Gap-Analysis-GCF.pdf); see also [https://www.adaptation-fund.org/wp-content/uploads/2017/03/AFB-B-29-Inf.6\\_GenderGuidance\\_IEs\\_final\\_March3.pdf](https://www.adaptation-fund.org/wp-content/uploads/2017/03/AFB-B-29-Inf.6_GenderGuidance_IEs_final_March3.pdf)

## (vii) Typical Elements of an Anti-Fraud Policy and Procedures.

23. These Guidance Notes cover areas of the accreditation application where applicants may be uncertain of the expectations of the Panel when reviewing an application.<sup>9</sup> Experience has shown that these Guidance Notes have been very helpful and have often triggered the development of better or new practices in entities.

24. In addition to the available guidance, global and regional Climate Finance Readiness workshops, organized as part of the Fund's Readiness Programme have been held on a regular basis. These workshops have been very instrumental to help understand the accreditation and project cycle requirements and are highly appreciated by the participants. As stated above, the Board also made available several small grants under the Readiness Programme to help NIEs provide peer support to countries seeking accreditation with the Fund and to build capacity for undertaking various climate finance readiness activities.

### Summary of Findings and Main Conclusions of External Reviews

25. A number of independent external reviews on the accreditation process of the Fund have been conducted. To avoid duplication, this analysis draws on their conclusions, especially since one study conducted extensive surveys with Implementing Entities and another study reviewed a number of accreditation cases in detail. These are discussed in the following paragraphs.

26. A working paper from the World Resources Institute (WRI) explores the experiences to date of national institutions that have been accredited by either the Adaptation Fund or Green Climate Fund based on information obtained primarily from interviews with representatives of accredited institutions (15 in total)<sup>10</sup>. Their key findings are as follows:

- (i) countries should spend enough time planning for how they will engage with the climate funds (including linkage with national strategies and designating a coordinating body);
- (ii) very important is the selection of the right institutions responsible for overseeing and implementing projects or programs funded through direct access, including collaboration between relevant institutions;
- (iii) there is a need for the preparation for a rigorous, time-consuming, but ultimately useful endeavour and there should be dedication of adequate human and financial resources to the accreditation process;
- (iv) buy-in from the senior level of the organization is also reported as crucial;
- (v) adequate documentation should be available to meet the accreditation requirements.

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<sup>9</sup> See <https://www.adaptation-fund.org/wp-content/uploads/2016/03/AFB-EFC-18-4-Effectiveness-and-efficiency-of-the-accreditation-process.pdf>

<sup>10</sup> Masullo, I., G. Larsen, L. Brown, and L. Dougherty-Choux. 2015. "Direct Access' to Climate Finance: Lessons Learned by National Institutions." Working Paper. Washington, DC: World Resources Institute. Available online at <http://www.wri.org/publication/direct-access>



27. The interviewed entities encouraged others to ensure that they truly understand the application process by, for example, reaching out early to ask questions about the process. Some institutions that did not initially meet all the requirements have benefited from being flexible enough to take on new processes and gaining the required experience with these new processes. Readiness support has helped national institutions overcome some of these challenges.

28. The study also notes that national institutions typically report that, although the accreditation process can be time-consuming and tedious, it has also benefited them in the long run. For the 15 entities examined, the time taken to secure accreditation varied significantly from one national institution to another, ranging from less than six months to 30 months. The authors list a number of factors accounting for the delays experienced by some NIEs including, for example:

- (i) the need to prepare (and sometimes translate) required documentation;
- (ii) a limited understanding of the required documentation;
- (iii) the challenges in documenting and/or adopting policies and processes to meet accreditation requirements;
- (iv) sometimes a lack of support from senior staff within the institution.

29. While achieving direct access to climate finance is challenging for developing countries, efforts made can be rewarded far beyond the immediate funds received. In a Briefing Note prepared for the International Institute for Environment and Development (IIED), Bowen Wang and Neha Rai (September 2015)<sup>11</sup> examine three entities accredited by the Fund, and conclude that direct access incentivizes institutional capacity building. Such institutional strengthening can result in transformational shifts, proving the direct access modality to be more than a funding channel: it is a strategic opportunity for improving national organizations (and country systems). The authors make the point that it is important to acknowledge these complementary -benefits early on, and to seek to align incentives for capacity strengthening with the accreditation process as a whole. They welcome the 'readiness programme', which goes beyond facilitating processes for NIE accreditation and project development to provide support to strengthen the country-level decision makers. This alignment adds to a country's incentive for making the efforts required for direct access. Developing countries, especially the Least Developed Countries, need to be aware of this opportunity so they can put aside their hesitations and seek direct access.

30. The Conference of Parties serving as the meeting of Parties of the Kyoto Protocol at its 13th meeting in its report of the Adaptation Fund Board "encourages the Adaptation Fund Board to continue its deliberations on enhancing and streamlining accreditation policies for implementing entities, including reaccreditation of previously accredited entities."

31. The application of standards indicated in the current Environmental and Social Policy and the Gender Policy of the Fund is verified during the accreditation process. The requirements of the Adaptation Fund seem to go beyond the requirements of the GCF, since the Adaptation Fund

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<sup>11</sup> Briefing Note of the International Institute for Environment and Development, (September 2015), Bowen Wang and Neha Rai, "The Green Climate Fund Accreditation Process Barrier or Opportunity". <http://pubs.iied.org/17311IIED/>

requires not only evidence of capacity in this respect but also an explicit commitment and a complaint (or grievance) mechanism as part of the verification of the “three Cs” in the Environmental and Social Policy and Gender Policy, referring to Commitment, Capacity and Complaint mechanism, and meaning a clear commitment and the capacity to addressing environmental, social and gender risks, and having an accessible, transparent, fair and effective grievance mechanism either within the entity itself, local, national or project specific.<sup>12</sup>

32. The application of these standards is monitored in the project cycle. The verification of the application of these standards is also a requirement which is verified during the reaccreditation process.

33. The Fund also recently established an ad hoc complaint mechanism (AHCM) or independent accountability mechanism for parties to have recourse when negatively affected by Fund projects thus complying with the expectation that such a mechanism be established.

34. To further enhance the accreditation process, it may be useful to examine whether and how Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) policies might be relevant for the type of activities and risks that the Fund faces.

### **Experience of the secretariat and the Panel with the Accreditation Process**

35. The work practices, procedures, documentation of the Panel and the secretariat have evolved and these are currently considered as mature and reliable processes and of high quality by not only the Fund itself but also by Implementing Entities and other funds that have relied on the accreditation process. For instance, the study by Wang and Rai<sup>13</sup> called the process “transformational” and referred to the “capacity strengthening” aspect, while Masullo et al<sup>14</sup>. are also complimentary about the accreditation process stating that “although the accreditation process can be time-consuming and tedious, it has also benefited the entities”.

36. The Panel agrees that the accreditation process is a robust process of high quality. Nevertheless, several pressure points could be considered for enhancement or improvement. While the Fund has set the trend for other funds to follow, it can still become even more effective and efficient. A continuing well-developed framework should guard against the accreditation process from becoming too cumbersome, costly and time consuming. This will allow the Fund to maintain its leading position in providing direct access for climate finance.

37. There are opportunities that could be further explored. The points discussed in the following paragraphs have been raised by either former or current Panel expert members, by the Chair and Vice Chair of the Panel or by the secretariat staff and were discussed during the Accreditation Panel meeting in February 2018.

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<sup>12</sup> <https://www.adaptation-fund.org/wp-content/uploads/2016/10/Guidance-on-Accreditation-Standards.pdf>

<sup>13</sup> Op. cit.

<sup>14</sup> Op. cit.

38. *Focus and further simplify the accreditation documentation where possible:* Most applicants provide between 100-200 documents. With additional requests for information by the Panel, this number can grow by another 100. Several documents run into the hundreds of pages. The question can be raised how the Panel could better focus or limit the number of documents submitted, since the preparation and submission is time consuming and sometimes expensive. The following cover a number of ideas and suggestions: (i) while the Application form already provides examples of documents to be submitted, early guidance or handholding during the accreditation process could be considered, inter alia, by providing assistance for the specific preparation of the application; (ii) Panel members should focus on ensuring that the key requirements of the Standards are met and ensure they do not require information of secondary importance, whenever possible. As a result, there might be opportunities to shorten the timelines by requesting Panel Experts to focus on the key requirements; (iii) much progress has also been achieved in the Panel by accepting documents in the original language, where possible, because of the diversity of language skills present in the Panel. Simplification in this respect can also be achieved, for instance, by relying on translation software or limiting the request for translation to only key documents or outlines of key manuals; (iv) greater reliance on the recent due diligence reports of other donors<sup>15</sup> could also reduce the amount of evidence required by the applicant. This could help streamline the accreditation work, if included at an early stage of the review; (v) finally, better planning by the Panel Experts themselves and perhaps stricter adherence to a timetable by applicants and experts could avoid delays. In this regard, it is also to be considered whether some long outstanding and dormant applications could not be considered expired after some years have elapsed.

39. Earlier determination whether an entity could benefit from an application under the Streamlined Approach could perhaps speed up the process in some instances. Currently such a determination is made when the accreditation review is substantially complete and such an approach is to be followed after the country makes an informed decision on the streamlined process. To open access to smaller entities, the Fund has adopted the streamlined accreditation process and has accredited three NIEs to date under that modality. Currently, additional information is requested by the Panel, although it may be evident at an early stage in the review process that the policies are not fully in place or that the applicant cannot prove yet its experience and lacks, for instance, examples of the actual use of those policies or lacks the required project experience. While it is up to the country to decide under which modality to apply, an early determination and communication that the streamlined approach might be more appropriate, could speed up the ultimate goal of providing climate finance.

40. Consideration should also be given to “fast-track” applications of entities that have been accredited by the GCF. In order to speed up the process and avoid duplication, reliance on the outcomes of GCF accreditation could be placed on the review by the GCF for entities that have been approved. The process could rely on the gap analysis that was performed to define the gaps in the reaccreditation process, and eventually on an update of information provided to the GCF. Under such an approach, the accreditation review of entities would focus mainly on the use of the

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<sup>15</sup> EU Pillar Assessment, PEFA Reports, OECD, etc.

Environmental and Social Policy and Gender Policy, where the emphasis of the accreditation process would be on the existence of a firm commitment by the entity to adhere to these policies, the existence of a functioning complaint mechanism, and proven capacity. Also, the legal personality would need to be verified because this factor is judged of primordial value as a contracting partner of the Fund.

41. The capacity to execute projects by an NIE could be strengthened with a partner MIE or RIE. As a large number of projects have passed through the more conventional systems run by multilateral development institutions, the Board has reserved a percentage of available funding to direct access institutions and placed a cap on projects executed by MIE. However, it might be possible to try out a medium course where MIEs at their own responsibility and at a request from the applicant NIE are suggested to collaborate with the applicant NIE to develop capacity as part of their project execution, and/or rely on the existing capacity of an applicant NIE, where possible. Such an approach would need to be carefully engineered from a funding/financing perspective, since it would need to be clear what portion of a project is assigned to which entity. It would also need to be decided how the accountability is to be established if reliance is placed on different entities.

42. Encourage participation in the Fund through better communication and provision of information about its availability: The Adaptation Fund through the Board, the Accreditation Panel and the secretariat has explained and promoted the accreditation process, for instance, through its readiness activities and workshops. These have received excellent reviews and have triggered the interest of potential applicants. The number of new applicants is increasing but is still relatively small. So, further efforts need to be made in this regard, by continuing regional workshops, readiness grants, seminars, and webinars, and by a careful evaluation of the communication strategy.

43. Provide more specific guidance to the DA on how to select a potential NIE and avoid potential delays. Currently a guideline exists to assist the DA in selecting a NIE but this guideline could perhaps be more explicit in some areas. For instance, if a potential NIE does not have project design and implementation experience, it will be difficult to establish evidence of the required competency; or if an entity does not have an internal audit function or an audit committee, experience has shown that establishing such a process could take up to two years. If a country, through its DA, would be informed upfront of these potential delays and difficulties, perhaps alternative choices would be considered. This could be achieved by better communication upfront, by complementing the guidance in this respect, and by drawing this to the attention of the DA during the process of delivering readiness support.

44. Consider whether the accreditation standards would need to be expanded to incorporate a tailored Anti-Money Laundering/Countering Financing for Terrorism (AML/CFT) policy and procedures that are commensurate with the type of risks that the Fund faces. While this was discussed on an earlier occasion by the Panel this matter could be considered again. It could also be more clearly documented on the website what the Fund's policy is in this respect. This would

be in response to questions of the outside world of whether these policies should not be included in the review.

45. Provide assistance at an earlier stage: The terms of reference of the Panel include a provision as follows: the Panel can make a “determination of whether technical support needs to be provided to an applicant implementing entity to improve its capacities in order to attain accreditation, and the extent of the required support”. Often it will become evident, even at an early stage, that the applicant does not yet have the required capacity. The application is put on hold or held pending until such a capacity is developed. However, it might be more effective if it is concluded at an earlier stage during the review process that assistance will be required and the panel could make such a recommendation. If support is in-kind, this should be relatively easy. But if it involves funds, those should be channelled through a third organization, which makes it more complex.

Text Box: 1: Discussions with the Accreditation Panel (meeting on February 6 and 7, 2018)

Opportunities to improve/enhance the process:

1. Consider placing a time limit (or sunset) to let dormant applications lapse.
2. Improve communication process with DA/focal point/NIE, including the development/update of a specific guideline/checklist for the DA to select the best candidate NIE with 3-4 key critical requirements.
3. Find ways to provide/enhance assistance to the applicant NIEs and be careful to separate the accreditation process with the assistance that can be provided.
4. Encourage applicant NIEs that lack capacity to work with MIEs/RIEs to execute project jointly with clear demarcation of accountability and budgets to build or strengthen capacity.
5. Panel to include in the review: (i) reliance or a reference check with donors; (ii) review/discuss “minimum” standards; (iii) an understanding of which standards are further checked in project cycle.
6. Improve “marketing” of AF to enlarge the potential “pipeline”.
7. Compile a list of better practices or examples for use by NIE’s

## Conclusions

46. The Accreditation process is essentially solid and sound and a strong feature of the Fund. The Fiduciary Standards have evolved and have withstood the test of time; others have followed the Fund process which has a solid reputation. This is also recognized by external independent reviews. These reviews also recognize that, while the process is seen as rigorous and demanding, it was also found as transformational for applicant entities since it often resulted in stronger processes being implemented in response to the demands of the standards required in the accreditation process.

47. The above analysis also shows that some enhancements could be considered to ensure that the Fund remains at the cutting edge. These were discussed in this paper and discussed by the Panel during its twenty-seventh meeting in February 6-7, 2018 (see also text box 1 above).

There are a number of opportunities that may require some policy changes that will require a decision by the Board; some need to be considered by the secretariat; and others need further consideration by the Panel. These are summarized in the following paragraphs.

48. Possible items for consideration by the Board to change the existing policy or to formulate a new policy on accreditations are as follows:

- (i) Establish a “fast-track” accreditation process for entities which are accredited with the GCF;
- (ii) Approve a timeline (or a sunset provision) to allow dormant applications to lapse after a predetermined period of time (say, 2 years) after the last update of documentation in the Workflow and after the DA has been advised periodically of lack of progress;
- (iii) Encourage applicant NIEs that lack capacity and do not fully meet the Standards yet or lack the required experience in project execution to identify and work jointly on projects with a partner MIE or RIE (with clear accountability and budget safeguards) and consider revising limits allocated to MIEs for such projects (which requires Board decision). It would be understood that a part of the project would be dedicated to strengthening the capacity of the NIE.
- (iv) Allocate or identify more targeted resources for assistance to applicant NIE to formulate and strengthen their application.

49. Possible items of consideration by the Board to strengthen the accreditation process by measures to be taken by the secretariat are as follows:

- (i) Update the specific Guidance Note to the DA on selecting a NIE to avoid potential delays later for instance, by listing three or four key requirements that a potential NIE must possess before it could be considered for nomination (e.g. including the existence of audited financial statements, a functioning internal audit process, project management capacity and experience, project evaluation and monitoring process, and an anti-fraud policy and proven investigation mechanism).
- (ii) Investigate ways to strengthen the process by providing assistance to applicant NIEs at an earlier stage: for instance, by focusing assistance on preparing applications and providing technical assistance on meeting the standards (e.g. through Readiness Grants or South-South cooperation) separately from the accreditation review, or by shifting assistance missions earlier in application process.
- (iii) Prepare a procedure (for Board approval - see above) to facilitate the introduction of a sunset provision which allows a dormant application to lapse after a predetermined period, and include a periodic notice to the DA to alert on the inactive status.
- (iv) Enlarge the pipeline of applicants by continuing/reviewing a communication strategy to attract new countries to the Adaptation Fund, through continued presence at different fora, workshops, seminars etc.

50. Possible items of consideration by the Accreditation Panel to simplify the accreditation review process are as follows:

- (i) Focus review more on key requirements rather than expecting a golden standard;
- (ii) Accept more documents in the original language if this does not compromise the rigor of the exercise;
- (iii) Consider the reported views and experience of donors with regard to project performance and the capacity of the applicant NIE as complementary information;
- (iv) Improve planning of available external expert and applicant time, where possible.

### **EFC Recommendations**

51. Having considered the document AFB/EFC.22/4, the Ethics and Finance Committee may want to consider recommending that the Board considers the following informed suggestions:

- a) To change an existing policy or establish a new policy related to accreditation process:
  - (i) Request the secretariat to prepare a document on a 'fast-track' accreditation process for entities which are accredited with the GCF and present it to the thirty-second meeting of the Board;
  - (ii) With respect to the 'dormant applications,' (1) request the secretariat to inform, in cases where an application remains inactive for six months, the Designated Authority of the inactivity of the entity in pursuing the accreditation process; and (2) request the secretariat to remove the application from the Accreditation pipeline when the six-month period of inactivity continues for four times in a row; and
  - (iii) Encourage applicant NIEs to develop their capacities by working jointly on projects implemented by MIE or RIE;
- b) To strengthen the accreditation process:
  - (i) Request the secretariat to prepare a guideline or tool for focal points of applicant implementing entities and to communicate to Designated Authorities (DAs) the information note for the DA on selecting a potential NIE to avoid potential delay; and
  - (ii) Encourage the secretariat to provide applicant implementing entities with enhanced earlier assistance, including in-country visit to the entities to an earlier stage of the accreditation process, possibly with the cost shared with the applicant IE;
- c) To simplify the accreditation process:
  - (i) Request the secretariat to encourage the Accreditation Panel to ensure their review of accreditation applications to be in line with the approved accreditation standards, and to explore ways to minimize duplication of

- accreditation review process, such as streamlining the reporting by the Panel;
- (ii) Request the secretariat to explore ways to reduce language barriers of implementing entities in preparing accreditation application;
  - (iii) Request the Accreditation Panel to make an early determination on whether an applicant NIE is eligible for the streamlined accreditation process;
  - (iv) Encourage the Accreditation Panel to consider third party assessments on project performance and capacity of an applicant implementing entity as complementary information;
  - (v) Request the Accreditation Panel to consider a need of adding standards related to Anti-Money Laundering / Countering Financing for Terrorism (AML/CFT) policy to accreditation standards; and
  - (vi) Encourage the secretariat to explore a way to arrange, when possible, ceremonial or celebratory events to mark accreditation.



**Annex I: Statistical Data Related to Accreditation Applications**

Item		FY11	FY12	FY13	FY14	FY15	FY16	FY17
MIEs	Number of Applications Accredited	8	2	0	1	0	1	0
	Number of Applications <i>Not Accredited</i>	0	0	0	0	0	0	0
NIEs	Number of Applications <i>Accredited</i>	5	7	3	2	2	4	2
	Number of Applications <i>Not Accredited</i>	2	3	2	3	0	0	0
	Number of Applications <i>Under Consideration</i>	11	9	9	12	9	12	13
RIEs	Number of Applications <i>Accredited</i>	1	0	1	2	0	2	0
	Number of Applications <i>Not Accredited</i>	0	0	1	0	1	0	0
	Number of Applications <i>Under Consideration</i>	1	4	4	3	2	3	2
Total number of field visits		5	2	3	4	2	3	1
Field visits (percentage over total number of applications received)		18%	8%	20%	33%	16%	16%	25%
Average months between first submission of <b>accredited</b> application and Board's decision (NIEs and RIEs)		5.5	7.5	10.6	21.3	20	15.6	19
Average months between first submission of <b>accredited</b> application and Board's decision (MIEs)		5	10	NA	23	NA	30.5	NA
Average number of months between first submission of <b>non-accredited</b> applications and Board decision (NIEs and RIEs)		8	7.5	11.3	17	19	NA	NA