



ADAPTATION FUND

AFB/B.34/5
5 October 2019

Adaptation Fund Board
Thirty-fourth meeting
Bonn, Germany, 10-11 October 2019

Agenda item 6

**IMPLICATIONS OF AN IMPLEMENTING ENTITY'S
ACCREDITATION EXPIRATION
ON ITS PROJECT IMPLEMENTATION AND
ON THE STANDARD LEGAL AGREEMENT AND
A REVISION OF THE RE-ACCREDITATION PROCESS**

Background

1. During its thirty-third meeting, as part of discussion on the Report of the Accreditation Panel, the Board considered the Report of the Accreditation Panel contained in Document AFB.B.33/4 and took note of the information regarding the accreditation status of the Agencia Nacional de Investigación e Innovación (ANII) of Uruguay, a National Implementing Entity (NIE) of the Adaptation Fund, which was accredited on 17 September 2010 and had not submitted a re-accreditation application as at 15 October 2018. In this regard, the Board also considered the implications of the re-accreditation process which was approved by decision B.31/1 on the project implemented by ANII. Following the discussions, the Board decided:

[. . .]

b) *To request the secretariat:*

(i) To prepare a possible revision of re-accreditation policy, in collaboration with the Accreditation Panel, that would take into account its implication on the implementing entities' ongoing project implementation;

(ii) To review the implication of an implementing entity's accreditation expiration on its project implementation and the standard legal agreement signed between the Board and the implementing entity; and

(iii) To prepare a document which contains the outcome of the work referred to in subparagraphs (b) (i) and (ii) and present it to the Board for consideration at its thirty-fourth meeting; and

[. . .]

(Decision B.33/9)

2. In line with decision B.33/9 c), the secretariat has sent an official letter to the Designated Authority before expiry of its accreditation with a request to officially communicate the interest of the NIE in pursuing re-accreditation.

3. This document is prepared by the secretariat in line with decision B.33/9 containing an analysis of the implications of an implementing entity's accreditation expiration on its project implementation and on the standard legal agreement signed between the Board and the implementing entity (IE), as well as the revised re-accreditation process which was prepared in collaboration with the Accreditation Panel considering its implication on the implementing entities' ongoing project implementation and it is contained in Annex I to this document.

Implications of an implementing entity's accreditation expiration on its project implementation and on the standard legal agreement

4. At its thirty-third meeting, the Board considered the matter related to the situation where an IE with ongoing project implementation financed by the Fund, has not achieved re-accreditation and its accreditation expires and decided to look into how this affects the IE's project

implementation and the standard legal agreement. The Board raised questions for instance: a) when an IE's accreditation expires and the IE is yet to be re-accredited, whether the IE is still bound by the legal agreement; b) whether there is any gap in the current standard legal agreement considering this issue.

5. Considering the Board's discussions at its thirty-third meeting, the secretariat reviewed the standard legal agreement signed between the Board and the IE, bearing mind the potential implications of the IE's accreditation expiry on its ongoing Fund's project implementation. The Standard legal agreement contains a definition of "Implementing Entity" in Section 1.04, and addresses situations where the Board cancels the IE's accreditation in Section 14:

1. DEFINITIONS

[. . .]

1.04. "Implementing Entity" means the [Implementing Entity] that is the party to this Agreement and the recipient of the Grant;

[. . .]

14. TERMINATION OF THE AGREEMENT

[. . .]

14.02. This Agreement shall automatically be terminated in the event of:

a) cancellation of the Implementing Entity's accreditation by the Board;

[. . .]

14.03. Upon termination of this Agreement, the Board and the Implementing Entity shall consider the most practical way of completing any ongoing activities under the [Project] [Programme], including meeting any outstanding commitments incurred under the [Project][Programme] prior to the termination. The Implementing Entity shall promptly refund to the AF Trust Fund, through the Trustee, any unused portion of the Grant, including any net investment income earned therefrom. No Grant funds shall be disbursed after termination.

6. The secretariat's review finds that although the situations where the Board cancels the IE's accreditation are governed under Section 14 of the legal agreement, it leaves open for interpretation on what happens when the IE's accreditation expires after a lapse of five years of valid accreditation period and is not renewed. Accordingly, in order to avoid any misinterpretation or unnecessary confusion, the secretariat proposes a new clause explaining that the legal obligations under the standard legal agreement survive any expiration or non-renewal of accreditation of the IE. In this way, the parties will have clear notice from the beginning that the

project/program is to be completed in accordance with the legal agreement should one of the two situations occurs.

7. The proposed revision of the standard legal agreement between the Board and the IE as contained in Annex I to this document is presented to the Board at its thirty-fourth meeting for consideration and decision. The revisions are highlighted in Annex I to this document.

Revision of the re-accreditation process

8. Considering the Board discussions at its thirty-third meeting, the secretariat prepared revised re-accreditation process as contained in Annex I to this document and presents it to the thirty-fourth meeting of the Board for consideration and decision. The revisions are mainly related to paragraph 7 (deadlines for submission of re-accreditation application and acquisition of re-accreditation). Other revisions are made to reflect the anti-money-laundering/countering the financing of the terrorism (paragraphs 13,15, and 21) and streamlined review process related to the standard of project/programme implementation performance (paragraph 18, as well as to specify the implications of a status of an implementing entity. The revisions are indicated in red in the Annex II to this document.

Draft Board decision

9. Having considered documentation AFB/B.34/5 and its Annex I and Annex II, the Adaptation Fund Board decides:

- a) To approve the revised Standard Legal Agreement as contained in Annex I to document AFB/B.34/5;
- b) To approve the revised re-accreditation process as contained in Annex II to document AFB/B.34/5; and
- c) To request the secretariat to communicate this decision and the revised re-accreditation process and the revised standard legal agreement to the implementing entities.

ANNEX I:

**Proposed Revision of the Standard Legal agreement between
the Board and the Implementing Entity**



ADAPTATION FUND

AGREEMENT

(The _____ [Project] [Programme] in [Country])

between

THE ADAPTATION FUND BOARD

and

[IMPLEMENTING ENTITY]

AGREEMENT

[The _____ Project in [Country]]

between

THE ADAPTATION FUND BOARD

and

[IMPLEMENTING ENTITY]

Whereas, the Conference of the Parties (COP) of the United Nations Framework Convention on Climate Change (UNFCCC) in its Decision 10/CP.7 decided that an Adaptation Fund (AF) shall be established to finance concrete adaptation projects and programmes in developing countries that are parties to the Kyoto Protocol to the UNFCCC (Kyoto Protocol);

Whereas, the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) in its Decision 1/CMP.3 decided that the operating entity of the AF shall be the Adaptation Fund Board (Board), with the mandate to supervise and manage the AF under the authority and guidance of the CMP;

Whereas, in its Decisions 5/CMP.2 and 1/CMP.3, paragraph 5 (b), the Board adopted the AF Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund, including the Fiduciary Risk Management Standards to be met by Implementing Entities (AF Operational Policies and Guidelines¹);

Whereas, the proposal submitted by the [Implementing Entity] to the Board seeking access to the resources of the AF in support of the [Project] [Programme], as set out in Schedule 1 to this Agreement, has been approved by the Board, and the Board has agreed to make a grant (Grant) to the [Implementing Entity] for the [Project] [Programme] under the terms of this Agreement; and

Whereas, the International Bank for Reconstruction and Development (IBRD) has agreed to serve as the Trustee of the AF Trust Fund (Trustee) and, in that capacity, to make transfers of the Grant to the [Implementing Entity] on the written instructions of the Board;

The Board and the [Implementing Entity] have agreed as follows:

¹ <https://www.adaptation-fund.org/documents-publications/operational-policies-guidelines/>

1. DEFINITIONS

Unless the context otherwise requires, the several terms defined in the Preamble to this Agreement (Agreement) shall have the respective meanings set forth therein and the following additional terms shall have the following meanings:

1.01. "Grant" means the AF resources approved by the Board for the [Project] [Programme] under this Agreement and to be transferred by the Trustee to the Implementing Entity on the written instructions of the Board;

1.02. "Designated Authority" means the authority that has endorsed on behalf of the national government the Project proposal by the Implementing Entity seeking access to AF resources to finance the [Project][Programme];

1.03. "Executing Entity" means the [Executing Entity] that will execute the [Project] [Programme] under the overall management of the Implementing Entity;

1.04. "Implementing Entity" means the [Implementing Entity] that is the party to this Agreement and the recipient of the Grant;

1.05. "Implementing Entity Grant Account" means the account to be established by the Implementing Entity to receive, hold and administer the Grant;

1.06. "Secretariat" is the body appointed by the CMP to provide secretariat services to the Board, consistent with decision 1/CMP.3, paragraphs 3, 18, 19 and 31, which body is currently the Global Environment Facility (GEF); and

1.07. "AF Trust Fund" means the trust fund for the AF administered by the Trustee in accordance with the *Terms and Conditions of Services to be Provided by the International Bank for Reconstruction and Development as Trustee for the Adaptation Fund*.

2. THE PROJECT AND THE GRANT

2.01. The Board agrees to provide to the [Implementing Entity] the Grant in a maximum amount equivalent to _____ United States Dollars (US \$_____) for the purposes of the [Project] [Programme]. The [Project] [Programme] document, which details the purposes for which the Grant is made, is set out in Schedule 1 to this Agreement. The disbursement schedule and special conditions that apply to the implementation of the Grant are set out in Schedule 2 to this Agreement.

2.02. The Trustee shall transfer the Grant funds to the [Implementing Entity] on the written instructions of the Board. Any subsequent transfer of Grant funds to the Implementing Entity

after the first tranche shall only be transferred after the Board approved the annual Project Performance Reports (PPR) referred to in section 7.01.b. Transfers shall be made to the following bank account of the Implementing Entity in accordance with the disbursement schedule set out in Schedule 2 to this Agreement:

[Insert Implementing Entity's bank account details]

2.03. The Implementing Entity shall make the disbursed Grant funds available to the [Executing Entity] in accordance with its standard practices and procedures.

2.04. The Implementing Entity may convert the Grant into any other currency to facilitate its disbursement to the Executing Entity.

2.05. Any investment income earned from the Grant funds shall be held in the Implementing Entity Grant Account and used for the same purposes and administered in accordance with the terms of this Agreement.

3. ADMINISTRATION OF THE GRANT

3.01. The Implementing Entity shall be responsible for the administration of the Grant and shall carry out such administration with the same degree of care used in the administration of its own funds, taking into account the provisions of this Agreement.

3.02. The Implementing Entity shall carry out all its obligations under this Agreement in accordance with:

- (i) the AF Operational Policies and Guidelines² effective [MMYYYY]; and
- (ii) the Implementing Entity's standard practices and procedures.

3.03. The Implementing entity:

- (i) undertakes to use reasonable efforts, consistent with its standard practices and procedures, including those pertaining to combating financing for terrorists, to ensure that the Grant funds provided to the Implementing Entity by the Trustee are used for their intended purposes and are not diverted to terrorists;
- (ii) shall not use the Grant funds for the purpose of any payment to persons or entities, or for the import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations, including under United Nations Security Council Resolution 1373 and related resolutions;

² <https://www.adaptation-fund.org/documents-publications/operational-policies-guidelines/>

(iii) shall immediately inform the Board in the event the Grant funds are not being used or have not been used for the implementation of the Project or of any illegal or corrupt practice. The Implementing Entity consistent with its standard practices and procedures and integrity of the investigative process shall keep the Board informed of the progress of any formal investigation concerning the misuse of Grant funds and provide a final report to the Board on the findings of such investigation upon its conclusion.

(iv) shall include provisions corresponding to subparagraphs (i) – (ii) above in any agreements that the Implementing Entity enters into with executing entities to which the Implementing Entity makes Grant funds available.

3.04 If, during the course of administering the Grant, the Implementing Entity identifies any material inconsistency between the AF Operational Policies and Guidelines and its own standard practices and procedures, the [Implementing Entity] shall: (a) immediately notify the Board, through the Secretariat, of such inconsistency, and (b) the [Implementing Entity] and the Board shall discuss and promptly take any necessary or appropriate action to resolve such inconsistency.

3.05. In the event that the Implementing Entity makes any disbursements of the Grant in a manner inconsistent with the AF Operational Policies and Guidelines, and these inconsistencies cannot be resolved as provided in paragraph 3.04, the Implementing Entity shall refund to the AF Trust Fund, through the Trustee, any such disbursements.

4. [PROJECT] [PROGRAMME] IMPLEMENTATION

4.01. The Implementing Entity shall be responsible for the overall management of the [Project] [Programme], including all financial, monitoring and reporting responsibilities.

4.02. The Implementing Entity shall ensure that the Grant is used exclusively for the purposes of the [Project] [Programme], and shall refund to the AF Trust Fund, through the Trustee, any disbursements made for other purposes. Where the Board believes that the Grant has been used for purposes other than the [Project] [Programme], it shall inform the Implementing Entity of the reasons supporting its view and provide the Implementing Entity an opportunity to provide any explanation or justification for such use.

4.03. Any material change made in the original budget allocation for the Project by the Implementing Entity, in consultation with the Executing Entity, shall be communicated to the Board for its approval and shall be made in conformity with the Operational Policies and Guidelines of the Fund. “Material change” shall mean any cumulative total budget change at

output-level between the revised budget and the original budget that involves ten per cent (10%) or more of the total budget of the [Project]/[Programme].

4.04. The Implementing Entity shall promptly inform the Board, through the Secretariat, of any conditions that may seriously interfere with its management, or the Executing Entity's execution, of the [Project] [Programme] or otherwise jeopardize the achievement of the objectives of the [Project] [Programme], providing detailed information thereof to the Board for its information.

4.05. The Implementing Entity shall be fully responsible for the acts, omissions or negligence of its employees, agents, representatives and contractors under the Project. The Board shall not be responsible or liable for any losses, damages or injuries caused to any persons under the Project resulting from the acts, omissions or negligence of the Implementing Entity's employees, agents, representatives and contractors.

5. [PROJECT] [PROGRAMME] SUSPENSION

5.01. The Board may suspend the [Project] [Programme] for reasons that include, but are not limited to:

- (i) financial irregularities in the implementation of the [Project] [Programme], or
- (ii) a material breach of this Agreement and/or poor implementation performance leading the Board to conclude that the [Project] [Programme] can no longer achieve its objectives; provided, however, that before the Board makes its final decision (a) the Implementing Entity shall be given an opportunity to present its views to the Board, through the Secretariat; and/or (b) the Implementing Entity may make any reasonable proposal to promptly remedy the financial irregularities, material breach or poor implementation performance.

6. PROCUREMENT

6.01. The procurement of goods and services (including consultants' services) for activities financed by the Grant will be carried out in accordance with the [Implementing Entity's] standard practices and procedures, including its procurement and consultants' guidelines. In the event that the Implementing Entity makes any disbursements in a manner which the Board considers to be inconsistent with the AF Operational Policies and Guidelines, it will so inform the Implementing Entity giving the reasons for its view and seeking a rectification of the inconsistency. If the inconsistency cannot be resolved, the Implementing Entity shall refund to the AF Trust Fund, through the Trustee, any such disbursements.

7. RECORDS AND REPORTING

7.01. The Implementing Entity shall provide to the Board, through the Secretariat, the following reports and financial statements:

- a) An inception report submitted to the secretariat no later than one (1) month after the inception workshop has taken place. The start date of the [Project] [Programme] is considered the date of the inception workshop;
- b) Annual Project Performance Reports (PPR) on the status of the [Project]/[Programme] implementation, including the disbursements made during the relevant period and net investment income earned from the Grant funds and the associated expenditures, or more frequent progress reports if requested by the Board. The PPR shall be submitted on a yearly basis one (1) year after the start of [Project]/[Programme] implementation and no later than two (2) months after the end of the reporting year;
- c) A mid-term evaluation, prepared by an independent evaluator selected by the Implementing entity for any [Project]/[Programme] that is under implementation for over four years; the mid-term evaluation should be submitted to the Fund Secretariat within six months of the mid-point of [Project]/[Programme] implementation;
- d) A [Project]/[Programme] completion report, including any specific [Project]/[Programme] implementation information, as reasonably requested by the Board through the Secretariat, within six (6) months after [Project]/[Programme] completion;
- e) A final evaluation report, prepared by an independent evaluator selected by the Implementing Entity. The final evaluation report shall be submitted within nine (9) months after [Project]/[Programme] completion. Copies of these reports shall be forwarded by the Implementing Entity to the Designated Authority for information; and
- f) A final audited financial statement of the Implementing Entity Grant Account including net investment income earned, prepared by an independent auditor or evaluation body, within six (6) months of the end of the Implementing Entity's financial year during which the [Project]/[Programme] is completed.

8. MANAGEMENT FEE

8.01. The Board authorizes the Implementing Entity to deduct from the total amount of the Grant and retain for its own account the management fee specified in Schedule 2 to this Agreement.

9. OWNERSHIP OF EQUIPMENT

9.01. If any part of the Grant is used to purchase any durable assets or equipment, such assets or equipment shall be transferred upon the completion of the [Project] [Programme] to the Executing Entity/Entities or such other entity as the Designated Authority may designate.

10. CONSULTATION

10.01. The Board and the Implementing Entity shall share information with each other, at the request of either one of them, on matters pertaining to this Agreement.

11. BRANDING

11.01. The Implementing Entity shall, where feasible, endeavor to maximize opportunities for acknowledging the identity of the [Project]/[Programme] grant provided by the Adaptation Fund (e.g. through use of the Adaptation Fund logo, and appropriate references in reports, publications, information given to beneficiaries and press, related publicity materials, and any other forms of public information).

12. COMMUNICATIONS

12.01. All communications between the Board and the Implementing Entity concerning this Agreement shall be made in writing, in the English language, to the following persons at their addresses designated below, by letter or by facsimile. The representatives are:

For the Board:

Adaptation Fund Board Secretariat

1818 H Street, NW

Washington, D.C. 20433

USA

Attention: Adaptation Fund Board Chair

Fax: _____

For the Implementing Entity:

Attention: _____

Fax: _____

13. EFFECTIVENESS AND AMENDMENT OF THE AGREEMENT

13.01. Upon receipt by the Adaptation Fund Board of this countersigned copy, this Agreement shall become effective as of the date of countersignature by the Implementing Entity.

13.02. This Agreement may be amended, in writing, by mutual consent between the Board and the Implementing Entity.

14. TERMINATION OF THE AGREEMENT

14.01. This Agreement may be terminated by the Board or the Implementing Entity, by giving prior written notice of at least ninety (90) days to the other.

14.02. This Agreement shall automatically be terminated in the event of:

- a) cancellation of the Implementing Entity's accreditation by the Board; or
- b) receipt of a communication from the Designated Authority that it no longer endorses the Implementing Entity or the [Project] [Programme].

14.03. Upon termination of this Agreement, the Board and the Implementing Entity shall consider the most practical way of completing any ongoing activities under the [Project] [Programme], including meeting any outstanding commitments incurred under the [Project][Programme] prior to the termination. The Implementing Entity shall promptly refund to the AF Trust Fund, through the Trustee, any unused portion of the Grant, including any net investment income earned therefrom. No Grant funds shall be disbursed after termination.

14.04. In the event of expiration of accreditation and/or the Board's decision to not to re-accredit the Implementing Entity, the responsibilities and obligations in this Agreement survive and shall be unaffected, and the Implementing Entity shall continue to disburse the Grant funds, in accordance with its standard practices and procedures and the AF Operational Policies and Guidelines to the extent necessary to fulfill the Implementing Entity's obligations hereunder.

15. SETTLEMENT OF DISPUTES

15.01. Any dispute, controversy or claim arising out of or relating to this Agreement, or the breach, termination or invalidity thereof, will be settled amicably by discussion or negotiation between the Board and the Implementing Entity.

15.02. Any dispute, controversy or claim arising out of or relating to this Agreement, or the breach, termination or invalidity thereof, which has not been settled amicably between the Board

and the Implementing Entity shall be settled by arbitration in accordance with the UNCITRAL Arbitration Rules as presently in force.

THE ADAPTATION FUND BOARD

[Name], Chair

Date

[IMPLEMENTING ENTITY]

[Name, Title]

Date

[The following Schedules will be attached to the Agreement: Schedule1 ([Project] [Programme] Proposal) and Schedule 2 (Disbursement Schedule)].

ANNEX II: Proposed Revised Re-accreditation Process

Re-accreditation Process

Background

1. As part of the Fund's Operational Policies and Guidelines (OPG), Accreditation is "valid for a period of five years with the possibility of renewal. The Board will develop guidelines for renewal of an implementing entity's accreditation based on simplified procedures that will be established at a later date (para. 38)." The five-year time frame for accreditation is consistent with other accreditation processes where accreditation is granted for three to five years (i.e. International Accreditation Forum (IAF), Accreditation process of Clean Development Mechanism (CDM)).
2. At its twentieth meeting, the Board requested the Accreditation Panel to develop procedures for re-accreditation. The Panel discussed developing a proposal for the Board at its twelfth and thirteenth meeting with a goal of including a full proposal to the Board at its twenty-second meeting (October 2013). At its twenty-second meeting, after considering the conclusions and recommendation of the Accreditation Panel, by decision B.22/3, the Board decided to adopt the re-accreditation process outlines in Annex III of the report of the fourteenth meeting of the Accreditation Panel (Document AFB/B.22/4).
3. Considering the gap analysis, as contained in document AFB/EFC/19/7/Rev.1, at its twenty-eight meeting the Adaptation Fund Board decided to fast-track the re-accreditation of implementing entities accredited with the Green Climate Fund (GCF) within a period of four years prior to the submission of the re-accreditation application to the Adaptation Fund as described in document AFB/EFC/19/7 (Decision B.28/38).
4. At its thirtieth meeting the Board requested the secretariat to prepare a document containing elements on potential need for updates of the re-accreditation policy. In this regard the Board decided to request the secretariat, in collaboration with the Accreditation Panel: (a) To reflect on the re-accreditation process in order to identify any need for updates or clarifications at the twenty-seventh meeting of the Accreditation Panel; and (b) To present to the Board at its thirty-first meeting, the conclusions of the Accreditation Panel's discussions on paragraph (a) and, if necessary, an update of the re-accreditation process adopted by decision B.22/3. **The updated re-accreditation process was approved, as contained in Annex I to document AFB/B.31/4, by the Board at its thirty-second meeting (Decision B.31/1). At its thirty-third meeting the Board requested the secretariat to prepare and submit to the thirty-fourth meeting of the Board, a possible revision of re-accreditation policy, in collaboration with the Accreditation Panel, that would take into account its implication on the implementing entities' ongoing project implementation (Decision B.33/9).**
5. The Panel concluded **at its thirteenth meeting in 2013** that the re-accreditation process should require a new application for every applicant. Applicants will be requested to describe any changes that have occurred since the entity was accredited and provide the most up-to-date

supporting documentation and any other document requested by the Accreditation Panel in compliance with the re-accreditation criteria. All substantial changes within the organization in the last five years in the areas of i) Its constitution, ii) Major policies and processes/procedures, and iii) Key management positions should be highlighted by the applicant at the time of submitting an application for re-accreditation. In this way the Panel would bring the same rigor, uniformity and consistency in the way work is done. The Panel also noted that an organization can change significantly in five-years and therefore the process of accreditation renewal must be commensurate with any potential changes to the organization.

Overview of Updated Re-accreditation Process

6. The process and time lines are set out to try to the extent possible to avoid a major gap between accreditation expiration and the granting of re-accreditation.

Deadlines

7. The implementing entities are strongly recommended to meet the suggested deadlines to facilitate the re-accreditation process and avoid a major gap between accreditation expiration and achievement of re-accreditation.

(1) Notification by the secretariat: The secretariat will continue to send out notification letters to accredited entities **18 months** prior to the expiration of the entity's accreditation. In addition, the online accreditation system generates an automatic notification to the implementing entities.

(2) Submission of re-accreditation application: The implementing entity is strongly recommended to submit its re-accreditation application and supporting documentation through the online accreditation system maintained by the secretariat, **12 months** prior to its accreditation expiry date. If the entity does not submit the application by its accreditation expiry date, the Panel will make a recommendation to the Board to change the status of the entity from "Accredited" to "Not-Accredited" at the accreditation expiry date, **considering the following:**

(i) If the IE is an NIE, the secretariat will send an official letter to the Designated Authority (DA) of the NIE's country requesting the DA to officially communicate to the Board regarding the NIE pursuing re-accreditation, so that any response from the DA related to the IE's intention of not pursuing re-accreditation process would be attached to the Accreditation Panel's recommendation to change the IE's status from "Accredited" to "Not-Accredited" to the Board. If the IE is an RIE, the secretariat would send such official letters to the DAs of its member countries that

originally endorsed the application of accreditation of the RIE to the Fund. If the RIE has accessed the Fund's financial resources, additional official letters would also be sent to the DAs of the countries where the Fund's financed project is being implemented; and

- (ii) If the IE is implementing the project financed by the Fund and has not submitted the re-accreditation application by the date of accreditation expiration, in order to obtain a grace period for achieving re-accreditation before the completion of the project or within three years from its accreditation expiry date, it shall submit to the Board, through its secretariat, an official request for a grace period with an official letter from IE to confirm its commitment to achieve re-accreditation during the grace period. Official letter(s) from the DA(s) related to re-accreditation of the IE and the Fund's ongoing project implemented by the IE would be considered by the Board: if the IE is an NIE, such letter from the DA of the NIE's country to be considered; and if the IE is an RIE, such official letters from the DAs of the RIE member countries that originally endorsed the application of accreditation of the RIE to the Fund and, if the RIE has accessed the Fund's financial resources, additional official letters from the DAs of the countries where the Fund's project is implemented would also be considered.
- (3) Acquisition of re-accreditation: The implementing entity is strongly recommended to achieve re-accreditation within **three years** from its accreditation expiry date. If the entity does not achieve re-accreditation within three years from its accreditation expiry date, the Panel will make a recommendation to the Board to change the status of the entity to "Not-Accredited." *Paragraph 7 (2) (i) and (ii) apply mutatis mutandis to this section.*

Status of an Implementing Entity

8. Considering the re-accreditation policy, the statuses of an implementing entity can be categorized into three: "Accredited," "In Re-accreditation Process," and "Not-Accredited."

- (1) "Accredited": When an implementing entity achieves accreditation following a Board decision, its accreditation is valid for five years
- (2) "In Re-accreditation Process": When an implementing entity submits its re-accreditation application before the accreditation expiry date, it acquires a status of "In Re-accreditation Process" at its accreditation expiry date, until it achieves re-accreditation within three years from the accreditation expiry date.
- (3) "Not-Accredited": If an implementing entity does not submit re-accreditation application by its accreditation expiry date, or the entity does not achieve re-accreditation within three years from the accreditation expiry date, it acquires the status of "Not-Accredited" following a Board decision. *Paragraph 7 (2) (i) and (ii) apply mutatis mutandis to this section.*

Implications of a status of an Implementing Entity

9. As summarized in the table below, the status of an implementing entity will determine the entity's eligibility to submit a new funding proposal, to participate in the Adaptation Fund activities as an implementing entity, and to be included in the Adaptation Fund communications. **Regarding the eligibility to submit a new funding proposal, only the IE whose accreditation is valid and has not expired is eligible to access financial resources of the Fund.**

	<i>Eligible to submit a new funding proposal</i>	<i>Eligible to participate in AF activities as IE</i>	<i>Eligible to be included in AF communications</i>
<i>(1) "Accredited"</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>
<i>(2) "In Re-accreditation Process"</i>	<i>No</i>	<i>Yes</i>	<i>Yes</i>
<i>(3) "Not Accredited"</i>	<i>No</i>	<i>No</i>	<i>No</i>

Options for an Implementing Entity which acquired "Not-Accredited"

10. After addressing gaps identified by the Accreditation Panel, the implementing entity may apply for 'accreditation.' For a national implementing entity (NIE) which acquires the status of "Not-Accredited," the Designated Authority may nominate a new NIE to submit an accreditation application. These are in accordance with paragraph 27 of the Fund's operational policies and guidelines (OPG).

Effective date of an updated re-accreditation process

11. The updated re-accreditation process takes effect as of the date of the decision by the Adaptation Fund Board to approve it. A 'grandfather policy' will apply to Implementing entities which have submitted a complete re-accreditation application before 23 March 2018 when the Board approved the updated re-accreditation policy. Accordingly, these implementing entities need to achieve re-accreditation within two years from such date of the Board decision to approve a revised re-accreditation process. Otherwise, it will acquire the status of "Not-Accredited" following a Board decision.

Focus areas of review of a ‘regular’ re-accreditation

12. Following the decision B.28/38, re-accreditation can be categorized into two: (i) ‘regular’ re-accreditation; (ii) ‘fast-track’ re-accreditation.

13. Review of a ‘regular’ re-accreditation will focus on three aspects (i) continued compliance with the Fund’s fiduciary standards, (ii) compliance with the Fund’s environmental and social policy³ and the Gender Policy⁴ and (iii) the results of the assessment of the implementing entity’s performance regarding quality at entry (QAE) and project/programme implementation. **In addition, policies and procedure related to anti-money-laundering/countering the financing of the terrorism will be reviewed by the Panel in lined with Decision B.32/36.**

Fiduciary Standards

14. The implementing entity (IE) seeking renewal of accreditation will be required to submit an application via the online accreditation system.⁵ The application includes the information that applicants are currently required to provide as well as any approved changes to the application pertaining to compliance with the environmental and social policy and the gender policy of the Fund.

15. The description of how an entity meets the fiduciary standards should focus on any changes that have occurred within the organization since the original accreditation. The most recent supporting documentation must be submitted. For example, the latest internal and external audit reports, new policies adopted, key personnel changes (in particular, changes at the management level), including any changes to the organizational structure, that have occurred over the past five years. For each competency area where no changes have occurred, the applicant should explicitly state that the policies in place have not changed and are being complied with since its original date of accreditation and state which documents from the original application continue to be applicable or alternatively resubmit the necessary documents. Examples of documents demonstrating capacity such as those related to the project management cycle should reflect recent experiences. **In addition, in line with Decision B.32/36, the Panel will review: (i) policies and procedure related to anti-money-laundering/ countering the financing of the terrorism; (ii) screening system which documents all individuals and/or organizations before the entity transfers money to them; and (iii) decision-making process that the entity follows when it identifies risks related to any individuals and/or organizations.**

³ Approved in November 2014 and amended in March 2016. Available at <https://www.adaptation-fund.org/wp-content/uploads/2013/11/Amended-March-2016-OPG-ANNEX-3-Environmental-social-policy-March-2016.pdf>.

⁴ Approved in March 2016. Available at <https://www.adaptation-fund.org/wp-content/uploads/2016/04/OPG-ANNEX4-Gender-Policies-and-Action-Plan-approved-in-March-2016-1.pdf>.

⁵ <http://accredit.adaptation-fund.org/>.

Environmental and Social Policy (ESP) and Gender Policy (GP)

16. The Board approved an environmental and social policy for the Fund at its twenty-second meeting and the Gender Policy and Action Plan of the Fund at its twenty-seventh meeting. The associated changes were reflected in the accreditation application template. Subsequent accreditation and re-accreditation of IEs will need to reflect the capacity and commitment of entities to assess and manage environmental and social risks and mechanism to deal with complaints on environmental and social harms and gender harms caused by projects and programmes.

17. In order to strengthen the capacity of currently accredited implementing entities to comply with the Fund's new environmental and social policy, technical assistance grants are available under the Fund's readiness programme.⁶

Quality at Entry and Project/Programme Implementation Performance

18. For the renewal of accreditation, the evidence documents to be submitted by the IE are differentiated as the table below, depending on (i) whether the IE has projects funded by the Adaptation Fund; and (ii) which stage such project(s) implementation stands at the time of submission of re-accreditation application:

⁶ <https://www.adaptation-fund.org/readiness/readiness-grants/technical-assistance-grants/>.

<Section III (Requisite Institutional Capacity), 6-9 of the Application Form>

	6. Project preparation and appraisal. This should include impact (env't, socio-economic, political, gender etc) assessment study with risk assessment and mitigation plans	7. Project implementation Planning and Quality-at-Entry (QAE) Review	8. Project Monitoring & Evaluation during implementation	9. Project closure & final evaluation
No AF project approved	A	A	A	A
With approved AF project but no planning and QAE	N/A	A	A	A
With approved AF project, completed planning and QAE, but implementation not yet started	N/A	N/A	A	A
With approved AF project under implementation	N/A	N/A	N/A	A
With approved AF project, final project completion report was submitted	N/A	N/A	N/A	N/A

19. For the review of re-accreditation of the implementing entity which has project(s) financed by the Fund, the secretariat's project/programme team will provide the following: (i) an assessment of quality at entry (QAE) of projects and (ii) an assessment of project performance.

20. The secretariat will develop a scorecard for assessing QAE and for performance that will be provided to the Panel as part of an IE's re-accreditation application.

Focus areas of review of a 'fast-track' re-accreditation

21. Under the fast-track re-accreditation process approved by the Board (Decision B.28/38) the review will focus on (i) the fiduciary standard related to the legal personality; (ii) commitment by the implementing entity to apply the Fund's Environmental and Social Policy (ESP) and Gender Policy (GP); and (iii) Mechanism to deal with complaints on environmental and social harms and gender harms caused by projects/programmes. In addition, policies and procedure related to anti-

money-laundering/countering the financing of the terrorism will be reviewed by the Panel in lined with Decision B.32/36.

22. Along with these three criteria, some additional criteria can be applied to fast track re-accreditation. First, criteria related to conditions attached to fast-track accreditation with the GCF will be assessed. Second, from the second-time fast-track reaccreditation with the Fund, financial mismanagement and integrity criteria of the fiduciary standards⁷ will be assessed along with the aforementioned three criteria.

⁷ For easy reference, Section II. 2-4 of the accreditation application form available at https://www.adaptation-fund.org/wp-content/uploads/2016/04/OPG-Annex-6_Accreditation-Application-Form_amended-in-Oct-2016.pdf.