



## ADAPTATION FUND

21 June 2021

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Adaptation Fund Board

***Accreditation Panel Recommendation on the Fast-Track Re-accreditation of the Micronesia Conservation Trust (MCT) as a National Implementing Entity (NIE) of the Adaptation Fund under the streamlined accreditation process.***

Having reviewed the fast-track re-accreditation application of the Micronesia Conservation Trust (MCT), the Accreditation Panel recommended that MCT be:

- a) Re-accredited as a National Implementing Entity (NIE) of the Adaptation Fund; and
- b) Entitled to submit project and programme proposals to the Adaptation Fund for up to US\$ 5 million.

A summary of the review is presented in Annex I below.

***Re-accreditation Decision:***

Having considered the recommendation of the Accreditation Panel and following the fast-track process approved by Decisions B.28/38, the Adaptation Fund Board decided to:

- a) Re-accredit the ***Micronesia Conservation Trust (MCT)*** as a National Implementing Entity (NIE) of the Adaptation Fund for five years as per paragraph 38 of the operational policies and guidelines for Parties to access resources from the Adaptation Fund. The accreditation expiration date is 20/06/2026.
- b) Entitle the Micronesia Conservation Trust (MCT) to submit project and programme proposals to the Adaptation Fund for up to US\$ 5 million.

***Decision B.36-37/3***

## ANNEX I

### REPORT OF THE ACCREDITATION PANEL ON AN ASSESSMENT OF THE MICRONESIA CONSERVATION TRUST (MCT) FOR FAST-TRACK RE-ACCREDITATION UNDER THE STREAMLINED PROCESS AS A NATIONAL IMPLEMENTING ENTITY (NIE) OF THE ADAPTATION FUND.

#### THE APPLICANT

The [Micronesia Conservation Trust \(MCT\)](#) was created in 2002 under the law of the [Federated States of Micronesia](#) (FSM) as a non-profit corporation. Its Articles of Agreement established it as a Charitable and Irrevocable Corporation which manages and provides funds to support biodiversity conservation and related sustainable development for the people of Micronesia Region consisting of the Federated States of Micronesia (FSM), [Republic of Palau \(ROP\)](#), [Republic of the Marshall Islands \(RMI\)](#), [US Territory of Guam](#), and [Commonwealth of the Northern Mariana Islands \(CNMI\)](#).<sup>1</sup> FSM, RMI, and ROP became members of the United Nations in 1983, 1991, 1994, respectively. Since then, they have also joined other UN organizations and specialized agencies.

The scale of the MCT operations currently covers a total sea area of 6.7 million km<sup>2</sup>, representing more than 20% of the Pacific Island region and 5% of the largest ocean in the world.

Its governance consists of a governing body, Board of Trustees of “no fewer than 10 voting members” of whom seven must be a resident in the Micronesia region (i.e., FSM, ROP, RMI, Guam, or CNMI), three are international and an additional non-voting donor representative. The Board is supported by four Committees: The Governance Committee, Investment Audit and Finance Committee, the Technical Committee, and the Partnerships and Development Committee. The head of office is the Executive Director and supported by a Deputy Executive Director and 14 staff members. MCT office is in Kolonia, Pohnpei, FSM.

MCT has two grants programs. A direct grant-making program is currently funded through a variety of advised sinking funds and will eventually be financed by sustainable revenue provided by MCT’s Endowment Fund. The program makes different types of grants depending upon the availability of funds, such as project grants, capacity building grants, just in time grants, or operational grants. The intermediary grant-making program is when MCT serves as an intermediary to other foundations and donors that share its mission of conservation in Micronesia but needs assistance in their grant-making which could either be a simple “pass-through” or can provide a menu of re-granting services, depending on contractual agreements with each funder.

#### ASSESSMENT FOR FAST-TRACK ACCREDITATION OF AN ENTITY ACCREDITED THROUGH THE STREAMLINED PROCESS

MCT was the first NIE that was accredited by the Fund through the streamlined process in 2015 when this approach to accreditation was first adopted pursuant to Board Decision AFB/B.25/7. The Assessment for fast-track re-accreditation of MCT was conducted using the criteria set out

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<sup>1</sup> Details of the MCT establishment and its early years can be found in a 2013 joint UNDP-Nature Conservancy/MCT Study which can be accessed at [https://www.asia-pacific.undp.org/content/rbap/en/home/library/climate-and-disaster-resilience/NCF\\_Micronesia\\_Conservation.html](https://www.asia-pacific.undp.org/content/rbap/en/home/library/climate-and-disaster-resilience/NCF_Micronesia_Conservation.html)

in Board Decision B.28/38 (Fast-track re-accreditation of implementing entities accredited with the Green Climate Fund); Decision B.31/1 (Focus areas of review of a fast-track re-accreditation); Decision B.32/36 (Accreditation standards related to anti-money-laundering/countering the financing of terrorism); and Decision B.34/3 (Revised re-accreditation process including conditions on the fast-track accreditation set by GCF, and quality at entry and project/performance implementation performance); and Decision B.31/26 (Use of external sources as complementary information). These Board Decisions on fast-track re-accreditation were applied in this assessment because at present there is no specific Board decision or policy on the fast-track re-accreditation of an entity that was accredited using the streamlined process.

- ❖ **The Fiduciary Standard related to the legal status** – There has been no change to the legal status of the Micronesia Conservation Trust (CMT) since accreditation with the Fund. MCT continues to have the legal personality and the capacities to directly receive funds from various organizations and governments, enter into contracts or agreements with international organizations, and to serve as plaintiff or defendant in a court of law.
- ❖ **Policies and procedures related to anti-money laundering and countering the financing of terrorism (AML/CFT) on disbursements, procurement, and handling instances of non-compliance to policies, procedures, and laws** – The Trust has an adequate and robust anti-money laundering (AML) and anti-terrorist financing (ATF) policy and detailed procedures of its own to detect, prevent and address any activities on money laundering and financing of terrorism. These include due diligence procedures, know your client (KYC) policy, risk assessment and ongoing monitoring and managing compliance, record keeping, checking the OFAC SDN List, and investigation of suspected money laundering and financing of terrorism. There is a designated Money Laundering Reporting Officer (MLRO) to coordinate and monitor implementation of these policies and procedures. MCT also works in close collaboration with the government institutions in its region that are responsible for dealing with AML/CFT activities. The member countries ROP and CNMI are members while FSM is an observer of the [Asia/Pacific Group \(APG\) on Money Laundering \(APG\)](#). MCT also ensures that individuals and entities sanctioned by any legal authority such as United States Federal Agencies or the United Nations Agencies are not allowed to participate in MCT activities. To date MCT has not had any cases or encountered issues relating to AML/ATF.
- ❖ **Policies and Framework to deal with financial mismanagement and other forms of malpractice** – MCT has continued to strengthen its capacity to deal with financial mismanagement and other forms of malpractice. MCT prescribed in its 2018 Fraud Prevention and Whistle Blower Policy the principles of zero tolerance approach for fraud, financial mismanagement, and other forms of malpractice, and of building a culture of honesty and ethics, applicable to all MCT officers and staff, contractors, executing agencies and other entities conducting business with the Trust. MCT also updated its Code of Good Employee Conduct; Conflict of Interest Policy; Whistle Blower Policy; Workplace Harassment, Prevention, and Reporting; and Public Disclosure Policy and consolidated these in the MCT Policy and Operations Manual of 2018. These policies and procedures are applicable to all officers and staff of MCT, Board of Trustees, contractors, staff of the entities that are given grants, and others conducting business with the organization. These include the institution of accessible mechanisms for lodging complaints, detailed and transparent procedures for handling of complaints and allegations, having an independent investigation function, and prescribing appropriate disciplinary actions and sanctions.

MCT indicated that they have not received from anyone complaints or allegations of fraud or any other malpractice against any officers, staff members and third parties.

- ❖ **Commitment by the entity to apply the Fund’s Environmental and Social and Gender Policy** – MCT continues to have and implement its robust policies and practices that fully demonstrate the Trust’s commitment and capability in applying the environmental and social policy and the gender policy of the Adaptation Fund. The Executive Director issued a letter to the Secretariat indicating that “MCT’s environmental and social and gender policies and procedures were developed specifically to meet the standards and requirements laid out in the gender and ESS policies of both the Adaptation Fund and Green Climate Fund. Please consider this letter an indication of MCT’s strong and sincere commitment to adhering to both the spirit and letter of these policies.”

MCT has put in place environmental and social policy statements; E&S safeguards principles and implementation; E & S screening; assessment tools and levels; roles and responsibilities; monitoring and evaluation; and reporting. MCT developed a gender policy framework; overarching principles that underpin its commitment to empowerment, protection and participation of females and males in their communities; and output indicators on gender equality and women empowerment. The E & S and gender policies and principles of MCT are fully aligned with that of the Adaptation Fund. MCT has also been incorporating these E & S and gender considerations in its Grant cycle procedures.

- ❖ **Mechanisms to address complaints on environmental and social harms and gender harms caused by projects/programs** – MCT continues to meet AF requirements by providing an accessible, transparent, and effective process for raising complaints about environmental or social harms caused by any of its projects. The grievance mechanism is set up at the project and at the institutional levels and accessible by phone, email, website, and post. MCT indicated that no complaints have been received from any of its stakeholders or beneficiaries. MCT has the commitment and demonstrated the capability to receive, independently review and take remedial action where appropriate on complaints regarding environmental, social and gender harms caused by its programs and projects.
  - **Assessment of AF funded projects** – The AF funded MCT project, “*Practical Solutions for Reducing Community Vulnerability to Climate Change in Federated States of Micronesia.*” for a three-year period starting 3 July 2018 for US\$970,000 is under implementation. An inception report and two project performance reports covering the periods 3 July 2018 to 3 July 2019 and 4 July 2018 to 3 July 2020, had satisfactory ratings.
  - **Reviews by Third Parties** – Review of a third party was taken into account and found this to be satisfactory. The Evaluation Office of UN Environment (UNEP) conducted in 2017 a terminal evaluation of the UN Environment GEF Project, “*Micronesia Challenge: sustainable Finance systems for Island Protected Area Management*” to assess project performance (in terms of relevance, effectiveness, and efficiency), and determine the degree of achievement and/or likelihood of outcomes and impacts (actual and potential) stemming from the Project, including their sustainability. The overall rating for the Project is Satisfactory.

## **INCREASING THE CAP FOR MCT**

In undertaking this assessment, the Panel noted that MCT has not only remained compliant with the criteria for a streamlined process of accreditation but continued to issue or update its policies and procedures to align with best practices and to the AF’s E & S and gender policies. It has also demonstrated its capacity to manage projects of much larger amounts and the related risks while

having satisfactory performance based on the past two rating periods of July 2018 to July 2020. The AF Secretariat cited the MCT as one of the examples of NIEs that pioneered local Enhanced Direct Access (EDA) adaptation projects on the ground and have fostered local and national partnerships in the process.

An analysis of the project portfolio of MCT for the past five years was conducted and the average per year is US\$3.5 million. Thus, the Panel is of the view that the cap may be increased from US\$ 1 million to US\$ 5 million.

## **CONCLUSION AND RECOMMENDATIONS**

The Panel concludes that the Micronesia Conservation Trust fully complies with the standards and other criteria for fast-track re-accreditation and recommends that it be re-accredited by the Adaptation Fund Board as a national implementing entity of the Fund.

And as an NIE accredited through the streamlined approach, it is also recommended that the present cap of US\$ 1 million be raised to US\$ 5 million.