



**ADAPTATION FUND**

# Lessons learned:

Adaptation Fund's  
streamlined accreditation process

**AUGUST 2022**

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# Acronyms

AF	Adaptation Fund
AML-CFT	Anti-Money Laundering/ Countering the Financing of Terrorism
AP	Accreditation Panel
COSO	Committee of Sponsoring Organizations of the Treadway Commission
DA	Designated Authority
EDA	Enhanced Direct Access
E&S	Environmental and Social
EPIU	Environmental Project Implementation Unit
ESMF	Environmental and Social Safeguard Management Framework
ESP	Environmental and Social Policy
GCF	Green Climate Fund
GP	Gender Policy
IE	Implementing Entity
MCT	Micronesia Conservation Trust
MFEM	Ministry of Finance and Economic Management
MTS	Medium-Term Strategy
NIE	National Implementing Entity
SNIE	Smaller National Implementing Entity
TA	Technical Assistance

# Executive summary

At its twenty-third meeting held on 20-21 March 2014, the Adaptation Fund Board (AF Board) decided to approve a “[Streamlined Accreditation Process](#)” (Decision B.23/17) for smaller National Implementing Entities (SNIEs) with a view to enhancing the access of smaller organizations to the resources of the AF while considering their limited capacities. This process entailed no changes to the fiduciary standards. However, it introduced appropriate mitigating measures, controls and practices needed for National Implementing Entities (NIEs) to demonstrate their required competencies without exposing the Fund to additional risks. Specifically, the mitigating measures, controls and practices normally found in smaller entities would reflect the institution’s characteristics. As a result, the Accreditation Panel (the Panel) recommended that the Board could accredit SNIEs to manage projects with possible monetary limitations on project size that reflect the type of entity, its size and risk profile. Under the streamlined process there are no mitigating controls for the environmental and social standards.

To date, five SNIEs have been accredited through the streamlined accreditation process in the following order:

1. Micronesia Conservation Trust (MCT), Federated States of Micronesia (FSM) – accredited in April 2015 and re-accredited in June 2021;
2. Ministry of Finance and Economic Management, Cook Islands (MFEM)– accredited in July 2016 and currently in the re-accreditation process;
3. Environmental Project Implementation Unit (EPIU), Armenia – accredited in November 2016 and currently in the re-accreditation process;
4. Ministry of Finance (MoF), Tuvalu – accredited in July 2019;
5. Comisión de Acción Social Menonita (CASM)<sup>1</sup>, Honduras - accredited in February 2021.

The review of streamlined accreditation consisted of (a) an examination of documents related to the process, (b) the accreditation assessments of the five accredited SNIEs, and (c) a review of project documents for SNIEs that have had project approvals. Semi-structured interviews were conducted with the five SNIEs as well as two members of the Panel to identify successes and challenges in the streamlined accreditation process. The AF secretariat (the secretariat) also provided feedback and input.

From the review and interviews, the streamlined process has clearly provided the opportunity for smaller organizations to be accredited. In addition to allowing SNIEs to access funds for direct climate action, it has set them up to access climate finance from other bilateral and multilateral entities. This includes three of the five entities accredited to date to the Green Climate Fund (GCF) through its fast-track process. Without the flexibility and alternative compensatory measures available through the streamlined process, these smaller entities may not have had the opportunity to be accredited.

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1. Mennonite Social Action Commission

Through the desk study undertaken and interviews conducted some key lessons can be drawn from the review, including the following:



**Added flexibility for smaller entities in accreditation process:** For the Panel, the streamlined process allows them to review the application of small entities looking into compensatory measures against the required criteria, that otherwise would not be able to meet the AF's overall accreditation standards



**The timeframe and effort needed for accreditation through the streamlined process is not shorter or less than the regular accreditation process:** While initially the streamlined process was thought to be one whereby the timelines could be shortened vis-à-vis the regular process, in practice this has not been the case. The timeframe can still take 2-3 years from the submission of the application to Board approval even through the streamlined process. In terms of effort, many of the SNIEs do have major gaps that even if alternative methods are acceptable, may still need to be put in place and a track record developed prior to accreditation and this takes time to put in place. Moreover, SNIEs have less staff and lower capacity to respond in a timely manner to Panel requests and therefore need more time to demonstrate they can meet the accreditation criteria that is commensurate with their size and capacities.



**Accreditation through the streamlined process has opened the door to accessing other sources of climate finance:** It is clear that being accredited to the AF has allowed SNIEs to access other sources of climate finance and in particular to be accredited by the GCF through its fast-track accreditation process.



**Institutional capacities of the SNIEs have been built through the accreditation process and beyond:** There is a clear demonstration of entities building institutional capacity through the accreditation process as well as post-accreditation. This is particularly evident in specific areas including internal audit functions, project management, complaints and grievance mechanisms, E&S and gender policies, and AML-CFT policies.



**There is a disconnect between the view of the Panel and that of the SNIE about the regular accreditation modality:** There appears to be a slight disconnect between the view of the Panel in terms of whether an SNIE could be accredited through the regular accreditation modality. For the Panel, the SNIEs, given their organizational structure, size and track record, would not allow them to be accredited if it were not for the streamlined process and the flexibility that provides the Panel. Whereas for some of the SNIEs there is a sense that they could have been accredited without any monetary limits.



**SNIEs are not aware they can request an increase in funding limits:** The SNIEs interviewed were unaware that they could request an increase in funding limits by demonstrating improvement in institutional capacity within five years of accreditation. This is true as well upon applying for re-accreditation.

Based on the above lessons, some recommendations for how to improve the process further are highlighted in the paragraphs below.

**Recommendation 1: Communicate opportunity to enter streamlined process to smaller entities.** The secretariat could raise awareness of the opportunity for smaller organizations to enter the streamlined process. While the designated authority can nominate an NIE applicant under the streamlined process, this option has not been used to date. Smaller NIEs have applied through the regular accreditation process and then later – through the Panel’s assessment – have switched to the streamlined process. Raising awareness could include expanding the relevant section on the AF website, creating a flyer or fact sheet, and promoting the process at relevant international and regional forums and conferences.

**Recommendation 2: Update the accreditation application form.** The application form does not provide an explicit opportunity to apply through the streamlined process. Several additions could be helpful such as a checkbox and initial questions related to the size of the entity (e.g. number of staff, number of offices, portfolio size, and roles played within a project/programme portfolio). Such questions would resemble what the GCF uses in its fit-for-purpose approach. Having this information upfront might allow the Panel to discuss the modality with a smaller entity earlier in the process.

**Recommendation 3: Indicate capacity improvement at re-accreditation.** At the time of re-accreditation, it would be helpful to add questions for entities accredited under the streamlined process. These could ask explicitly about capacities gained, projects implemented, and amounts disbursed. This would help the Panel re-evaluate whether an entity has built enough capacity to warrant an increase in its funding limit.

**Recommendation 4: Develop guidelines for alternate ways to meet the requirements of the fiduciary standards.** Smaller entities struggle to meet the AF’s fiduciary standards in several areas. The guidelines could demonstrate alternate ways for potential SNIEs to meet the fiduciary standards, including examples of mitigating measures to meet the spirit of the standards. This could help speed up the accreditation process and provide the Panel and SNIEs with a shared understanding of acceptable mitigating measures.

# Introduction

At its twenty-third meeting on 20-21 March 2014, the Adaptation Fund Board (AF Board) approved a [“Streamlined Accreditation Process”](#) (Decision B.23/17) for smaller National Implementing Entities (SNIEs). This process aimed to enhance access of smaller organizations to AF resources while considering their limited capacities. It entailed no changes to fiduciary standards. However, it introduced appropriate mitigating measures, controls and practices for SNIEs to demonstrate their required competencies without exposing the AF to additional risks. As a result, the Accreditation Panel (the Panel) recommended that the Board could accredit SNIEs to manage projects with possible monetary limitations on project size that reflect the type of entity, its size and risk profile. Under the streamlined process there are no mitigating controls for environmental and social standards.

The AF also approved its five-year Medium-Term Strategy (MTS) and Action Plan in 2018 based on the pillars of Action, Innovation and Learning and Sharing. Through the Learning and Sharing pillar, the AF secretariat (the secretariat) analysed the streamlined accreditation process to produce a brief report of lessons learned, including relevant case studies.

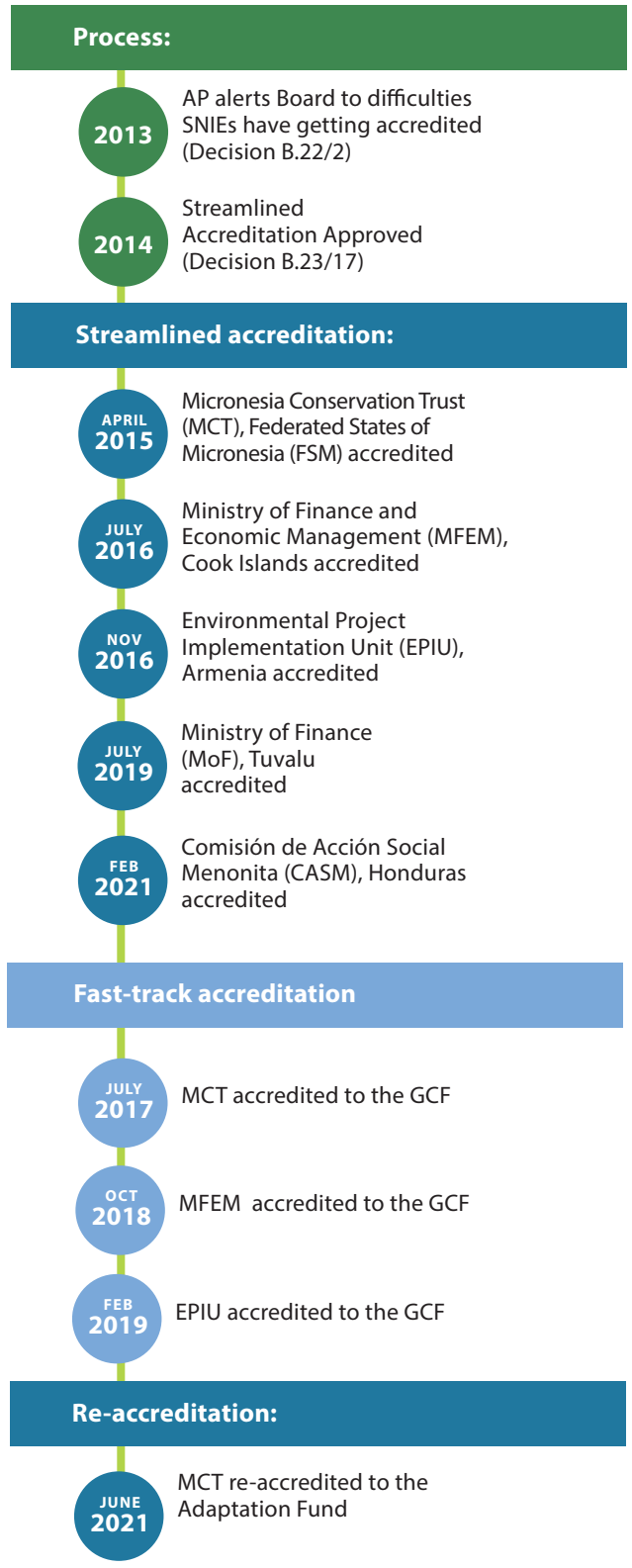
To date, five NIEs have been accredited under the streamlined process. Of these five, one has been re-accredited and two are in the process of re-accreditation. The results of the review are intended to inform potential IEs of what has worked well and what may need more work or refinement in the streamlined accreditation process. A timeline of the streamlined process approval is depicted in Figure 1 with details for each of the SNIEs accredited provided in Figure 3.

The report aims primarily to increase understanding among prospective smaller applicant entities of the benefits of the streamlined process, including what has worked well and areas that need improvement. The findings from the review will be of interest to entities seeking accreditation to the streamlined process as well as the Board, secretariat, and other relevant stakeholders. The report provides a brief background of the streamlined process, details the assessment and results from the desk study and interviews conducted, provides a deeper dive into the process for three SNIEs, and concludes with key lessons learned as well as recommendations for further improvement.



**FIGURE 1.**

**Timeline of the Adaptation Fund’s Streamlined Accreditation Process**



# Approach

The review examined documents related to the streamlined accreditation process, the accreditation assessments of the five accredited SNIes, and project documents for SNIes with project approvals. Annex I includes a list of all the documents reviewed.

Semi-structured interviews with the five SNIes as well as with two members of the Panel identified successes and challenges in the process. The secretariat also provided feedback and input. Annex II lists the interview questions and Annex III provides a list of those interviewed.

# Background to AF's streamlined accreditation process

The AF's streamlined accreditation process has been designed to assess accreditation applications of smaller entities. It considers compensating measures, controls, and practices normally found in smaller entities. In this way, it determines whether an entity meets the fiduciary requirements without exposing the AF to significant additional risks.

The process is based on the following five areas:

- i. an assessment of the potential risks for the AF by supporting a project based on the capacity and nature of an NIE;
- ii. greater emphasis on identifying alternate ways to meet the requirements of the fiduciary standards;
- iii. added flexibility for an applicant to show how it uses mitigating measures to meet the spirit of the fiduciary standards;
- iv. reduced time and effort for the applicants to go through the accreditation process;
- v. alignment where possible with the fit-for-purpose approach of the Green Climate Fund.

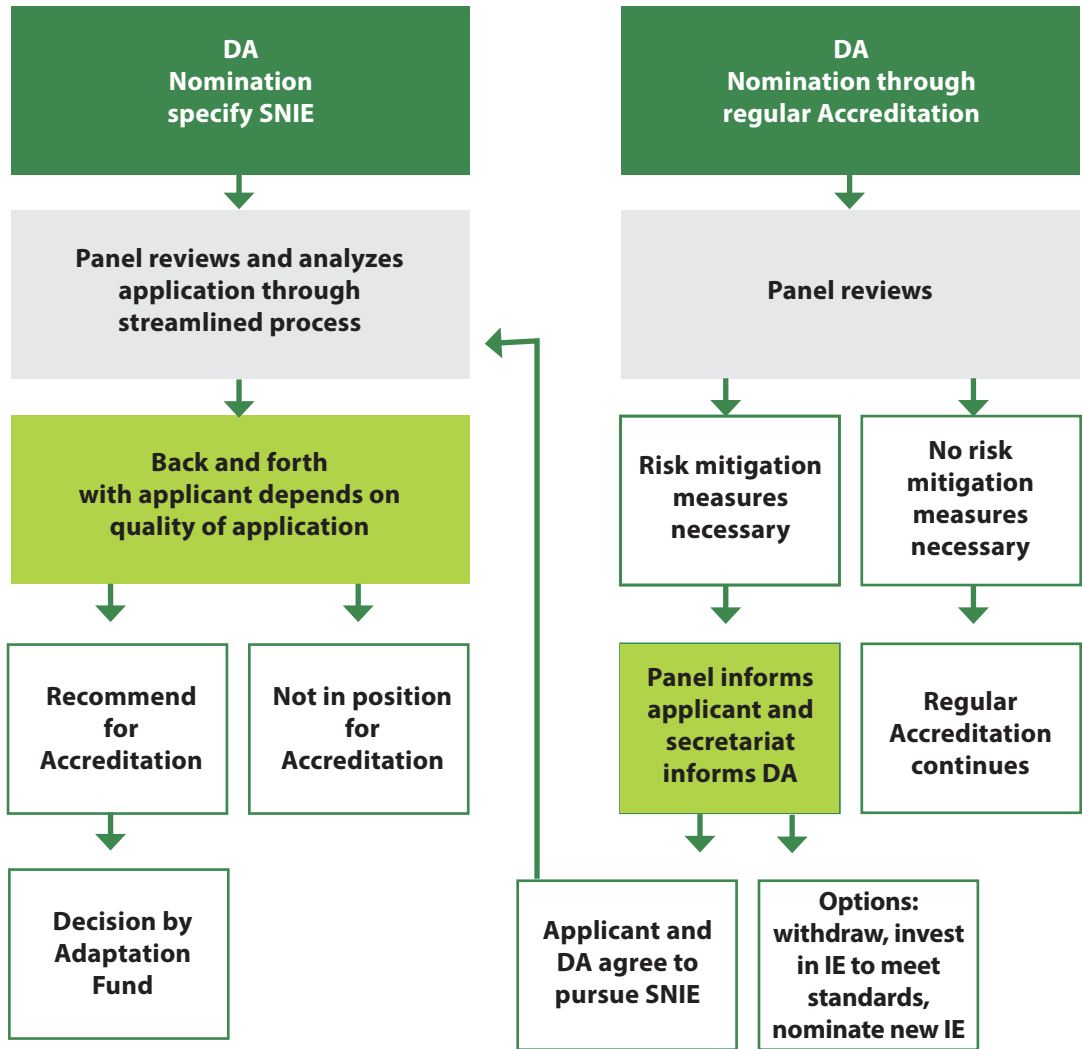
The streamlined process does not provide any changes to the AF's fiduciary standards but instead opens up possibilities for a smaller entity to demonstrate its competence and capacity to meet acceptable requirements. However, the requirements for demonstrating the fiduciary standards would be commensurate with the type, size, and risk profile of the institution.

Initially the streamlined process made the modality available to applicants based on three characteristics. First, they had to be executing or implementing projects up to USD 1 million per project or programme. Second, they needed up to 25 professional staff implementing or executing projects. Third, annual administrative expenses could not surpass USD 1 million. However, these criteria were meant as parameters and not intended to be rigidly applied. As such, applicants falling outside of these ranges have been considered under the streamlined approach.

An NIE can apply directly under the streamlined process or could apply through the regular accreditation process. If applying through the regular process, the Panel could recommend that an entity be processed through the SNIE streamlined process after an initial review. If the Panel, after its initial review recommends the streamlined process, an applicant would need to agree to undergo the streamlined process with the understanding that the applicant would be accredited with a monetary limitation to the size of projects it can apply for. Figure 2 below provides a flow diagram of the overall SNIE process.

**FIGURE 2.**

**SNIE Accreditation Process<sup>2</sup>**



2. Taken from [Streamlined Accreditation Process](#), AFB/EFC.16/7/Rev.1, 8 April 2015. DA = Designated authority; IE- Implementing Entity

# Assessment and results

To date, five national entities have been accredited through the streamlined process in the following order:

- Micronesia Conservation Trust (MCT), Federated States of Micronesia (FSM) – accredited in April 2015 and re-accredited in June 2021;
- Ministry of Finance and Economic Management (MFEM), Cook Islands – accredited in July 2016 and currently in the re-accreditation process;
- Environmental Project Implementation Unit (EPIU), Armenia – accredited in November 2016 and currently in the re-accreditation process;
- Ministry of Finance (MoF), Tuvalu – accredited in July 2019;
- Comisión de Acción Social Menonita (CASM), Honduras – accredited in February 2021.

The five entities were all initially accredited with a different monetary limitation as to the size of projects they could apply for ranging from a low of USD 1 M (MCT) to a high of USD 4 M (CASM and EPIU). Figure 3 summarizes the accreditation process for the five SNIEs accredited to date.

**FIGURE 3.**

**SNIEs Accredited through the Streamlined Accreditation Process (as of May 31, 2022)**

Micronesia Conservation Trust (MCT) - FSM	Ministry of Finance and Economic Management (MFEM) - Cook Islands	Environmental Project Implementation Unit (EPIU) - Armenia	Ministry of Finance (MoF) - Tuvalu	Comisión de Acción Social Menonita (CASM) - Honduras
Date 1st Accredited: 10 April 2015	Date 1st Accredited: 14 July 2016	Date 1st Accredited: 04 November 2016	Date 1st Accredited: 15 July 2019	Date 1st Accredited: 24 February 2021
Project Limit: up to USD 1 M	Project Limit: up to USD 3 M	Project Limit: up to USD 4 M	Project Limit: up to USD 2 M	Project Limit: up to USD 4 M
Readiness Grant(s): (1) Feb 2016: E&S TA; USD 10,000 (2) December 2016: TA Gender Policy USD 10,000	As of May 2022 no readiness grant accredited	Readiness Grant: 12/16/2018 - E&S and Gender Policy TA USD 19,500	As of May 2022 no readiness grant accredited	As of May 2022 no readiness grant accredited
Project: Practical Solutions for Reducing Community Vulnerability to CC Approved: 3/22/2018 Amount: USD 970,000	Project: Pa Enea Action for Resilient Livelihoods (PEARL) Approved: 3/22/2018 Amount: USD 2,999,125	Project 1: Artik city closed stonepit wastes and flood management Approved: 10/12/2018 Amount: USD 1,435,100  Project 2: Strengthen land based adaptation capacity Approved: 3/15/2019 Amount: USD 2,506,000	As of May 2022 no projects approved	As of May 2022 no projects approved
Re-Accreditation: 21 June 2021 Cap raised to USD 5 M	Accreditation status: in re-accreditation Process Accreditation Expiration Date: 13 July 2021	Accreditation status: in re-accreditation Process Accreditation Expiration Date: 12/26/2018	Accreditation Expiration Date: 14 July 2024	Accreditation Expiration Date: 23 February 2026

Three of five SNIes accredited to date have accessed funding from the AF for a total of USD 7.9 M in project funds for concrete adaptation interventions and a total of USD 39,500 in technical assistance (TA) grants. MCT was the first entity accredited and is now the first to be re-accredited (June 2021) through the fast-track re-accreditation process, due to their accreditation to the Green Climate Fund (GCF). As part of the re-accreditation MCT's monetary cap has been raised from USD 1 M to USD 5 M (Decision B36-37/3).

All five SNIes have accessed climate finance from other sources (GCF, bilateral funding etc.) since their initial accreditation. Three of the five have also been accredited to the GCF through the GCF's fast-track accreditation process. This includes:

- i. MCT accredited to the GCF in July 2017;
- ii. MFEM accredited to the GCF in October 2018; and
- iii. EPIU accredited to the GCF in February 2019.

All three organizations stated that their initial accreditation to the AF eased their accreditation to the GCF.

## Competencies acquired during initial accreditation process

During the accreditation process all five accredited SNIes stated that their competencies improved significantly through the process whether it was by instituting new policies or codifying and formalizing processes already in place. A few of the common areas of improvement included:



**Internal Audit Function:** as smaller entities, most of the SNIes did not have a formal internal audit function at the time of their application to the AF. The accreditation process allowed for the development of an internal audit process whether through outsourcing the internal audit function or through instituting the function in-house.



**Internal Control Framework:** in general, the SNIes had less formal internal controls than those of large entities. The accreditation process provided SNIes with the opportunity to formalize internal control functions including instituting such measures as more actively involving the Board of Directors, developing oversight committees, or formalizing controls over payment and disbursement systems.



**Procurement:** for many SNIes procurements had been generally of smaller value with procurement systems that matched that lower level. The accreditation process allowed for several SNIes to formalize their procurement process to include as needed oversight committees and more robust grievance procedures.



**Project preparation and approval:** reliance on donor requirements made it difficult for some SNIes to demonstrate capabilities in selecting and assisting executing entities in the design and implementation of projects. The accreditation process allowed entities to take donor procedures and determine how to create rules and procedures for the organization that were independent of a donor or funder. This has allowed the entities to build their own independent project appraisal, preparation and approval processes and to more confidently take on the role of an implementing agency.

## New competencies obtained after accreditation

After accreditation to the AF, several SNIEs mentioned that they have kept building their capacities and that they have also been able to access resources for staff training as well as building other competencies. Accreditation to the AF has increased entity visibility and allowed for more opportunities to engage with the global climate finance community. Specific areas of competencies gained after accreditation include the following:



**Environmental and Social and Gender policies:** several of the entities have built up their environmental and social safeguard standards and developed robust gender mainstreaming policies. Two entities (MCT and EPIU) accessed technical assistance from the AF to develop these policies.



**Establishment of new departments:** to maintain and improve capacities related to the AF's accreditation standards several SNIEs have established new departments or units in areas such as internal audit, procurement, and project management. One of the difficulties faced by SNIEs is that they are small and staff can be overstretched. By establishing such departments, the necessary work is mainstreamed into the organization.



**Learning by doing to improve access to finance:** in the end there is no better way to build capacity than to be given the opportunity to design and implement projects. The streamlined accreditation process, which allows for a risk-based approach to accreditation, has allowed smaller entities to directly access climate finance at a level that exposes the AF to minimal risk. Entities have stepped up to the responsibility and accessed funding for their most vulnerable communities in areas that may have been more difficult for larger organizations to reach.

## Obstacles and challenges faced

Overall, the accreditation process was seen as challenging and complex. In particular for smaller entities, the amount of detail needed for the application was difficult to pull together. The back and forth between the entity and Panel was also added to the challenge, especially for entities with limited staff who often play multiple roles within an organization. While there is clear appreciation for the secretariat and Panel's support throughout the process there was an indication that there could be better clarity in terms of what was being requested. Confusion on how to respond to Panel questions did create delays in the process.

Due to the length of time and amount of effort needed to complete the process most of the entities interviewed were skeptical of the monetary limitation placed through the streamlined process and initially applied through the regular process. For those entities that did apply through the regular process, it was not entirely clear why they were asked to switch to the streamlined process. Since the process did end up taking two or more years for most of the SNIEs – they did not view the streamlined process as easier than a regular accreditation would have been.

Some organizations believe they have the capacity to access funding from the AF without a monetary limit. This is a significant disconnect from the view of the Panel. Indeed, for the Panel the organizational structure, size and track record of the SNIEs would not allow them accreditation through the regular process. The streamlined process gives the Panel the needed flexibility to offer entities an opportunity for accreditation.

# Case studies

The following section takes a closer look at three of the entities that have been accredited through the streamlined process. Starting with the first entity to be accredited through the streamlined process and ending with the latest entity accredited through this process.

## Micronesia Conservation Trust (MCT)



### Background

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

MCT was nominated by the FSM to apply for accreditation to the AF and its application was first forwarded for the Panel's consideration in May 2012. At the time of its original application MCT had less than 10 staff members and provided grants for projects on the order of magnitude of USD 16,000-50,000. The initial assessment of the application by the Panel found major gaps in most of the capabilities required by the Fund's fiduciary standards.

While MCT had many gaps against the Fund's fiduciary standards, the projects funded by MCT were structured, produced results, and had a clear impact on the local communities. The strength of the organization lied in its understanding of local conditions and how best to support communities, its strong relationships with other local NGOs, and its partnerships with international conservation organizations gave it a wide-reach across FSM. At the time, it was evident that MCT would be well positioned to carry out an effective, concrete community based adaptation project. As such, the secretariat in coordination with the Panel proposed an avenue for accrediting smaller organizations.

The streamlined accreditation process was developed using MCT as a case example. The Board approval of the streamlined process opened the door for MCT to gain accreditation in April 2015. MCT thus became the first accredited national implementing entity accredited through the streamlined process. MCT was initially accredited with a monetary cap of USD 1 M.





## Competencies acquired during accreditation and post-accreditation

MCT has actively improved its capacity both during the AF's accreditation process as well as after the accreditation. Areas of improvement include among others the following:

- i. developed an internal audit system based on outsourcing of internal audit and took steps for putting in elements of an internal control framework;
- ii. upgraded its operations manual to formalize internal controls, integrate anti-fraud and corruption measures, and introduce third party complaints;
- iii. through two AF technical assistance grants received after being accredited, MCT developed an environmental and social safeguard management framework (ESMF) as well as a gender mainstreaming policy; and
- iv. approved and instituted an anti-money laundering and counter-financing of terrorism policy (AML-CFT)



## Successes and benefits of accreditation

MCT has stated that:

*We undertook the accreditation process as an exercise in building our own capacity for our own sake in the interests of improving our organization in order to better serve our stakeholders.*

While the initial accreditation to the AF took three years to accomplish, MCT's overall organizational capacity has increased dramatically both through the accreditation process itself as well as post-accreditation.

Specific successes include the following:

- Approval of a technical assistance grant to develop a framework for the assessment and management of Environmental and Social (E&S) risks within projects and programmes in FSM; grant approved in February 2016 for a grant amount of USD 10,000;
- Approval of a technical assistance grant for the Gender Policy (TA-GP) to enhance the capacity of the MCT to assess and manage gender related issues and its compliance with the Adaptation Fund's Gender Policy; grant approved in December 2016 for a grant amount of USD 10,000;
- Approval of an AF project [\*Practical Solutions for Reducing Community Vulnerability to Climate Change in the Federated States of Micronesia\*](#): approved in March 2018 for a grant amount of USD 970,000. The project is one within the AF portfolio of projects that pioneered local Enhanced Direct Access (EDA) on the ground and the project has fostered local and national partnerships in the process.
- Accredited to the Green Climate Fund (GCF) in July 2017 for low-risk projects and programmes<sup>3</sup> up to USD 10 M.
- Approval of a GCF project [\*Climate resilient food security for farming households across the FSM\*](#); approved in March 2021 for a grant amount of USD 9.4 M.
- Re-accredited to the AF in June 2021 with an increased monetary limit from USD 1 M to USD 5 M (Decision B.36-37/3)

3. Low-risks projects are those classified as Category C – “likely to have minimal or no adverse environmental impacts.”

As per the re-accreditation noted above, the Panel in its assessment of MCT 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.”

MCT can be considered a major success as the first SNIE accredited and reaccredited. Since accreditation in 2015, MCT has not only continued to build its institutional capacity but has also succeeded in accessing and implementing climate finance to the benefit of the most vulnerable communities it serves.

# Environmental Project Implementation Unit (EPIU)



## Background

The Environmental Project Implementation Unit (EPIU) of the State Agency of the Ministry of Nature Protection of the Republic of Armenia is a national entity established by the government of the Republic of Armenia with the main objective of ensuring efficient implementation of the governmental environmental sector projects. The main spheres of the EPIU's activities include implementing projects/programs by the Ministry of Nature Protection of and territorial administration bodies in environmental sector, including implementation of state-wide sector-based projects on the sustainable usage of natural resources, lithosphere, soil, water, atmosphere, fauna and flora, and the preservation of specially protected areas, as well as those developed using funding from international financial organizations

The Government of Armenia nominated EPIU to the AF. Its application was received in April 2015, with the initial review completed in November 2015.

Given its size and limited number of staff (approximately 18 in total at the time) and an operational budget well below the threshold of USD 1 M the EPIU requested to be considered under the Streamlined Approach which was approved by the Board in April 2015. Furthermore, the country, while relatively large in area, has a population of less than 3.5 million people and can be considered as a small country. The designated authority (DA) of Armenia sent the secretariat an official letter of agreement to pursue the streamlined accreditation process in October 2016. The applicant understood and agreed that the size of its project to be funded by the Fund would be limited and tailored to its capacity.

EPIU was accredited shortly thereafter in November 2016 with a limit of project monetary limit of up to USD 4 M. From initial submission to accreditation took less than two years, which is the fastest accreditation of any of the five SNIEs accredited to date.



## Competencies acquired during accreditation

Based on the initial assessment the Panel identified several gaps that were shared to the applicant in a number of communications through letter, email and conference calls. During the accreditation process EPIU started taking measures to address these gaps and provide additional supporting documents requested by the Panel.

EPIU relied initially on the operational manual of the World Bank and other required procedures by other donors. However, in 2016, the EPIU finalized its own procedures and operational manual, which according to the Panel were "comprehensive in regard of project planning, accounting management, and evaluation and cover internal controls, ethics and Environmental and Social Policy Standards."

A comprehensive project management methodology was also developed as part of the accreditation process and incorporated into an operations manual. EPIU was able to provide examples to illustrate the use of the project management procedures covering all aspects of project management, including project at risk methodology, quality at entry formulation, the capacity to undertake monitoring and evaluation, the ability to identify, develop and appraise projects, and the competency to manage or oversee the execution of projects.



## Competencies post-accreditation

Post-accreditation, EPIU has continued to build its institutional capacity. The staff of the EPIU has increased by 44% (26 employees) who are paid from the state budget<sup>4</sup>. Several members of the EPIU staff have undergone special trainings and have been involved in the two AF funded projects (see section below), as monitoring, gender, social and environmental risk management specialists. In addition, four specialists are involved in various climate/environment projects as coordinators or experts.

There has also been a change in the structure of the agency. As a result, three new departments have been created:

- i. Project Implementation and Monitoring Department,
- ii. Cooperation with Donor Organizations,
- iii. Procurement and Affairs Administration.

In addition, EPIU has established an administrative body, which includes a director, deputy director, accountant, and lawyer to support the abovementioned departments.



## Successes and benefits of accreditation

EPIU stated that throughout the accreditation process they worked closely with the AF secretariat and Panel and that they did not identify any specific challenges or obstacles within the framework of the streamlined accreditation. Since receiving accreditation, EPIU has been able to access resources for climate finance both from the AF as well as from other sources. Specific successes include the following:

- Approval of an AF project, [Artik city closed stonepit wastes and flood management pilot project](#), approved October 2018 for a grant amount of USD 1,435,100;
- Approval of an AF technical assistance grant for ESP and Gender Policy (TA-ESGP), approved December 2018 for a grant amount of USD 19,500;
- Accredited to the GCF in February 2019 for medium-risk projects and programmes<sup>5</sup> up-to USD 10 M; and
- Approval of second AF project, [Strengthening land based adaptation capacity in communities adjacent to protected areas in Armenia](#); approved March 2019 for grant amount of USD 2,506,000.
- Approval of a AF Small Innovation Grant, [Engaging Future Leaders: Digital Education Module on Adaptation Challenges and Best Practices for Youth](#), approved October 2019 for a grant amount of USD 231,250.

EPIU is currently going through the AF's re-accreditation process and is seeking to upgrade their monetary limit as they have built additional capacity in the intervening years since they were first accredited.

4. Increased staffing allows an entity additional manpower to ensure the implementation of fiduciary responsibilities and implement policies. It also mitigates the risk of staff turnover as there are more people within the organization.

5. Medium-risks projects are those classified as Category B – “potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures.”

## Comisión de Acción Social Menonita (CASM)



### Background

The Mennonite Social Action Commission (In Spanish – Comisión Acción Social Menonita or CASM) is an apolitical non-profit civil association of mutual benefit established by the Evangelical Mennonite Church of Honduras under the laws of Honduras in 1997. It seeks to promote comprehensive development programs within the country at the level of rural communities and neighborhoods affected by natural phenomena and wars at the national level. CASM is a member of the ACT Alliance, a coalition of 150 churches and church-related organizations working together in over 125 countries to create positive and sustainable change in the lives of poor and marginalized people regardless of their religion, politics, gender, sexual orientation, race or nationality in keeping with the highest international codes and standards.

Since it was established, CASM has developed a large portfolio of projects, mostly under USD 500,000 and in some cases between USD 500,000 and USD1 M with a focus on community security and economic development, natural disaster risk reduction, and emergency assistance. As of the end of 2019, CASM had 109 staff nationwide, of which about 30 people would be involved in the operational and administrative activities of projects, less than 25 at professional level, including the management teams mentioned above as well as administrative assistants in each regional and sub-regional office. Given its usual project size and staffing numbers, and based on an initial assessment against the AF criteria, the Panel concluded that CASM was eligible to be considered under the streamlined process, and its application would benefit from being processed through the streamlined modality. On November 27, 2019 the Board Chair and Executive Director of CASM confirmed in writing, to the AF Secretariat, their acceptance of review under this approach.

While CASM agreed in writing to the streamlined process, during the interview for this review, the staff mentioned that they were not entirely clear as to why they were recommended for the streamlined process. While there were several discussions with representatives from CASM that took place, the perception of those interviewed is that they did not fully appreciate the rationale behind the switch to the streamlined process. After entering the streamlined process, it took another year before CASM was eventually accredited in February of 2021. The additional year was due to several factors including the inability of the applicant to provide timely responses to the AP.



### Competencies acquired during accreditation

The Panel noted that CASM has significantly strengthened its policies, procedures and capacity in many of the areas subject in preparation for and over the course of the application. The improvements during the accreditation process are outlined below.

**Internal Audit:** An internal audit function was established in late 2019, including Board-approved terms of reference as well as a manual that adopts Institute of Internal Auditors' international internal auditing standards and the COSO Internal Control Framework as an audit benchmark. The function has been established in the form of an Internal Audit Committee comprising two Board members and one independent audit professional with a terms of reference approved by the Board. Since then, and despite challenges in 2020 due to the COVID-19 pandemic, the function has undertaken two substantive reviews, of CASM's control environment and administrative expenses; as well as an initial enterprise risk assessment; and governance,

risk and audit awareness workshops with General Assembly, Board and management members. CASM is considered to have established a sufficient track record of implementation under a streamlined approach.

**Procurement:** CASM's procurement has been generally of small value, and large project-related procurement has been handled in accordance with donor requirements. Through the accreditation process, CASM updated its Administrative Procedures Manual in relation to procurement, and adopted a detailed Procurement Manual to improve the clarity of requirements, in particular internal controls, ethical behavior, procedures for large value procurement and sanctioning. CASM also established a procurement committee to oversee the process in the event of significant value procurement.

**Complaints Policy:** CASM has updated its complaints policy, which sets out complaints mechanisms and process to address them, to confirm its application to environmental, social and gender related concerns. Complaint handling including registration, reporting and follow up are under the same methods as other complaint reporting. CASM advised that project initiation includes awareness raising with affected populations on the ways in which they can raise project-related concerns though this has previously not been specifically documented.



## Compensatory measures

With the shift to the streamlined process, the Panel had more flexibility in reviewing CASM's accreditation application and were able to look at compensatory measures. As an example, if CASM were a larger organization the solution developed for the internal audit function would not be sufficient to meet the AF's fiduciary standards, however, through the streamlined modality, the Panel considered the function sufficient, given the size and business model of CASM.

Other compensatory measures included CASM's full Board fulfilling the requirements for an oversight body for the purposes of the AF criterion. The Board normally meets every two months and is therefore actively engaged in oversight of the organization on behalf of the General Assembly. The Panel considered that this control is acceptable under a streamlined approach, on the basis that the Board is receiving formal, written reports from the Internal Audit Committee and records in its minutes its decisions and recommendations in response to the reports. With three Board meetings having occurred during 2020 under pandemic restrictions, the Board established a minimum track record under the streamlined approach of oversight of internal audit, risk management and control.

Overall, CASM was accredited by the Panel as meeting the criteria under the streamlined approach. By taking into consideration the compensating measures, controls, and practices identified in CASM, the Panel was able to conclude that "CASM meets the AF criteria under the streamlined approach" and taking into consideration the size of its project portfolio and length of experience in implementation, the Panel recommended that it should be eligible to submit project/program proposals to the AF for amounts up to US\$4 million. CASM was able to improve its systems and formalizes several of its processes through the accreditation process. The staff interviewed also appreciated the ability to have one focal point at the AF secretariat to communicate with throughout the accreditation process.

CASM is currently in the process of developing a project proposal for funding from the AF.

# Key lessons learned

From the interviews conducted and document review undertaken, several key lessons can be drawn from the streamlined accreditation process. These are described in the following paragraphs.

**LESSON 1** **The streamlined option adds flexibility for smaller entities in the accreditation process:** For the Panel, the streamlined process allows them to review the application of small entities looking into compensatory measures against the required criteria, that otherwise would not be able to meet the AF's overall accreditation standards. This confirms the third area of the three areas of the streamlined process: (iii) Added flexibility for an applicant to show how it uses mitigating measures to meet the spirit of the fiduciary standards.

**LESSON 2** **Alternate ways to meet accreditation requirements are based on size and structure of entities:** The Panel has also found that the second area of the streamlined process: (ii) A greater emphasis on identifying alternate ways to meet the requirements of the fiduciary standards is a welcome approach for allowing smaller entities to be accredited in order to access grant funding from the AF. For example, systems related to internal audit, internal control functions, and procurement can be structured for smaller entities in a way that mitigates risk for the AF but also is in line with the size and business model of smaller organizations.

**LESSON 3** **Timeframe and effort needed for accreditation through the streamlined process is not shorter or less rigorous than the regular accreditation process:** While initially the streamlined process was thought to be one whereby the timelines could be shortened vis-à-vis the regular process, in practice this has not been the case. The timeframe can still take 2-3 years from the submission of the application to Board approval even through the streamlined process. In terms of effort, many of the SNIEs do have major gaps that even if alternative methods are acceptable, may still need to be put in place and a track record developed prior to accreditation and this takes time to put in place. Moreover, SNIEs have less staff and lower capacity to respond in a timely manner to Panel requests and therefore need more time to demonstrate they can meet the accreditation criteria that is commensurate with their size and capacities. While the fourth area of the streamlined process (iv) Reduced time and effort for the applicants to go through the accreditation process may still be applicable for an SNIE going through the regular vs streamlined modality (i.e. a SNIE may not ever be able to meet the AF's standards without the streamlined process or may take many additional years) it is still a process that takes time, patience, and effort on the part of the SNIE.

**LESSON 4** **Accreditation through the streamlined process has opened the door to accessing other sources of climate finance:** It is clear that being accredited to the AF has allowed SNIEs to access other sources of climate finance and in particular to be accredited by the GCF through its fast-track accreditation process.

LESSON  
5

**The SNIEs have built institutional capacities through the accreditation process and beyond:**

There is a clear demonstration of entities building institutional capacity through the accreditation process as well as post-accreditation. This is particularly evident in specific areas including internal audit functions, project management, complaints and grievance mechanisms, E&S and gender policies, and AML-CFT policies.

LESSON  
6

**Smaller entities hesitate to pursue the streamlined accreditation process at the outset:**

Smaller entities are often reluctant to apply for the streamlined process because they are afraid they will not receive enough funding for their projects.

LESSON  
7

**Difficulty in demonstrating track record as an executing entity:**

Many smaller organizations play an active role in projects as executing entities undertaking specific activities within a project supervised by agencies such as the World Bank, UN specialized agency or even on behalf of a national government agencies. In these cases, the smaller entity often follows the operational, fiduciary and environmental and social standards of the supervising/implementing entity, instead of having their own policies and systems in place and applying them. While the experience of an executing entity is highly valuable and necessary for delivering quality interventions on the ground, it can be difficult for smaller entities seeking accreditation to demonstrate compliance with the AF's standards based on their executing experience.

LESSON  
8

**The Panel and SNIEs view the regular accreditation modality differently:**

There appears to be a slight disconnect between the view of the Panel in terms of whether an SNIE could be accredited through the regular accreditation modality. For the Panel, the SNIEs, given their organizational structure, size and track record, would not allow them to be accredited if it were not for the streamlined process and the flexibility that provides the Panel. Whereas for some of the SNIEs there is a sense that they could have been accredited without any monetary limits.

LESSON  
9

**SNIEs are not aware they can request an increase in funding limits:**

The SNIEs interviewed were unaware that they could request an increase in funding limits by demonstrating improvement in institutional capacity within five years of accreditation. This is true as well upon applying for re-accreditation.



# Conclusions and recommendations

Overall streamlined accreditation process has provided the opportunity for smaller organizations to be accredited by the AF, entities that likely could not have been accredited without such a modality. This has not only allowed SNIEs to access money for direct climate action but has also set them up to access climate finance from other bilateral and multilateral entities. This includes three out of the five entities accredited to date receiving accreditation to the GCF through the GCF's fast-track process. Without the flexibility and alternative compensatory measures that are available through the streamlined process these smaller entities may not have had the opportunity to be accredited.

The streamlined accreditation process has also strengthened the internal systems of SNIEs and allowed for entities to develop new policies as well as codify or formalize process already in place. Funding through technical assistant grants from the AF has also allowed entities to develop important policies such as E&S safeguards and gender mainstreaming.

Even with the clear benefits for the streamlined process, organizations are hesitant to apply directly through this modality for fear of not being able to access sufficient funds. There also appears to be a lack of understanding as to what the streamlined process entails and lack of awareness at the application stage that such a modality is available.

Through the desk study undertaken and interviews conducted a few recommendations for how to improve the process further are highlighted in the paragraphs below.

## RECOMMENDATION 1

**Communicate opportunity to enter streamlined process to smaller entities:** The AF secretariat could raise awareness of the opportunity for smaller organizations to enter the streamlined process. While the designated authority (DA) can nominate an NIE applicant under streamlined process, to date, this has not been utilized. Smaller NIEs have applied through the regular accreditation process, and later through the Panel's assessment, have switched to streamlined process. Raising awareness could include expanding the section on the AF website that outlines the streamlined accreditation process, creating a flyer or fact sheet about the process, and presenting the opportunity at relevant international and regional forums and conferences.

## RECOMMENDATION 2

**Update the accreditation application:** The current accreditation application does not provide an explicit opportunity to apply through the streamlined accreditation process. A checkbox could be added as part of the current application. It would also be helpful to add to the initial accreditation application questions related to the size of the entity, including number of staff, number of offices, portfolio size, and roles played within a project/program portfolio. These types of questions would be similar to what the GCF utilizes in its fit-for-purpose approach. Having this information upfront might allow the Panel to enter into a discussion with a smaller entity earlier in the process about the streamlined accreditation modality.

**RECOMMENDATION  
3**

**Indication of capacity improvement at re-accreditation:** At the time of re-accreditation, it would be helpful to add a few questions for entities accredited under the streamlined process asking explicitly about capacities gained, projects implemented, amounts disbursed – to understand if an entity may be eligible for increase in the monetary limit of funding they can program.

**RECOMMENDATION  
4**

**Develop guidelines for alternate ways to meet the requirements of the fiduciary standards:** With the experience gained over the past seven years, there are several areas where smaller entities struggle to meet the AF’s fiduciary standards. Guidelines can be developed to demonstrate the alternate ways by which potential SNIEs might meet the requirements of the fiduciary standards and provide examples of mitigating measures that could be implemented to meet the spirit of the fiduciary standards. This could help speed up the accreditation process and provide the Panel with a shared understanding of acceptable mitigating measures.

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# Interview questions

## SNIE Interview Questions: Lessons learned on streamlined accreditation

1. Given your current institutional capacity, would you be able to access more AF resources beyond the originally approved amount/limit?
2. If yes, how has the institution's capacity improved to support an increase of the funding limit from the AF?
3. Has the streamlined accreditation process helped enhance the institutional capacities of your entity to access climate finance beyond the AF? (Y/N)
4. If yes, how much climate finance, other than from the AF, has your institution accessed since accreditation?
5. Has your institution been able to implement concrete adaptation and resilience projects on the ground other than from the AF? (Y/N)
6. If yes, please provide examples and list funder.
7. Please provide a brief description of any challenges or obstacles the streamlined accreditation posed for your entity.
8. Are there any ways the streamlined accreditation process could be improved?
9. Is there any advice you would give to an institution/organization interested in applying for accreditation through the AF's streamlined accreditation process?

## Accreditation Panel Representatives Interview Questions: Lessons learned on streamlined accreditation

1. What are the main benefits of the streamlined accreditation process?
2. What do you see as being the main challenges/roadblocks to the streamlined accreditation process?
3. Of the five areas of assessment under the streamlined accreditation process listed below:
  - a) An assessment of the potential risks that the Adaptation Fund would take by funding a project based on the capacity and nature of an SNIE;
  - b) A greater emphasis on identifying alternate ways to meet the requirements of the fiduciary standards;
  - c) Added flexibility for an applicant to show how it uses mitigating measures to meet the spirit of the fiduciary standards;
  - d) Reduced time and effort for the applicants to go through the accreditation process, and
  - e) Alignment where possible with the fit-for-purpose approach of the Green Climate Fund.

Which ones have been most effective in delivering the desired outcomes of providing small entities with an opportunity to access climate finance.

4. Are there alternative areas of assessment that could be helpful or beneficial to the process?
5. Are there other possible areas of improvement for the overall process?

# Interview list

## **Representatives Accreditation Panel**

Mr. John Anthony Fitzsimon, Accreditation Panel Expert  
Ms. Jessie Rose Degala Mabutias, Accreditation Panel Expert

## **SNIE Accreditation Interviews**

### **Micronesia Conservation Trust (MCT), Federated States of Micronesia (FSM)**

Ms. Tamara Greenstone Alefaio, Conservation Program Manager  
Ms. Lisa Ranahan Andon, Deputy Director

### **Ministry of Finance and Economic Management (MFEM), Cook Islands**

Mr. Mani Mate, Director Development Coordination Division

### **Environmental Project Implementation Unit (EPIU), Armenia**

Ms. Margarita Gasparyan, Head of the Cooperation with Donors Department

### **Comisión de Acción Social Menonita (CASM), Honduras**

Mr. Nelson García Lobo, Executive Director  
Ms. Suyapa Uclés, Programs Manager  
Ms. Rebeca Fortín, Programs Manager  
Ms. Amparo Peña, Planning, Monitoring and Evaluation Management

### **Ministry of Finance (MoF), Tuvalu**

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**ADAPTATION FUND**