



ADAPTATION FUND

AFB/B.24/4
3 October 2014

Adaptation Fund Board
Twenty-fourth meeting
Bonn, Germany, 9-10 October 2014

Agenda item 5

REPORT OF THE SEVENTEENTH MEETING OF THE ACCREDITATION PANEL

WORK OF THE PANEL

1. The Accreditation Panel (the Panel) continued its work reviewing both new and existing applications. On 25-26 August 2014 the Panel held its seventeenth meeting at the secretariat's offices in Washington, DC. The Panel meeting allowed for an opportunity to hold teleconferences with applicants, to communicate application status, to ask questions, and to provide direct guidance on any additional documentation required. The Panel also used the meeting to reflect upon the trends observed in the accreditation process.

2. For the Panel meeting, two new completed applications were received and the Panel continued its review of the applications of seven potential National Implementing Entities (NIEs), two potential Regional Implementing Entities (RIEs), and one potential Multilateral Implementing Entities (MIEs) that were previously reviewed but required additional information for the Panel to make its recommendations. By the time of the finalization of the present report, the Panel had concluded the review of one application:

- 1) Regional Implementing Entity RIE007

3. Eleven applications (eight for potential NIEs, two for potential RIEs, and one for a potential MIE), are currently under review by the Panel as per the list below. For purposes of confidentiality, only the assigned code is used to report on the status of each Implementing Entity's application.

- 1) National Implementing Entity NIE038
- 2) National Implementing Entity NIE039
- 3) National Implementing Entity NIE044
- 4) National Implementing Entity NIE046
- 5) National Implementing Entity NIE049
- 6) National Implementing Entity NIE054
- 7) National Implementing Entity NIE057
- 8) National Implementing Entity NIE061
- 9) Regional Implementing Entity RIE009
- 10) Regional Implementing Entity RIE010
- 11) Multilateral Implementing Entity MIE014

Completed Cases

Regional Implementing Entity RIE007

4. The applicant submitted its application on 23 January 2013 and it was forwarded to the Panel on 10 February 2013.

5. The application was first discussed at the twelfth Panel meeting. Many gaps were identified and a list of additional questions requesting clarification on a number of issues was sent to the applicant. Additional information and documents in response to the questions raised by the Panel in the initial review were submitted by the applicant on 18 June 2013.

6. Prior to the fourteenth Panel meeting, the Panel reviewed and analyzed the additional information provided by the applicant, determined that a significant number of gaps still existed, and requested further clarification. The Panel agreed to follow-up with the applicant and discuss again at the fifteenth Panel meeting.

7. In February 2014, after the completion of the fifteenth Panel meeting, the applicant informed the Panel that it had engaged the services of a consultant to help fill some of the gaps identified by the Panel. The secretariat requested the applicant to provide a work plan and target dates for responding to the Panel's questions and requests for additional information.

8. Since the February 2014 communication, the applicant entity has been non-responsive to Panel request for updates. Despite regular follow up, the applicant has not provided the required information to allow a meaningful assessment of the application. At its seventeenth meeting, the Panel decided that it is not in a position to recommend accreditation. Annex I provides an analysis and the Panel's conclusions on the application.

Other cases under review

National Implementing Entity NIE038

9. The application was initially considered by the Panel at its eleventh meeting. The Panel agreed that many gaps needed to be addressed and raised a number of questions to be clarified by the applicant. The Panel took note of the fact that the applicant had received a US\$ 300,000 grant for capacity building to increase its capacity to manage climate financing and that these improvement actions are ongoing.

10. The applicant provided additional information, much of it relating to the efforts of capacity building but these are ongoing. The underlying hurdle is that the applicant only has experience to do routine small projects that would be very different from those it would need to implement for the Adaptation Fund. After the thirteenth meeting, the Panel did not hear back from the applicant with regards to several requests for updates.

11. The application was discussed during the fourteenth meeting and it was agreed that the Panel would correspond with the applicant to confirm the applicant's interest in continuing to pursue the application. The applicant confirmed strong interest in pursuing the application and explained that between the thirteenth and fourteenth Panel meetings the organization had a change in leadership with the appointment of a new executive director.

12. The new Chief Executive Officer reviewed the original application and resubmitted the information that continued to be relevant as well as updated information, and addressed the initial questions raised by the Panel. Almost 200 files were received in the middle of May and analyzed by the Panel which concluded that many of the original gaps still remain and this was communicated to the applicant mid-June.

13. At its seventeenth meeting, the Panel decided to request a work-plan to fill the gaps with a specific time frame for when the gaps could be filled.

National Implementing Entity NIE039

14. The application was first considered at its tenth meeting. The Panel discussed the application and raised a number of questions to be clarified by the applicant.

15. During the course of the assessment the Accreditation Panel had several rounds of interaction, including several teleconferences with the applicant. In August 2012 the applicant submitted an action plan with timelines for developing capabilities in areas where substantial gaps existed vis-à-vis the Fiduciary Standards.

16. The applicant typically handles individual projects and grants of less than US\$50,000. Only a few of grants handled by the entity have been in the range of US\$100,000. Accordingly the adequacy of the entity's systems and processes has not been demonstrated for handling medium and large projects. Apart from systems and processes that have not been demonstrated, it would not be possible to assess the applicant's competencies for handling larger projects. The applicant also communicated that the size of the grants it currently makes and anticipates making in the next several years (based on experience and the absorptive capacity of the majority of the project executing agencies) are likely to remain small. Further in a communication from the entity during the first week of June 2013, it requested to be considered for accreditation for small projects and indicated that that it would not make a request to the Fund for funding levels beyond a mutually agreed upon threshold which is within their capacity to manage.

17. The Panel's experience with this entity along with a few others precipitated a long discussion about the possibility of the Adaptation Fund opening a small grants window whereby entities such as NIE039 could be accredited to access that particular window. Accordingly, the Board agreed to allow the Panel to visit NIE039 to develop a case example for the need of a "small grant window" or similar mechanism which would help the Fund manage the risks associated with providing funds to small organizations and to work in conjunction with the secretariat to provide options at the twenty-third Board meeting.

18. The field visit to the entity took place in January 2014. Based on the visit and other experiences and discussions a separate document on *Options for the Accreditation of Small Entities* (AFB/EFC.14/3) was developed by the Panel for the Board's consideration. At the twenty-third meeting the Board agreed to allow the Panel to continue its consideration of approval for accreditation of small entities further developing the "streamlined" process outlined as option two in AFB/EFC.14/3. This is discussed further in other matters and Annex II.

19. The Panel and secretariat have informed NIE039 of the Board decision and have discussed the remaining critical gaps that must be filled to allow the Panel to recommend accreditation through such a streamlined process. This was done through a note sent to the applicant after the Panel meeting and a subsequent Skype call to discuss the note and provide clarifications sought by the applicant. Since this is a test case for the streamlined process it is recommended that the entity be allowed more time.

National Implementing Entity NIE044

20. The applicant submitted its application on 25 January 2013. Most of the supporting documentation was not provided in English. However, so as not to delay the application, the secretariat forwarded the application to the expert members for review.

21. The Panel provided the applicant entity with a list of selected supporting documents that needed translation. This was aimed at reducing the workload and cost of translation of all documents provided by the applicant.

22. At the thirteenth meeting, the Panel briefly discussed the application and agreed to communicate the additional information needed and the need for further clarification on several issues. Many additional documents were provided by the applicant entity. The Panel agreed to continue to communicate with the entity and discuss the application again at the Panel's fourteenth meeting.

23. At the fourteenth meeting the Panel agreed that the organization may have the capacity to be an *executing entity*. However the best option to complete a review of the entity's *implementation capacity* would be to conduct a field visit prior to the fifteenth Accreditation Panel meeting. The field visit took place during the last week of January 2014.

24. During the visit the applicant demonstrated that it has most of the systems and procedures in place to be a strong and effective NIE. Nevertheless some actions still need to be put in place and these were discussed with the senior staff of the entity to ensure they were well understood. The steps included: the completion of two internal audits including management comments thereon; establishing an audit committee; issuing an internal control statement; completing a basic risk analysis including the identification and taking of risk mitigation steps; supplement the procedures manual for the areas relating to selection of projects and to how procurement of executing entities will be verified; comparing budget statements to actual and include explanations for variances; and developing the required system, procedures and internal capacity for financial mismanagement and other forms of malpractices.

25. Since the field visit was undertaken in January of 2014, the Executive Director of the entity has changed. After the change of the Executive Director, the Panel has not heard from the entity. At its seventeenth meeting the Panel agreed to prepare a letter asking whether the entity is still interested in pursuing the application.

National Implementing Entity NIE046

26. The application submitted on 31 December 2012 was forwarded to the Panel members on 10 January 2013. The application contained a large amount of supporting documentation that the Panel reviewed and analyzed for the twelfth Panel meeting.

27. Several gaps were identified and a list of additional questions relating mainly to the organization's internal audit, track record in project appraisal, monitoring and evaluation, and transparency and anti-corruption policy was sent by the Panel. The applicant uploaded the additional information requested to the accreditation workflow on 17 June, 2013. The information was reviewed and analyzed between the thirteenth and fourteenth Panel meetings.

28. The Panel found gaps still existed in a number of areas. The Panel requested additional information in August 2013. The entity agreed to submit a response with additional supporting documentation prior to the fifteenth Panel meeting, scheduled for February 2014.

29. The applicant provided additional information in January 2014 and subsequently in June 2014. The additional documentation was analyzed by the Panel and helped to close some of the open issues. However, several gaps do remain and at the sixteenth meeting the Panel agreed that a field visit would be the best way to resolve the outstanding issues. The applicant was unable to host a field visit due to scheduling conflicts and workload issues.

30. The applicant was invited to the AF seminar for NIE's held in Bangkok 10-12 September 2014 in partnership with UNEP. The entity sent two representatives to the meeting who met with two members of the Panel. The meeting provided an opportunity to discuss the progress of the application. During the meeting with the applicant's representatives, the key outstanding issues were highlighted and also the need for addressing the issues in a satisfactory manner for the Panel to consider recommending accreditation. The representatives assured the Panel members that they would discuss the issues with their colleagues and work towards closing all the existing gaps.

National Implementing Entity NIE049

31. The application was received by the secretariat on 14 April 2013. After completing the initial screening, the secretariat submitted the application to the Panel for consideration at its fourteenth meeting of September 2013.

32. The Panel discussed the merits of the application and sent a list of information requirements to applicant in October 2013. As a number of gaps were identified in meeting the requirements of the fiduciary standards, the Panel has been following up with applicant on the status of implementation of the agreed measures to address these gaps. Some of the agreed measures relate to: (a) improving the effectiveness of the Audit Committee, Internal Audit and the internal control framework; (b) revamping the procurement manual; (c) preparing adequate guidelines for project risk assessment, appraisal, monitoring and evaluation and closure; (d) implementing a project-at-risk system; (e) enhancing the entity's website to facilitate the reporting of allegations of malpractice and corruption; and (f) issuing a policy on whistle-blower protection. .

33. Over the past ten months, the applicant has kept the Panel informed on the status of implementation of these measures. To date, most of them are under implementation and expected to be completed by the end of calendar year 2014.

National Implementing Entity NIE054

34. The application was received for the initial screening by the secretariat in and it was then forwarded to the Panel in January 2014.

35. After discussing various fiduciary issues associated with the application at its fifteenth meeting, the Panel completed the initial assessment of the application on 30

March, 2014. In May 2014, the applicant responded to the Panel's information request on various fiduciary issues.

36. While the application has provided ample documentation concerning the entity's operational processes and project cycle procedures, various gaps still exist in meeting the fiduciary standards. Some of the gaps relate to the entity's ability to demonstrate its capacity to handle projects outside the narrow scope of projects that the entity has been engaged up to now. Over the past four months, the Panel has been following up on the status of implementation of the agreed measures to meet the requirements of the fiduciary standards. However, the implementation process has taken more time than it was anticipated.

37. The Panel has already considered that a field visit would be beneficial to corroborate the entity's capabilities and the extent of the implementation of the agreed measures. This field visit will only take place after the applicant confirms that most of these measures have been completed.

National Implementing Entity NIE057

38. The application was received by the secretariat in February 2014. After completion of the preliminary screening by the secretariat in April 2014, it was put forward for the Panel's consideration at its sixteenth meeting of May 2014.

39. After discussing the merits of application and fiduciary issues, on 6 June 2014, the Panel communicated to the applicant a list of questions and additional information requirements. While the applicant has demonstrated a solid experience in handling credit-financing activities, it has also recognized the existence of various gaps in meeting the requirements of the fiduciary standards. For example, some of these gaps surfaced in competences related to: (a) procurement; (b) a project appraisal and, risk assessment for non-credit projects/programmes; (c) project quality at entry; (d) project-at-risk system; (e) monitoring, evaluation and closure procedures for non-credit projects/programmes; (f) an effective anti-fraud/corruption system; and (g) the framework to deal with complaints on environmental and social issues.

40. . The applicant has been actively engaged in finding the necessary expertise to implement the various measures to address the requirements of the fiduciary standards and indicated that an implementation action plan and timeline would be provided to the Panel by the end of October 2014.

National Implementing Entity NIE061

41. The application was received by the secretariat on 14 July 2014 through the accreditation workflow. After screening the application for consistency and completeness, the secretariat forwarded the application to the Panel on 16 July 2014 for consideration at its seventeenth meeting. The initial review of the application by the expert members of the Accreditation Panel is ongoing and is expected to be completed by October 14, 2014.

Regional Implementing Entity RIE008

42. The application was received by the secretariat on 08 January 2014 through the accreditation workflow. After screening the application for consistency and completeness, the secretariat forwarded the application to the Panel on 09 January 2014 for consideration at its fifteenth meeting

43. Initial review of the application shows the applicant has established a good track record in the execution of climate change related projects funded by several multilateral and bilateral institutions. In doing so, however, the applicant has largely relied on operational procedures and guidelines of the financing institutions, such as the World Bank and the Inter-American Development Bank. In order to meet the Fund's Fiduciary Standards the applicant needs to develop its own operational procedures, address deficiencies in key areas such as internal audit, internal control framework, and demonstrate the required capabilities in project management. The Panel's findings were communicated to the applicant in April 2014 along with requests for additional information and indications of areas where the applicant's capabilities need to be strengthened.

44. The applicant requested the Panel undertake a field visit to resolve the issues raised. The Panel has written to the applicant indicating that the procedures of the accreditation process require an applicant to respond to the questions posed and to first work toward closing some gaps prior to a field visit.

Regional Implementing Entity RIE010

45. The application was received by the secretariat on 14 July 2014 through the accreditation workflow. After screening the application for consistency and completeness, the secretariat forwarded the application to the Panel on 16 July 2014 for consideration at its seventeenth meeting. During that meeting a telephone conference was held with the applicant and the Panel agreed to formulate the additional information needed to cover the gaps identified and this is being finalized.

Multilateral Implementing Entity MIE014

46. The applicant responded to the invitation by the Board to potential MIEs by submitting its application which was made available for analysis by the expert members of the Panel on 23rd Jan, 2013.

47. The Panel completed its initial assessment of the application in March, 2013. While the applicant was found to have enormous experience in handling projects and some good systems in place, there were some gaps in the information provided for some of the capabilities of the fiduciary standard for which more information was asked for. Additionally, there were several observations and recommendations contained in the reports issued by the external auditors and other reviewing authorities for which no responses had been provided or the ones provided were inadequate.

48. The applicant provided some additional information but at the time of the thirteenth meeting had not provided a full response. The full response was subsequently provided in July, 2013.

49. The Panel analyzed the additional information provided prior to the fourteenth Panel meeting and agreed that while a majority of the gaps/requirements had been satisfactorily responded to, some areas still required additional clarifications/information. After a long gap the applicant provided another response a few days before the sixteenth meeting. A subsequent analysis of the response reveals that a small number of gaps still remain. This has been communicated to the applicant and further information/documents are awaited. Additional information was received in August 2014. However, all the gaps have not yet been closed. Given that the number of outstanding gaps is fairly small the Panel agreed to continue its interaction with the applicant.

Other Matters

Eighteenth Meeting of the Accreditation Panel

50. The dates for the Panel's next meeting will be 15-16 January 2015. The deadline for submissions of applications for accreditation for consideration at the eighteenth meeting of the Panel is 4 December 2014.

Streamlined Accreditation Process

51. At the request of the Board the Panel worked in conjunction with the secretariat to provide options for the accreditation of small entities. The document *Options for the Accreditation of Small Entities* (AFB/EFC.14/3) was presented to the Ethics and Finance Committee (EFC) and based on the recommendation of the EFC, the Board at its twenty-third meeting decided to:

- a) *To continue its consideration of approval for accreditation of small entities on the basis of Option 2 (Streamlined Process) as outlined in the document;*
- b) *With assistance from the secretariat to further its work to elaborate steps that might be undertaken by small entities (as defined in paragraph 7 of document AFB/EFC.14/3) to demonstrate compliance with the Fund's fiduciary standards, and that would be commensurate with the type, risk profile, and size of the institutions; and*
- c) *To report back in the next Accreditation Panel report, for consideration at the fifteenth meeting of the EFC.*

(Decision B.23/17)

52. Annex II provides an update on the Panel's experience gained to date in operationalizing the Streamlined Accreditation Process and on advising two small national entities on viable alternatives to address the requirements of the fiduciary standards

Decision B.22/21

53. At the twenty-second Board meeting, the Board decided the following:

Having considered the comments and recommendations of the Ethics and Finance Committee (EFC) the Adaptation Fund Board decided that the Accreditation Panel review the fiduciary standard on transparency, self-investigative powers, and anti-corruption measures, consistent with paragraph

37 of the operational policies and guidelines, of an accredited implementing entity about which a complaint had been raised and report back to the EFC.

(Decision B.22/21)

54. At its fourteenth meeting, the EFC had been briefed on the implementation of Decision B.22/21. The Accreditation Panel had started the review of the fiduciary standard on transparency, self-investigative powers and anti-corruption measures of an implementing entity about which a complaint had been raised. Since then, the Panel has completed its review. The review will be submitted to the EFC members at their fifteenth meeting.

RECOMMENDATION

Non-Accreditation RIE007

55. After considering the conclusions and outcome of the review, the Panel decided it is not in a position to recommend Regional Implementing Entity 007 for accreditation

(Recommendation AFB/AP.17/1)

ANNEX I: RIE007 NON-ACCREDITATION DECISION

1. The application was received by the Secretariat on 23 January 2013 and it was forwarded to the Panel on 10 February 2013. Following the initial review by the Panel, the applicant was requested, in March 2013, to respond to Panel questions and to provide additional information. A response to the Panel questions and requests for additional information was received on 18 June 2013. However, analysis of the response received showed that the information provided by the applicant did not address most of the Panel questions. A significant number of gaps remained in all areas of the Fund's fiduciary standards. The Panel requested clarification of the information provided and requested for additional information in relation to areas where gaps existed.
2. The fourteenth Panel meeting discussed the slow progress made by the applicant in responding to Panel questions and agreed to follow up with the applicant and review the status of the application at its fifteenth Panel meeting.
3. In February 2014, after the completion of the fifteenth Panel meeting, the applicant informed the Panel that it had engaged the services of a consultant to help fill some of the gaps identified by the Panel. The secretariat requested the applicant to provide a work plan and target dates for responding to the Panel's questions and requests for additional information.
4. Despite regular follow up, the applicant has been non-responsive to Panel requests for updates since the February 2014 communication. Accordingly, at its seventeenth meeting, the Panel decided that it is not in a position to recommend accreditation.

ANNEX II: STREAMLINED APPROACH: SMALL ENTITY ACCREDITATION

Background

1. At its twenty-third meeting held 20-21 March 2014, the Adaptation Fund Board decided (Decision B.23/17) to continue its consideration of approval for accreditation of small national implementing entities (SNIEs) on the basis of a “Streamlined Accreditation Process”. This process would entail no changes to the fiduciary standards, but it would institute acceptable alternate requirements needed for SNIEs to demonstrate their required competencies. Specifically, the requirements would be commensurate with the type, size and risk profile of the institution and, as a result, the Accreditation Panel could specifically recommend to the Board that the SIE be accredited to manage projects up to a certain size and disbursements limits.
2. The purpose of this document is to provide an update on the Panel’s experience gained to date in operationalizing the Streamlined Accreditation Process and on advising two SNIEs on viable alternatives to address the requirements of the fiduciary standards.

Small National Implementing Entities and Associated Risks

3. For the purposes of the Streamlined Accreditation Process, the current working definition of a SNIE is any entity which has: (a) a small human resource base (approximately 20 or fewer); (b) less than US \$550,000 annual administrative and operating budget; and (c) project management competencies concentrated on handling project amounts under US\$ 100,000. The definition does not preclude a small entity from meeting the fiduciary standards without need for compensatory measures. It is also important to note that the definition is provided to give a general parameter and is not intended to be rigidly applied.
4. In addition to the quantitative indicators described above, the Panel also takes into consideration various qualitative characteristics that might form part of a SNIE’s risk profile. These characteristics are not exhaustive, but serve as risk alertness to the Panel when assessing the SNIEs’ competences and the viability of alternate measures to meet the fiduciary standards. For example, a SNIE might exhibit:
 - (a) Less formal internal controls than those of large entities together with the potential for management override of controls. While lack of sophisticated internal controls is not an indicator of a high risk of fraud or error, management override of controls, if it occurs, may have a significant adverse effect on the control environment leading to an increased risk of management fraud.
 - **Risk mitigation:** The existence of an actively involved Board of Directors or oversight body which regularly reviews the results from independent audits of the internal controls and financial statements might contribute to mitigate this type of exposure. Full documentation of key financial and operating processes and procedures also contributes to minimize risk.
 - (b) Limited extent to which segregation of duties is practicable due to the few number of employees.
 - **Risk mitigation:** Active involvement of management in day-to-day operations serves as a key internal control that counters the lack of segregation of duties.
 - (c) Limited ability to withstand adverse conditions and sustain operations.

- **Risk mitigation:** The SNIE would need to demonstrate sustainability of its financing in the medium and long term before any recommendation for accreditation could be made.
- (d) Staff turnover. A high turnover rate could have a negative effect on the SNIE due to limited resources and the investment in employees.
- **Risk mitigation:** Although there might be external factors that contribute to the turnover, the SNIE would need to demonstrate that key positions in the organization are fully staffed with qualified individuals.

Viable alternatives proposed to applicant SNIEs to address the requirements of the fiduciary standards

5. Table 1.1 provides specific examples that illustrate the application of the streamlined accreditation approach for assessing a SNIE’s competences and capabilities to meet the requirements of the fiduciary standards. The “Proposed Alternate Measures” column includes various recommendations that have been made to applicant SNIE to address the gaps. Table 1.2 provides examples of identified gaps where opportunities for applying the streamlined accreditation approach might be present.

Table 1.1 Examples of application of the Streamlined Accreditation Approach during the assessment of the-SNIE’s competences and capabilities (SNIE no. 1)

FIDUCIARY STANDARD Specific capability	CONDITION OBSERVED/IDENTIFIED GAP	RISK LEVEL	PROPOSED ALTERNATE MEASURES
Production of annual externally audited accounts that are consistent with recognized international auditing standards	Annual externally audited account consistent with recognized international auditing standards are produced.	None	None
<ul style="list-style-type: none"> • External Auditor Reports • Audit Committee's Terms of Reference 	The SNIE did not have an Audit Committee.	MEDIUM	None. As the SNIE recognized the significance of the gap and decided to establish an Audit Committee in the organization. To date, the Panel awaits evidence of its operationalization.
Demonstration of capability for functionally independent internal auditing in accordance with internationally recognized standards.	Lack of independence of the internal audit function.	MEDIUM	The ISO 9001-2008 “internal audit procedure” used by the SNIE would be acceptable to the Panel provided that:
<ul style="list-style-type: none"> i) Policy/charter and other published documents (like manuals) that outline the entity’s internal auditing 	<p>Internal Audit procedures follows ISO 9001-2008 guidelines and as a result, audit coverage is limited to compliance with administrative procedures.</p> <p>Audit staff has not received adequate training.</p>		<ul style="list-style-type: none"> • Quality Management (QM) audits are performed on IT systems and operational processes on a regular basis (at

<p>function</p> <p>ii) Copies of audit plans for past 2 years and the current year</p> <p>iii) List of internal audit reports of last 2 years and sample reports</p>		<ul style="list-style-type: none"> • least once a year). • results from the QM internal audits are shared with the Audit Committee. • the Executive Director makes a written representation to the Audit Committee confirming that the results of the audits have not been altered by the managers. This statement should be included in the reports submitted to the Audit Committee. • the 2014 QM internal audit exercise is completed. • training of staff is completed.
<p>Project preparation and approval. This should include impact (environment, socio-economic, political, etc.) assessment study with risk assessment and mitigation plans:</p> <p>i) Demonstration of capability and experience in identification and design of projects (preferably adaptation projects)</p>	<p>Demonstrated capabilities in selecting and assisting executing entities in the design and implementation of sub-projects, i.e., small grants ranging from \$5,000 to \$100,000, and directed to very narrow activities financed under a master funding agreement. However, the SNIE did not fully demonstrate the required expertise in designing and implementing more complex/major projects.</p>	<p>MEDIUM The SNIE recognized this capability gap and assured the Panel that it will be working together with another government agency which has the required project preparation expertise. This approach would be acceptable, provided that the Panel receives evidence of the qualifications of the staff that would be involved in the preparation of any adaptation proposal.</p>
<p>Conclusion</p> <p>Over the past six months, the Panel has been advising the SNIE on the most viable measures to address identified gaps and their associated risks while safeguarding the integrity of the accreditation process. There are various competences not listed in this paper which are still pending to be demonstrated by the SNIE. The Panel will continue working with the applicant to assess progress in the implementation of the agreed measures as well as the demonstration of various required capabilities.</p>		

Table 1.2 Examples of identified gaps in meeting the fiduciary standards where opportunities for applying the Streamlined Accreditation Approach might be present (SNIE no. 2)

FIDUCIARY STANDARD Specific capability	CONDITION OBSERVED/IDENTIFIED GAP	RISK LEVEL	PROPOSED MEASURES
Internal Control Framework including systems for Disbursements and Payments	<p>The SNIE has a manual which defines several of the functions of its Board of Trustees. The manual requires the Governance Committee of the SNIE to carry out several responsibilities with respect to the Internal Control System at the SNIE. The functioning of the Governance Committee and its roles and responsibilities is not clear.</p> <p>The SNIE has not yet provided any information / supporting document of action taken as per the resolution or the functioning of the Governance Committee, except in respect of handling recommendations/ observations outlined in the external audit report.</p>	MEDIUM	<p>Given the size of the organization, it has also been suggested to the SNIE that it may like to consider merging the functions of the Audit Committee and the Governance Committee and create a single committee for all oversight requirements.</p> <p>Compensatory measures, if any required, would be decided/ proposed after assessing the effectiveness of the Internal Control System once it gets operationalised.</p>
(i) Procurement Evidence of transparent and fair procurement policies and procedures at the national level that are consistent with recognized international practice (including dispute resolution procedures)	<p>(i) With respect to Procurement while the SNIE Policy and Operations Manual lays down guidelines and procedures for procurement, given the scope of current procurements (largest procurement being a laptop in 2013) undertaken at the SNIE, the Accreditation Panel has not been in a position to assess procurement capacity at the SNIE in terms of:</p> <p>a) System for developing technical specifications, wherever required, for procurement of equipment, works and services.</p> <p>b) Establishment of bid evaluation criteria for procurements</p> <p>c) Undertaking initial scrutiny of tenders containing technical</p>	LOW	<p>Given that the procurements handled by the SNIE are small in terms of both individual and total value during any given year the procurement risk is low. However, to ensure oversight of the procurement process it is proposed that the entity should arrange for specific comments on the adequacy of procurement procedures followed (either in the external audit report or in the internal audit report, once internal audit has been undertaken) for any medium/large procurements undertaken in future.</p>

			<p>specifications and comparative analysis of quotations.</p> <p>d) Role of the procurement committee(s), if required, in case of larger and complex procurements requiring multi-level assessments /approvals.</p>	
(ii) Procedures and practices to undertake oversight or maintain control over third parties executing projects on behalf of the SNIE.	(ii) Considering that all SNIE projects are executed by third parties, the SNIE does not have adequate procedures and practices for maintaining control over the procurement by third parties/grantees.	HIGH	<p>The SNIE had earlier communicated that it would be developing a set of protocols and practices for maintaining control over the procurement by third parties/grantees. No information has been provided with respect to the progress in this regard.</p> <p>Compensatory measures, if any required, would be decided/proposed after assessing the effectiveness of the set of protocols/practices developed and implemented</p>	

Conclusion

While the SNIE fits into the category for consideration under the Streamlined Approach, and the Accreditation Panel has been interacting with the entity and supporting it to address the identified gaps, several of the required competencies are still to be developed/demonstrated by the SNIE. Accordingly, it is not feasible to delineate appropriate compensatory measures for this entity at this stage.