



ADAPTATION FUND

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Adaptation Fund Board  
Eighteenth Meeting  
Bonn, June 27 – 29, 2012

Agenda item 5

## **REPORT OF THE TENTH MEETING OF THE ACCREDITATION PANEL**

## WORK OF THE PANEL

1. The Accreditation Panel (Panel) continued its work reviewing both new and existing applications. Prior to meeting, the Panel members exchanged information and views on the applications under review. On May 10 and 11, 2012, the Panel held its tenth face-to-face meeting at the premises of the Swedish Energy Agency in Stockholm, Sweden. The Panel meeting also allowed for the opportunity to hold teleconferences with applicants, to communicate application status, to ask questions, and to provide direct guidance on additional documentation required. Additionally, the Panel took opportunity to receive an update by the secretariat on a number of issues under other matters as well as an update on the status of development of the accreditation workflow.

2. The Panel considered 4 new applications for accreditation (**NIE037**, **NIE039**, **RIE004**, and **RIE005**). As outlined in the operational policies and guidelines, all these applications were initially screened by the secretariat. The Panel also continued its review of 7 ongoing NIE applications, 1 ongoing RIE application and 1 MIE (as detailed below). By the time of the finalization of the present report, the Panel concluded the review of the following applications:

1) National Bank for Agricultural and Rural Development (NABARD) from India

3. Nine further applications, seven for potential NIEs, one for a potential RIE and one for a potential MIE, are still under review by the Panel as per the list below. For purposes of confidentiality, only the assigned unique code is used to report on the status of each Implementing Entity's application.

- 1) National Implementing Entity **NIE018**
- 2) National Implementing Entity **NIE023**
- 3) National Implementing Entity **NIE028**
- 4) National Implementing Entity **NIE032**
- 5) National Implementing Entity **NIE034**
- 6) National Implementing Entity **NIE035**
- 7) National Implementing Entity **NIE037**
- 8) Regional Implementing Entity **RIE002**
- 9) Multilateral Implementing Entity **MIE011**

### Completed cases

#### *National Bank for Agricultural and Rural Development (NABARD)*

4. NABARD's application for accreditation was received in August, 2011. After requests for additional information, the application was made available to the Panel in time for its 8th meeting in November, 2011.

5. The Panel discussed this application first at its 8th meeting and followed up with the applicant on a list of questions and issues that needed clarification. During the course of the review, the Panel noted that, given the wide range of products and the large size of this organization, the main accreditation challenge was to determine the right components of the organization and to link this to the possible uses of adaptation funding and this was clarified by demonstrating that NABARD would use similar

processes as those in place for another large foreign donor that has worked with the bank for over a decade.

6. The applicant is a large bank owned by the government of India and has existed since 1982. Its mission is to promote sustainable and equitable agriculture and rural prosperity and in doing so it reaches a significant percentage of the poor in the country. The application was strong in all areas. It demonstrated strong controls relating to the financial and project related fiduciary standards. It relies on the Government of India system for anti fraud and corruption for which a special unit is within the Bank. Its reports demonstrate that the bank strives to be a zero tolerance organization and has the proper mechanisms in place to achieve that.

7. Nevertheless, the Panel believes that NABARD's institutional web page can be further used to promote and implement anti-corruption policies and mechanisms.

8. The Panel concluded that NABARD is a strong candidate and recommends accreditation by the Board. The Panel's report on its conclusions concerning NABARD's application for accreditation is contained in Annex I to this document.

#### **Cases under review for which an intersessional decision may be appropriate**

9. The Panel, with the secretariat's assistance, continued interacting with all applicant entities whose applications had been considered at its tenth meeting in May. Further, the Panel agreed that two of these applications show strong potential for a prompt conclusion of the review once all the required information is made available to the Panel.

10. Consequently, the Panel requests authorization from the Board to submit a recommendation on the accreditation of these implementing entities intersessionally (NIE023 and NIE037), should the Panel conclude that the assessment of the additional documentation reviewed leads to a positive recommendation.

#### *National Implementing Entity NIE023*

11. The Panel considered the application at its 9th meeting in February, 2012. Following a discussion by the Panel, the lead reviewer assigned to the application compiled a list of questions and issues that were raised with the applicant. The Panel considered the possibility of a field visit as the most effective way to follow up on this application given the nature and scale of the operations of the applicant entity, and their relationships with other actors, and also in view of the potentially significant amount of documents and translations that are likely to be required.

12. At its 10<sup>th</sup> meeting in May 2012, the panel agreed to recommend a field visit which would be expected to be conducted during the first half of July. The Panel requests that the Board considers an intersessional decision on accreditation on the basis of the outcome of the field visit.

#### *National Implementing Entity NIE037*

13. The application was received by the secretariat on 19 April 2012 and this was the first application for accreditation ever sent through the Accreditation Workflow

implemented by the secretariat. The secretariat conducted the screening as per usual practice and after receiving additional information from the applicant, forwarded the application on 02 May 2012 for the Panel's consideration at its tenth meeting.

14. The Panel considered this application and agreed that some gaps need to be addressed. These gaps are expected to be clarified through interaction with the applicant after the Board's meeting.

15. The Panel is of the view that NIE037 is a strong applicant and therefore recommends that the Board approves the possibility for the Panel to recommend an intersessional decision should all the remaining gaps be satisfactorily addressed and the Panel be in a position to recommend accreditation.

### **Other cases under review**

#### *National Implementing Entity NIE018*

16. Following the communication by the applicant entity, as informed by the Panel in its previous report to the Board, indicating that the entity is currently undergoing a restructuring, the Panel agreed to request the secretariat to provide an update on the history and status of the application to the Designated Authority and request clarification on the focal point and contact details of the candidate NIE.

17. The secretariat sent a letter with the required information and request for clarification to the Designated Authority and is now awaiting a response.

18. The Panel agreed to revisit this application at its next meeting if the requested clarification is available.

#### *National Implementing Entity NIE028*

19. The Panel considered this application at its eighth meeting and noted that some documents supporting the application were in the local language only. However, noting the potential and strengths displayed by the applicant entity, the Panel requested the applicant to translate key documents and submitted a number of questions to be responded to by the applicant to demonstrate competencies in some of the critical areas. The applicant responded in January and the additional information provided was discussed at the ninth meeting of the Panel in February. The Panel had also requested authorization to cross check certain information with relevant donors.

20. At its 9th meeting, the Panel agreed that, while the applicant had potential, there were several issues which needed detailed discussions and, therefore, the Panel agreed to conduct a field visit, as authorized by the Board, to the applicant in order to facilitate conclusion of the review and to address the remaining gaps.

21. The field visit took effect during the last week of March and also provided with an opportunity for an in-depth interaction with the applicant entity where all the identified issues and gaps were discussed.

22. Following on this discussions and the output of the field visit, the Panel further observed that the mandate of the entity falls fully in line with the aims and mission of the

Fund and that the country has committed significant resources to enhance the institutional capacity of the entity. However, the Panel also recognizes the challenges posed by the relatively short existence of the applicant as a legal entity and by the fact that some key capabilities and the engagement of staff with appropriate qualifications and experience are still in the process of implementation.

23. The Panel agrees that the applicant needs to put in place systems relating to some of the capabilities where gaps exist and demonstrate effective implementation of these systems. The applicant concurs with this view and, accordingly, the panel would like to provide an opportunity for the applicant to design and implement the systems, as well as the required capacity to sustain them, before taking a final decision.

*National Implementing Entity NIE032*

24. The Panel continued interaction with the applicant in relation to the questions raised during the review of the application following its discussions at its ninth meeting. The Panel received additional information from the applicant at various points in time in the lead up to its tenth meeting and was finally able to resume its review of the application.

25. The Panel agreed to continue consideration of this application at AP11.

*National Implementing Entity NIE034*

26. The application was received in time for the 9th meeting of the Panel. The application was well structured and referenced. However, the Panel noted some gaps and that it was difficult to assess certain institutional capacities that are still in the process of being developed and implemented.

27. The Panel followed up with the applicant in order to clarify the outstanding issues and reconsidered the application at its tenth meeting. On the basis of the information contained in the application and the additional information provided by the applicant, the Panel agreed to seek further clarification with the applicant on certain critical areas of the fiduciary standards and to revisit this application at its next meeting.

*National Implementing Entity NIE035*

28. Following on its previous work, the Panel was informed that two expert panel members were able to meet with representatives of the applicant entity during one of the UNFCCC regional workshops. This was an opportunity to further explain the issues and gaps that have been identified and to take stock of the current status of the institutional situation in the applicant organization.

29. The applicant has yet to explain and clarify a number of gaps in many areas, including in relation to internal audit, internal control framework and outstanding issues on transparency. The Panel agreed to continue its consideration of the application and revisit it again at AP11.

*National Implementing Entity NIE039*

30. The application was received by the secretariat on 27 April 2012 through the Accreditation Workflow. After the completeness and consistency checks during the screening, the application was forwarded on 02 May 2012 for the Panel's consideration at its tenth meeting.

31. The Panel discussed the application at its tenth meeting and raised a number of questions to be clarified by the applicant. The list of questions was sent to the applicant and responses were received before the finalization of this report. However, the Panel noted that further clarifications are necessary and agreed to continue working with the applicant in the review of the application.

*Regional Implementing Entity RIE002*

32. After several exchanges of information, and reviewing documentation, the Panel concluded that there are some gaps in the fiduciary standards. While none of them are crucial, some mitigating controls are needed in order to ensure full compliance.

33. Two members of the panel utilized the opportunity presented during one of the regional accreditation workshops to meet with officials from the applicant organization and clarify the outstanding gaps and requirements.

34. The Panel agreed to wait and see if the organization is able to demonstrate effective implementation of fully functional mechanisms that address the issues raised.

*Regional Implementing Entity RIE004*

35. The application was originally received by the secretariat on 27 January 2012. The secretariat conducted the screening and had to request clarifications on the endorsement letter of one of the countries in the region. The applicant was able subsequently to provide the necessary endorsement letters and, after the usual screening, the application was forwarded to Panel for its consideration.

36. The panel discussed this application at its tenth meeting in May and considered that the organization shows areas of expertise of interest to adaptation projects. However, a number of issues were also raised by the Panel, particularly in relation to the institutional and financial time lines of the organization.

37. The Panel agreed to send a list of questions requesting additional information and clarifications to the applicant. The Panel will continue its consideration of this application once this additional information has been analyzed.

*Regional Implementing Entity RIE005*

38. The application was received through the Accreditation Workflow on 25 April 2012. The secretariat performed the usual screening in order to ensure completeness and consistency, and forwarded the application to the Panel on 02 May 2012.

39. The Panel started consideration of this application at its tenth meeting and discussed a number of issues that required additional information and clarification. A request for further information was made to the applicant on 29 May 2012.

40. The Panel is now awaiting response from the applicant in order to continue with the application.

#### *Multilateral Implementing Entity MIE011*

41. Following on previous interaction with the applicant as reported by the Panel to the seventeenth meeting of the Board, the applicant submitted a letter to the Panel indicating that some consultations needed to take place internally in order to provide some crucial information as evidence against key fiduciary criteria.

42. The panel agreed to wait for further information to be submitted by the applicant as suggested in the letter.

#### **Regional workshops on accreditation of NIEs mandated by CMP6**

43. The Panel and the secretariat were able to coordinate extensively with the UNFCCC secretariat for the organization and implementation of the third regional accreditation workshop for the Asia, Middle East and Eastern Europe region, which took place in Manila, the Philippines, from 19 to 21 March. The Expert Panel Members assigned to this workshop were Mr. Peter Maertens and Mr. Ravinder Singh.

44. Similarly, the accreditation workshop for the Pacific was successfully organized and completed in Apia, Samoa, from 23 to 25 April. The Panel assigned Mr. Ravinder Singh and Mr. Murari Aryal as Expert resource persons for this workshop.

45. All presentations provided during these two workshops were made available at the secretariat's web site.

46. The Panel also discussed the possibility to organize a workshop with agencies in order to discuss with them priorities and effective mechanisms for enhanced assistance in the accreditation process. In any event, the Panel acknowledges that such workshop cannot be funded with the Fund's resources and thus, funding would eventually have to be raised from interested donors.

47. As a result of these deliberations, the Panel agreed to continue its discussions on the possibility to organize a workshop with agencies with a view to providing a recommendation to the Board at its next meeting.

#### **Other matters**

##### *11th Meeting of the Accreditation Panel*

48. In view of the decision by the AFB to reduce the frequency of meetings, the Panel agreed that the dates for its next meeting would be 24-25 September 2012 in Washington DC should the Board decide to meet in October.

49. The deadline for submissions of applications for accreditation for consideration at the eleventh meeting of the Panel remains unchanged on 24 July 2012.

*Field Visits*

50. The Panel is anticipating the possibility of making six field visits during the next fiscal year, with the understanding that additional field visits could be undertaken should the approved budget allow and if deemed appropriate by the Panel.

*Accreditation workflow*

51. The Panel took note of the ongoing development of the online workflow and welcomed the implementation of the online application form.

52. The secretariat informed the Panel that the next version of the accreditation workflow is scheduled to be operational before the next Panel's meeting, which should include an interface to allow resolution of questions and issues between the Panel and the applicant.

*Conditionalities*

53. The Panel considered the various conditions that have been set on certain accreditation cases thus far with a view to further streamlining its perspective of this issue. Further, the Panel agreed to inform the Board that the Panel has looked at the status of the accredited NIEs and that the secretariat continues monitoring compliance of conditions by accredited NIEs updating the Panel accordingly at each meeting.

*Lessons learned*

54. In cases of recently established organizations with some of their key capabilities still under implementation, the AP agreed to request the applicant to provide a work-plan with a concrete schedule to address the issues identified during the accreditation process in order for the Panel to continue further with the review process. The Panel noted that in some cases this may imply extending the review process beyond the two Panel meetings indicated by Decision B.12/2.

55. This work plan together with the issues raised in the review process may also serve as inputs to eventual capacity building support to be provided by interested multilateral and bilateral entities.

56. The Panel considered a number of additional issues that can potentially form the basis for further lessons learned. The Panel agreed to revisit this issue at its next meeting.

## RECOMMENDATIONS

### *Accreditation of the National Bank for Agricultural and Rural Development (NABARD) of India*

57. After considering the conclusions and outcome of the review, the Panel decided to recommend the accreditation of NABARD as an NIE for India.

(Recommendation AFB/AP.10/1)

### *Applications under review for which an intersessional decision may be appropriate*

58. The Accreditation Panel recommends to the Adaptation Fund Board:

- a) To authorize the Accreditation Panel to make a recommendation for an intersessional decision, if deemed appropriate by the Panel, on the applications of NIE023 and NIE037, as well as other applications under review if the situation should arise.

(Recommendation AFB/AP.10/2)

### *Field Visits*

59. The Accreditation Panel recommends to the Adaptation Fund Board approve budgetary provisions for up to six field visits during the fiscal year 2012 – 2013, and to authorize the Panel to decide on additional field visits should sufficient resources be available within these budget limits, if needed and considered necessary by the Panel.

(Recommendation AFB/AP.10/3)

### *Lessons learned*

60. The Accreditation Panel recommends that the Adaptation Fund Board authorizes the Panel to decide on extending the review timelines, beyond the two Panel meetings limit indicated by Decision B.12/2, in the review of applications for accreditation should the Panel deem it appropriate and on the basis of a concrete work-plan to be submitted by the applicant upon request by the Panel.

(Recommendation AFB/AP.10/4)

## **Annex I**

### **Report of the Accreditation Panel on the Accreditation of the National Bank for Agricultural and Rural Development (NABARD) of India**

#### **I. Background**

NABARD is a development bank that provides and regulates credit and other facilities for the promotion and development of agriculture, small scale industries and other rural economic activities throughout India. It is a large bank with USD 30 billion in assets represented mainly by loans and credit support programmes. In 2009-10 NABARD gave almost USD 11 billion in refinancing and loans using other banks to reach a significant percentage of the rural Indian population. NABARD has 3000 officers who are supported by other staff that operates in the Head Quarters in Mumbai, 30 Regional Offices and it has 400 district development managers functioning at the district level. The German development bank KfW has executed a number of programmes through NABARD and the KfW officer in charge of the file was positive on the organization.

#### **II. The Fiduciary Standards**

##### **Legal mandate:**

NABARD was established under an Act of Parliament called the NABARD Act, 1981 which gives it the legal personality, capacity, authorization and the ability to directly receive funds and do the work required as an NIE.

##### **Financial integrity:**

There are audited financial statements with a clear audit opinion issued by a local firm of accountants who also do a number of additional audits each year and issue audit letters that are acted on by management. There is an Audit Committee of the Board and a central as well as a regional internal audit presence and the effectiveness of both was demonstrated. Being a large Bank a fair amount of reliance can be placed on the financial inspection done by the Reserve Bank of India and a recent report was made available to a Panel Member. NABARD uses the INSTA-Account Package since 2005 for both the accounting and banking operations and examples of reports have been examined by the Panel. The internal control framework particularly relating to disbursements can be relied upon in the context of NABARD being a large bank and having the required national controls in place.

##### **Project management:**

Given the wide range of projects and programmes and the nature of the staff it is clear that NABARD has the overall project management cycle capability and this is demonstrated for the KfW projects and the AF projects would use similar procedures. The panel has examined documents and examples of projects that demonstrate its ability. NABARD adopts competitive bids by means of tendering as per rules laid down for the various limits. The procurement is transparent and larger procurement decisions are made adopting a committee approach follows all the Guidelines of the Government of India. NABARD projects follows a comprehensive appraisal system which includes

interactions with all the concerned parties and field visits to the project sites, followed by a systematic/ scientific analysis on all aspects such as technical, financial, commercial, managerial, marketing, bankability, etc. Strong monitoring and evaluation capabilities have equally been demonstrated.

**Anti Fraud:**

The Indian Government service has the necessary policies, mechanisms and procedures to deal with financial mismanagement and other forms of malpractices within the government services. This is done by the Central Vigilance Commission (CVC). NABARD is within that system and has demonstrated that its mechanisms and procedures are effective and that it is one of the stronger Indian organizations within that system and meets all the requirements of the Fiduciary Standards. Nevertheless, NABARD needs to strengthen the anti-fraud message on its website and include an explanation of its complaint mechanism for its customers and stakeholders and they have agreed to do so.

**III. Conclusion**

After considering the conclusions and outcome of the review, the Panel decided to recommend the accreditation of NABARD as an NIE for India.