



**ADAPTATION FUND**

# **NIE Accreditation Toolkit**

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## INTRODUCTION

The aim of this toolkit is to provide a practical “how-to” guide to assist countries in the accreditation process for their national implementing entity (NIE) for the Adaptation Fund.

This toolkit includes a number of tools for nominated/interested entities to use when starting the accreditation process for a NIE, including forms, practical case studies and step-by-step-assistance to support a successful conclusion to the accreditation process.

This toolkit is primarily intended for use by the following institutions/staff:

1. Designated Authority
2. Potential NIEs
3. Government officials
4. Civil society; and
5. UN agencies that assist with dissemination of information on the accreditation process

Below are two interactive modules to help entities become accredited with the Adaptation Fund

## Module 1, BASICS

### Rationale

*Why would a country apply to have an NIE accredited by the Adaptation Fund Board?*

The Adaptation Fund has introduced new processes for eligible countries to access funds. One of its most innovative features is the direct access modality. Through the direct access modality, countries may use an existing national institution that meets the fiduciary standards as set by the Adaptation Fund Board (AFB) to implement projects.

Countries have a choice to use an accredited Multilateral Implementing Entity (MIE), such as UNDP, UNEP, the World Bank, WFP, IFAD, WMO or ADB, to implement their projects or to use an accredited national institution called a National Implementing Entity (NIE).

Countries eligible to access the Adaptation Fund may therefore have the option of selecting the most appropriate implementing entity, MIE or NIE, through which to apply for funding for projects.

*What is an implementing entity?*

An implementing entity (IE) is one that is responsible for the oversight role for projects funded through the Adaptation Fund (AF). The Adaptation Fund cannot play an oversight role for the hundreds of projects that it will potentially fund; therefore, it contracts the role of oversight to an implementing entity. Additionally, the IE will be responsible for all funds received from the AF for projects and programmes.

*What is the oversight role of an implementing entity?*

The oversight role of an implementing entity implies full responsibility for the overall management of the projects and programmes financed by the AF. It will bear all financial, monitoring and reporting responsibilities.

*Why do implementing entities have to meet the AF's fiduciary and management standards to be accredited?*

The Fiduciary Standards provide a framework for an entity to check whether it has the appropriate policies, processes and capabilities to successfully handle projects. Compliance to the fiduciary standards demonstrates the ability of the implementing entity to meet its responsibilities for handling Adaptation Fund projects.

### Institutional Structure

In a country there are potentially several institutions involved in the accreditation process. These could include various Ministries, government departments, academic

institutions etc. In considering the institutional structures for interacting with the AF, some points need to be well thought-out and planned.

The Designated Authority (DA): The Adaptation Fund Board, in its decision B.9/4, paragraph b) at its 9th meeting, requested countries to appoint DAs. The DA's role is critical in helping the government through a consultative process identify and select an appropriate entity within the government/country which meets the requirements of the Fiduciary Standard. The DA would then endorse the application for accreditation of the potential NIE selected by the government. It is therefore vital that the selection of a DA is well considered.

Consultative process at a country level as adaptation is a cross-cutting issue that should include multiple economic sectors like agriculture, animal husbandry/livestock, fisheries, forestry, mining, and travel/tourism.

### **The Designated Authority**

The Adaptation Fund Board Secretariat on April 8, 2010 sent out letters to all eligible countries requesting them to appoint DAs. The goal of this step is to allow countries to start with the accreditation process for their potential NIE.

*What is the role of the DA?*

The role of the DA as far as the accreditation process is concerned is to endorse the accreditation application of a potential NIE. It also plays a role in endorsing future projects for the country. In other words, it has the function of being the caretaker of the countries participation in the AF.

*How should country select its DA?*

The DA endorses the NIE application, projects and programmes on behalf of the government of the country. It has to bear sufficient authority at the government level to perform this function.

### **Appointment of a Designated Authority (DA)**

1. Invitation
2. Board invites Parties to nominate a Designated Authority
3. Appointment
4. Parties appoint a Designated Authority

*Countries must decide on and select an appropriate Designated Authority*

*NB: Country can appoint UNFCCC focal point or any other authority as DA*

5. Endorsement

*DAs are able to endorse potential National Implementing Entity and subsequently endorse projects.*

6. Designated Authority is listed on the Adaptation Fund website at: [www.adaptation-fund.org/node/253](http://www.adaptation-fund.org/node/253)

*At this stage, the country may start the accreditation process for a National Implementing Entity*

## **The Government**

*How should the government select a potential NIE?*

The government should identify institutions that potentially meet the fiduciary risk and management standards as agreed by the AFB. A checklist is attached.

*Once a potential NIE is identified what should the government do?*

The first step in the accreditation process is to start putting together the application and its supporting documentation. A country must check the latest information through the AF website [www.adaptation-fund.org](http://www.adaptation-fund.org), as these requirements change based on the decision of the Board and the website and the toolkit are regularly updated with this new information. The application form and checklist are made available in subsequent modules of this toolkit. Annex 4 of the Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund must be used for the application process and an endorsement letter from the DA should also be submitted with the application.

*What should be done once the application for the accreditation process is complete?*

The DA, in its capacity as a representative of the government, **endorses the accreditation application**. It also may interact with the Adaptation Fund Board Secretariat, the Accreditation Panel and the Adaptation Fund Board if they request or require further documentation.

Potential implementing entities submit their accreditation applications to the Secretariat together with supporting documentation to verify how they meet the fiduciary standards.

## Module 1, GUIDANCE

### **Guidelines to assist Designated Authorities to select the best NIE**

The Designated Authority should have the confidence that the proposed NIE can demonstrate and supply evidence of its fiduciary abilities and obtain the accreditation from the Adaptation Fund. This would involve a preliminary evaluation by the Designated Authority that the potential NIE meets the fiduciary standards and can demonstrate this during the accreditation process.

A preliminary assessment by the Designated Authority that the potential NIE is the most capable within the country to take responsibility and accountability for the full project cycle elaborated upon above in an agile, efficient and effective manner.

There is an optimal organizational structure within the potential NIE for the implementation task which in most cases would imply that the entity has a separate corporate structure and that the implementation of projects is one of its significant activities.

The Designated Authority should ensure that the potential NIE has a zero tolerance for fraud which is demonstrated by its top management. Thus, the potential NIE should have the ability to take on the responsibility for the full project cycle in an environment free from direct and indirect fraud and corruption from its own staff and from third parties. The institution should also have the mechanisms to resolve any allegations in a transparent and thorough manner involving required authorities as needed.

A preliminary assessment by the Designated Authority that the potential NIE has the ability to work together with government entities, leveraging co-financing organizations and other stakeholders within the country in order to identify, appraise, implement and evaluate projects related to adaptation.

A clear demonstration that the potential NIE can bring a significant value added component to Adaptation Projects over and above what existing and accredited Multilateral Implementing Agencies can bring. While the enhancement of country ownership, capacity building and strengthening of country systems are important they should not be at a great expense to the effectiveness of adaptation projects.

## Module 1, CASE STUDIES

### Case Study 1

A country submits an accreditation application to the Adaptation Fund Board Secretariat. The secretariat, in its assigned role to check the completeness of an application, reviews the documentation submitted. During this review, it is discovered that an endorsement letter from the country's Designated Authority is not attached. The secretariat then checks its records for the name of the Designated Authority for the country and discovers that the country has not nominated a Designated Authority as yet.

Action:

*The secretariat will alert the country that it needs to nominate a Designated Authority and then resubmit the accreditation application of the potential NIE.*

### Case Study 2

A country would like to start selecting an appropriate NIE for the Adaptation Fund.

Action:

*The country will start to review institutions that might meet the appropriate standards that are required by the Adaptation Fund. To do that, it might use some of the guidance below:*

- 1. A conviction by the Designated Authority that the proposed NIE can demonstrate and give evidence of its fiduciary abilities and obtain the accreditation from the Adaptation Fund. This would involve a preliminary evaluation by the Designated Authority that the potential NIE meets the Fiduciary Standards and can demonstrate this during the accreditation process.*
- 2. A preliminary assessment by the Designated Authority that the potential NIE is the most capable within the country to take responsibility and accountability for the full project cycle elaborated upon above in an agile, efficient and effective manner.*
- 3. There is an optimal organizational structure for the implementation task which in most cases would imply that the entity has a separate corporate structure and that the implementation of projects is one of its significant activities.*
- 4. A conviction by the Designated Authority that the potential NIE has a zero tolerance for fraud which is demonstrated by its top management. Thus the potential NIE should have the ability to take on the responsibility of the full project cycle in an environment free from direct and indirect fraud and corruption from its own staff and from third parties and have the ability to resolve any allegations thereof in a transparent and complete manner involving required authorities as needed.*

*5. Have the ability to work together with government entities, leveraging co-financing organizations and other stakeholders within the country in order to identify, appraise, implement and evaluate projects related to adaptation.*

*6. A clear demonstration that the potential NIE can bring a significant value added component to Adaptation Projects over and above what existing and accredited Multilateral Implementing Agencies can bring. While the enhancement of country ownership, capacity building and strengthening of country systems are important they should not be at a great expense to the effectiveness of adaptation projects.*

### **Case Study 3**

While reviewing the existing institutions to be potential NIEs, a Designated Authority needs to identify an institution that would meet the fiduciary and management standards set by the AF and be accountable. Such an institution should be able to do the following effectively:

Action:

*1. Project identification, development, appraisal and approval and in this process draw upon the government, national and other donor resources needed therefore.*

*2. Contract with executing agencies and monitor their progress including identifying projects at risk and ensure these are continuously followed until corrective action has resolved or mitigated the risks to the project.*

*3. Having ready access to the necessary technical, financial, economic, environmental and legal resources to support the project and manage the project executing agencies.*

*4. Ensuring that there are the needed contracting, disbursement and control mechanisms over the projects in compliance with national and international procurement rules and regulations.*

*5. Ensuring that there is full accountability through complete and periodic financial and status reporting for each project.*

*6. Having the ability to contract and guide an independent evaluation of projects on a post completion basis and effectively deal with the lessons learned.*

*7. Demonstrating a zero tolerance policy related to fraud and other mismanagement on projects that is supported by the most senior management. Therefore the unit must have access to or establish a mechanisms to receive allegations within a framework of whistleblower protection and ensure that each allegation is investigated and concluded upon and continuously monitor the progress of each complaint until a conclusion is reached.*

## Module 2, GUIDANCE

### Introduction

*NB: The AFB accredits an implementing agency for a period of five years. The AFB reserves the right to evaluate the performance of implementing entities at any time during the five-year period. The AFB may also consider suspending or cancelling the accreditation of an implementing entity if the entity has made false statements or intentionally provided incomplete information at the time of the accreditation.*

It has been established by the Adaptation Fund Board that the accreditation process for the implementing entities will follow a transparent and systematic process through an Adaptation Fund Accreditation Panel which will be supported by the Secretariat. The Panel will consist of two members from the Adaptation Fund Board and three experts.

More information on the Accreditation Panel can be found in the AF website at: [www.adaptation-fund.org/AccreditationPanel](http://www.adaptation-fund.org/AccreditationPanel)

Terms of Reference for the Accreditation Panel are also available in the AF website at: [www.adaptation-fund.org/system/files/Accreditation Panel TORs\\_0.pdf](http://www.adaptation-fund.org/system/files/Accreditation%20Panel%20TORs_0.pdf)

To access funds from the Adaptation Fund, eligible countries have two options:

1. To use the direct access modality, a new opportunity for developing countries to access funding directly and implement projects through a national legal entity that attains accreditation as a National Implementing Entity (NIEs).

To attain accreditation, NIEs will need to go through an accreditation process and demonstrate that they meet the fiduciary and management standards that the Board has established.

The accreditation process for NIEs can be found in the following module ('Process') of this toolkit.

2. An eligible country can also use the services of a multilateral development agency or bank that has been invited to serve by the Adaptation Fund Board as a Multilateral Implementing Entity (MIE). MIEs must also meet the fiduciary and management standards set by the Board.

A current list of MIEs can be found in the AF website at: [www.adaptation-fund.org/accreditedMIEs](http://www.adaptation-fund.org/accreditedMIEs)

## **Accreditation of a National Implementing Entity (NIE)**

### **1. Invitation**

Board invites Parties to nominate a National Implementing Entity

*View the Accreditation of a National Implementing Entity flowchart*

### **2. Application**

Potential National Implementing Entity prepares an application

Country must decide on an appropriate NIE that would likely meet the fiduciary standards as adopted by the Adaptation Fund Board

Country may use the checklist from the Operational Policies and Guidelines to decide on an appropriate NIE

*Checklist attached at the end of document*

Country/DA submits application to the Adaptation Fund Board Secretariat (AFBS)

Country must use Accreditation Application Form of the Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund and submit an endorsement letter from the DA

*Download the Accreditation Application Form made available in the Operational Policies and Guidelines*

### **3. Review**

Adaptation Fund Board Secretariat reviews and ensures that the package is complete and forwards to the Accreditation Panel (AP) within 15 days of receipt of [completed] application

Adaptation Fund Board Secretariat requests [country/DA] for more information, as required

### **4. Review by Accreditation Panel**

Accreditation Panel undertakes review of the application

AP can make one of the following 5 recommendations to the Adaptation Fund Board:

- a. The accreditation of an implementing entity;
- b. The conditional accreditation of an implementing entity;
- c. The suspension of accreditation of an implementing entity;
- d. The cancellation of accreditation of an implementing entity; and

e. The re-accreditation of an implementing entity.

### **5. Accreditation Recommendation**

AP forwards an NIE application to the AFB with its accreditation recommendation

This step is dependent on:

- a. The accreditation of an implementing entity;
- b. The conditional accreditation of an implementing entity; or
- c. The re-accreditation of an implementing entity

from the previous step

### **6. Board Decision**

The Adaptation Fund Board makes a decision

One of the two following decisions is made:

- a. Approves accreditation
- b. Requests more information

### **7. Approval**

Accreditation of the NIE is approved

Country can submit projects using direct access modality

*[Click here to download project application form for direct access modality](#)*

## **Module 2, STANDARDS - NOTE**

The Accreditation Panel set up by the Adaptation Fund Board (AFB) has reviewed a number of accreditation applications submitted by potential NIE. The Panel, as part of its recommendation to the AFB, provides detailed comments on the competences and capabilities of the potential NIE that has submitted the application based on the supporting documentation provided.

This section contains an example put together by the Panel of its review of some past and ongoing applications. Intention is to help potential NIEs as it provides a good example of how the Panel reviews the applications.

## **Module 2, STANDARDS**

### **Financial Integrity and Management**

*(a) Capability required: Accurately and regularly record transactions and balances in a manner that adheres to broadly accepted good practices, and are audited periodically by an independent firm or organization.*

1. Production of reliable financial statements that are prepared in accordance with internationally recognized accounting standards.
2. Production of annual external audited accounts that are consistent with recognized international auditing standards.
3. Production of detailed departmental accounts.
4. Demonstration of use of accounting packages that are recognized and familiar to accounting procedures in developing countries.
5. Demonstrate capability for functionally independent internal auditing in accordance with internationally recognized standards.

#### Good example on audited financial statements:

The application contains audited financial statements with an unqualified opinion from KPMG for each of the two years of operation being 2008 and 2009. The financial statements are in accordance with auditing standards issued by the Auditor General of the country. The applicant uses integral Administrative Management software that includes an accounting module marketed by Datalogic which is a local firm aiming to develop the product for the region. The application provided a link to the software company so that the Accreditation Panel could verify the appropriateness of the software.

Marginally acceptable example on audited financial statements:

The applicant is a government ministry and its accounts are audited together with those of the government as a whole by the Auditor General. His latest report on the 2008 financial accounts shows a multitude of examples of improper recording, non compliance with rules and fraud. But only few comments relate to the applicant. A separate letter from the Auditor General for the ministry also has no significant issues outstanding. This would be acceptable for accreditation provided the other parts of the application show strong governance systems and a strong internal audit.

Acceptable example on internal audit:

While there is no internal audit function for this small organization there is, each year, a management review done by the external auditor. The management letter relating to 2009 covered the organizational structure of the applicant and a review of procedures regarding procurement; and accounting / cash. The applicant takes the observations seriously and fixed the weaknesses and provided a status report showing the actions they had taken.

Poor example on internal audit:

The application makes reference to internal audit provisions and these are adequate and contained in Section 36 of the country's Financial Regulations. The Auditor General in his report for 2008 is critical about the internal audit effectiveness within the country. The organization chart of the applicant has a few auditors but gives no information on the internal audits done, the content of the annual report or audits planned. Nor is it clear whether aspects of the applicant's projects, contracting and disbursements are audited. With this information the Fiduciary Standards are not met and accreditation would not be recommended by the Accreditation Panel.

*(b) Capability required: Managing and disbursing funds efficiently and with safeguards to recipients on a timely basis.*

1. A demonstration of use of a control framework that is documented with clearly defined roles for management, internal auditors, the governing body, and other personnel.
2. Production of financial projections demonstrating financial solvency.
3. Demonstration of proven payment / disbursement systems.

Good example on an Internal Control Framework:

The institutional form of the applicant is that of a government corporation. According to its application they have 54 employees recruited through competitive examinations, with an average age of 35 years, and all managers have a university degree. It is the first regional agency of its kind to have been certified in one hundred percent of its processes through the Certification of the Quality Management System according to ISO 9001:2008. One of the documents created as part of that process are Quality Guidelines (QGs). ISO certification would mean that the applicant has a strong capability to translate customers' needs into their own systems and procedures and that the various authorities are described in written documents and this was demonstrated with examples.

Good example on an Internal Control Framework:

The applicant has its own accounting system and its financial statements are prepared under the US GAAP (thus consistent with IFRS). While its own accounting system is not a "recognized accounting package" the applicant is large enough to have a bespoke system and the 2009 annual report shows an unqualified opinion issued by PwC. Included is a statement on the adequacy of internal controls based on the COSO criteria issued by management and referred to by the auditors as fairly stated. Thus the Accreditation Panel can have confidence in the accounting system.

Inadequate example on an Internal Control Framework:

The applicant is a government ministry and referred to various documents in the application such as the Financial Regulations that contain the duties and responsibilities of officials in relation to financial management such as those of: cabinet ministers, the Secretary General, and the Secretary to the Treasury, the accountant General, the Chief Internal Auditor, Chief budget managers and public officers, and various committees. This would only be an acceptable framework if it is accompanied by a demonstration from internal audit or another external source that it is adhered to. Without that assurance the fiduciary standards would not be met and accreditation could not be recommended for the ministry.

Good example on a disbursement system:

One of the attachments of the application is a Project Disbursement Handbook. It contains policies, guidelines, practices, and detailed instructions how to handle project disbursements and repayments. It is written for the applicant staff, borrowers including project staff from executing agencies. It demonstrates that disbursements are managed in accordance with the principles and procedures that are applicable to the investment projects or programs.

*(c) Capability required: Producing forward looking financial plans and budgets.*

1. Evidence of preparation of corporate, project or departmental / ministry budgets.

2. Demonstration of ability to spend against budgets.

Good example on spending against project budgets:

The applicant maintains a website which enables the stakeholders to monitor the overall financial status of projects. Greater details as well as the status of individual disbursement transactions are available to donors. It demonstrates that the applicant has an ability to budget against projects and correctly account therefore.

*(d) Capability required: Legal status to contract with the Adaptation Fund and Board.*

1. Demonstration of necessary legal personality in case it is not a government department / institution.

2. Demonstration of legal capacity/authority and the ability to directly receive funds.

Good example on a legal status:

The applicant is a recently created government organization being its own legal entity. It was created by Presidential Decree in 2008. According to the Decree the "Fund shall be an instrument for financing programmes and projects aiming at rational management of the environment, improvement of living environment and promotion of sustainable development in the country. To this regard, it shall be responsible for:

Mobilizing subsidies granted by the Government, as well as externalities and fines collected as part of the fight against environment pollution;

Mobilizing external resources relating to its missions;

Building and developing institutional and operational capacities of national partners in the field of environment management;

Promoting practices of sustainable management of natural resources;

Supporting programmes and projects relating to environment protection and improvement of populations' living environment;

Following and assessing the execution of funded projects and their impact on the environment.

According to an Article in the Presidential Decree the Fund shall cooperate with public, private and non governmental entities, whose activities contribute to the implementation of the national environment management strategy. This makes the applicant a logical NIE for the AF with the right legal status.

## Requisite Institutional Capacity

*(a) Capability required: Procurement procedures which provide for transparent practices, including competition.*

1. Evidence of procurement policies and procedures at national levels consistent with recognized international practice (including dispute resolution procedures).

### Good example on how to procure:

One of the attachments to the application is the sixty five pages Procurement Guidelines. The purpose of these Guidelines is to inform those carrying out a project that is financed in whole or in part by an applicant loan, grant, or fund of the policies that govern the procurement of goods, works, and services required. Topics covered include International Competitive Bidding such as opening and evaluation of bids, and other methods of procurement and also mentions aspects of Fraud and Corruption.

### Good example on how to procure:

The application gives the reference to its procurement guidelines that are consistent with international procurement guidelines used by international community. The guidelines describe the basic principles of procurement that apply to projects funded by them including the various procurement methods, policies and procedures for competitive bidding on goods and work and related services. The selection of consulting services is also covered. Contracts, including dispute resolution, are under national jurisdiction. The applicant gets into the procurement cycle of its executing agencies by giving a “non-objection” to contracts for its projects and there is a full dispute resolution mechanism in place. These guidelines are available on the web.

### Example of inadequate procurement practices:

The applicant is part of a government structure and therefore subject to the country’s Public Procurement Authority. A report issued in June 2009 on a procurement review of the applicant concluded that unless the recommendations of the review are implemented the applicant will not comply fully with the Public Procurement legislation and the associated regulations and directives and punitive measures are considered. In this case accreditation cannot be recommended until the Public Procurement Authority comes to a positive conclusion on the basis of a full review and this should be supplemented by some mechanism to give assurance to the Accreditation Panel that the appropriate systems and procedures in place for procurement and adherence thereto is expected to continue to be in place for the duration of the accreditation period.

*(b) Capability required: Capacity to undertake monitoring and evaluation.*

1. Demonstration of existing capacities for monitoring and independent evaluation consistent with the requirements of the Adaptation Fund.
2. Evidence that a process or system, such as project-at-risk system, is in place to flag when a project has developed problems that may interfere with the achievement of its objectives, and to respond accordingly to redress the problems.

Good example on how to monitor:

The application included project guidelines on preparing a design and monitoring framework that is primarily for design teams government and ministries, nongovernment stakeholders, applicant staff, and consultants. The guidelines are a hands-on tool kit that describes—step-by-step—the participatory process to develop the design and monitoring framework and explains how to apply participatory design tools. The guidelines are practical with examples. There is also technical assistance available to prepare projects. These together with other manuals such as for disbursement and the semiannual monitoring make it clear that the applicant has the required capacity to meet this Fiduciary Standard. Monitoring reports from several projects demonstrate the system is working.

Good example on evaluation:

The applicant has an independent Evaluation Group that is directly responsible to the Board and links to its Evaluation Committee. They have their own section on the applicant web site that includes its annual report and summaries of the reports issued. There was an external peer review done of its evaluation function and that came out positively and is available under the documents of the latest Executive Board.

Poor example on risk management within projects:

The application mentions that risk assessment is embedded in the project log-frames and in the project design document template envisaging sections on risk analysis and exit strategy and post-project sustainability. While that may be the case the risk identification at project design could be stronger. For example, many appraisal documents do not include a section on risk management with suggested mitigating actions, for many others the treatment of risks and mitigation could be stronger. The focus on risk is so minimal that it does not meet the minimal AF Fiduciary Standards.

Good example on a monitoring / accounting for projects:

The application includes audited financial statements for several donor funded projects of the Institute as of 2008. It involves opinions of KPMG, a local auditor and the auditor general of the country. All opinions are positive and give confidence that project expenditures and procurement actions adhere to the loan provisions and national legislation.

Example of inadequate monitoring practices:

The application states that it has the technical capacity to monitor and evaluate projects through the Monitoring and Evaluation Committee but does not demonstrate this or give further information or examples. When asked for additional examples the applicant provides quarterly monitoring reports done by the donor organizations. For accreditation purposes the monitoring capability has not been demonstrated and accreditation cannot be recommended.

*(c) Capability required: Ability to identify, develop and appraise projects.*

1. Demonstration of availability of/ access to resources and track records of conducting appraisal activities.
2. Evidence of institutional system for balanced review of projects, particularly for quality-at-entry during the design phase.
3. Evidence of risk assessment procedures in place.

Good example on identification, development and approval of projects:

The main purpose of the applicant is to define the strategy for the country. Since donor funding is a significant part of the country budget, the applicant is heavily involved with the identification of projects. It does so through working with all the government bodies and other partners. Steering committees are created as projects are identified, developed, and appraised and these are usually chaired by applicant staff. Projects that pass the steering committee are sent for approval to cabinet. In case of approved programmes, the Steering committee approval is sufficient for a new project. The applicant provided documents that demonstrate that it has an extensive capability to identify the right projects and see them through its development and appraisal stages working in full partnership with all the stakeholders.

Inadequate demonstration of identification, development and approval of projects:

The applicant explains that it has a planning cell who initiates the project appraisal after receiving projects from different agencies/departments. This follows a prescribed document for new projects called Development Project Performa/Proposal (DPP). The DPP includes the basic project proposal elements such as objectives; budget and timing; pre-appraisal or investment feasibility study; a result based monitoring framework; and a procurement plan. The explanation and the form are all contained on two pages and no examples are given. From an accreditation viewpoint there is not sufficient demonstrate of a system and evidence that the system is working. There is a pro-forma list of a Departmental Project Approval Committee (DPAC) made up of some 12 senior staff members of different government ministries and divisions but there is no example of how they work. Thus the application needs to be expanded and provide evidence on these systems before accreditation can be recommended.

*(d) Capability required: Competency to manage or oversee the execution of the project/programme including ability to manage sub-recipients and to support project/programme delivery and implementation.*

1. Demonstration of an understanding of and capacity to oversee the technical, financial, economic, social, environmental and legal aspects of the project and their implications.

2. Demonstration of competence to execute or oversee execution of projects / programmes.

The examples under monitoring above apply. The demonstration of the capacity to oversee the technical, financial, economic, social, environmental and legal aspects of the project and their implications requires a demonstration of staff qualifications, experience and education.

Inadequate demonstration of capacity to manage or oversee projects:

The application states that the various technical wings of the organization together with some of the technical directorates of ministries, whom they work together with, puts them in a unique position to oversee the technical, economic, financial, social, environmental, and legal aspects of projects and their implications. It states that usually a Steering Committee is formed drawing members from relevant institutions to provide such oversight responsibility. It gives as an example a project being executed but is only one example and it is very different from adaptation type of projects. Better examples need to be given to be considered sufficient demonstration for accreditation.

## **Transparency, self-investigative powers, and anti-corruption measures**

*(a) Capability required: Competence to deal with financial mismanagement and other forms of malpractice.*

1. Demonstration of capacity and procedures to deal with financial mismanagement and other forms of malpractice.

2. Evidence of an objective investigation function for allegations of fraud and corruption.

Good example on an antifraud practice:

The applicant's management set up an investigation function as part of the internal audit function. The policy is contained in a rather legal document but is neatly summarized on the website. The policy is mainly focused on fraud and corruption but taken together with the published core values it is clear that mismanagement and other

forms of malpractice are equally covered. There is an annual report on investigation that is on the website and this demonstrates the nature of the cases and that all complaints received are taken serious and are acted upon. It is important to note that the investigative activities equally cover any behavior related to the applicants' projects done by third parties. For example fraud related to tender documents would be covered.

Inadequate example on an antifraud practice:

The application refers to the various national systems such as the Ombudsman, the Auditor General, the National police, the Prosecutor General, the Revenue Authority and the Public Procurement Authority. The underlying message is that the national systems work. There is certain evidence through websites that the system works. For example, the former Director of the national procurement agency was tried for corruption. Nevertheless it does not demonstrate how the applicant works with the various national entities and how it has a no fraud tolerance at the top or how it deals in a preventive and reactionary fashion with financial mismanagement and other forms of malpractice on projects. There is no information on a whistleblower policy. Neither does it deal with the role of the organization to prevent, initiate and monitor investigations of fraud and corruption within projects they manage. Also details on a code of conduct for staff is missing

## Module 2, CASE STUDIES

### Case Study 1

A country has submitted the accreditation application. During the review of the documentation it is discovered that the institution being recommended to be the potential NIE by the country has not submitted the full documentation but has referred to documentation of another institution as its supporting documentation. This documentation has however not been linked or submitted.

Action:

*The Adaptation Fund Board secretariat will refer back to the potential NIE to provide full documentation either through Internet links to the document or through hard or soft copy. Without full access to the documents, the Accreditation Panel is not in a position to review and recommend accreditation of the potential NIE to the Adaptation Fund Board. Once the potential NIE has provided the full documentation, the Accreditation Panel will review and make a recommendation to the Adaptation Fund Board.*

### Case Study 2

A potential NIE has submitted documents that are not relevant to the standards that they intend to demonstrate.

Action:

*The Adaptation Fund Board secretariat will refer back to the potential NIE to provide relevant documentation. Once the potential NIE has provided the relevant documentation, the Accreditation Panel will review and make a recommendation to the Adaptation Fund Board.*

## QUIZ

**1. Does an eligible country have to have nominated a Designated Authority before starting the application for a NIE?**

- a. Yes
- b. No

**2. Is an endorsement letter from the country's Designated Authority a requirement of the accreditation application?**

- a. Yes
- b. No

**3. Does a potential NIE have to meet the fiduciary and management standards set by the Adaptation Fund Board?**

- a. Yes
- b. No

**4. There is a specific form for NIE accreditation application**

- a. Yes
- b. No

**5. What documents can a potential NIE attach to the accreditation application to show that it meets Financial Management and Integrity**

- a. Audited Financial Statements
- b. Policy or other published document that outlines the entity's control framework
- c. Procedures describing the payment/disbursement system
- d. All the above

**6. How can a potential NIE demonstrate its legal capacity and/authority and the ability to receive funds directly?**

- a. Business Plan
- b. End of Year/fiscal budget report
- c. Documentation of legal status

**7. What supporting documents can a potential NIE attach to the accreditation application to show that it has the requisite institutional capacity?**

- a. Description of accounting package
- b. Sample of a department account
- c. Procurement policy, procedures or guidelines

**8. How can a potential NIE demonstrate that they have risk assessment procedures in place?**

- a. Policy or other published document that outlines the risk assessment procedures
- b. Sample appraisals undertaken
- c. Audited Financial Reports

**9. Does a potential NIE have to demonstrate that it has adequate competency to deal with financial mis-management and other forms of malpractice?**

- a. Yes
- b. No

**10. Can a country use a MIE even if it has an NIE?**

- a. Yes
- b. No

## QUIZ – ANSWERS

- 1a.** That is correct. A country must have a Designated Authority nominated before starting the application for a NIE.
- 1b.** That is not correct. A country must have a Designated Authority before starting an application for NIE.
- 2a.** That is correct. The DA must endorse the NIE accreditation application.
- 2b.** That is not correct. The DA must endorse the NIE accreditation application.
- 3a.** Yes. A potential NIE must meet fiduciary and financial standards set out by the AFB.
- 3b.** No. A potential NIE must meet fiduciary and financial standards set out by the AFB.
- 4a.** That is correct. The next module in this toolkit is the accreditation application form.
- 4b.** No. There exists an application form for NIE accreditation application.
- 5a.** Correct. But not only.
- 5b.** Correct. But not only.
- 5c.** Correct. But not only.
- 5d.** That is right. A potential NIE can attach all of the documents listed.
- 6a.** No. A potential NIE needs to provide documentation of legal status to demonstrate its legal capacity/authority.
- 6b.** No. A potential NIE needs to provide documentation of legal status to demonstrate its legal capacity/authority.
- 6c.** Correct. A potential NIE needs to provide documentation of legal status to demonstrate its legal capacity/authority.
- 7a.** No. Procurement policy, procedures or guidelines should be attached as supporting documents.
- 7b.** No. Procurement policy, procedures or guidelines should be attached as supporting documents.
- 7c.** Correct. Procurement policy, procedures or guidelines can be attached as supporting documents.
- 8a.** That is right. Policy or other published document that outlines the risk assessment procedures is required.
- 8b.** No. Sample appraisals cannot be used to demonstrate risk assessment procedures.

**8c.** No. Audited financial reports cannot be used to demonstrate risk assessment procedures.

**9a.** That is correct. A potential NIE must demonstrate adequate competency to deal with financial mis-management/malpractice.

**9b.** That is incorrect. A potential NIE must demonstrate adequate competency to deal with financial mis-management/malpractice.

**10a.** Yes, a country may use a MIE even if it has an accredited NIE.

**10b.** No, a country may use a MIE even if it has an accredited NIE.

## **NIE ACCREDITATION APPLICATION - NOTE**

Please be sure to complete this application form completely in English and provide all supporting documentation required.

Experience has shown that not attaching all the documents required will delay or affect the application process.

## **NIE ACCREDITATION APPLICATION**

### **Section I - Background and Contact**

Entity Type:

Entity Name:

Address:

Country:

Postal Code:

Telephone:

Fax:

Web Address:

Contact Person:

Telephone:

Email:

## Section II - Financial Management and Integrity

### Specific Capabilities Required:

1. Legal status to contract with Adaptation Fund Board
2. Accurately and regularly record transactions and balances in a manner that adheres to broadly accepted good practices, and are audited periodically by an independent firm or organization;
3. Managing and disbursing funds efficiently and with safeguards to recipients on a timely basis;
4. Produce forward-looking financial plans and budgets

### Description of Capabilities

*Please enter corresponding inventory and supporting document reference in the boxes provided for each of the capabilities listed below. The column on the far right lists examples of what is expected.*

	Inventory of Current Organizational Environment	Document Reference	
Demonstration of necessary legal personality			Documentation of legal status and mandate (please highlight the relevant paragraphs)
Demonstration of legal capacity/authority and the ability to directly receive funds			i) Same documentation or separate supporting documentation ii) List of foreign loan/donor funds handled over the last 2 years
Production of reliable financial statements that are prepared in accordance with internationally recognized accounting standards			Audited Financial Statements

Production of annual externally audited accounts that are consistent with recognized international auditing standards			i) External Auditor Reports ii) Audit Committee's Terms of Reference
Demonstration of use of accounting packages that are recognised and familiar to accounting procedures in developing countries			Name and brief description of accounting package used
Demonstration of capability for functionally independent internal auditing in accordance with internationally recognized standards			i) Policy/charter and other published documents (like manuals) that outline the entity's internal auditing function ii) Copies of audit plans for last 2 years and the current year iii) List of internal audit reports of last 2 years and sample reports
Demonstration of use of a control framework that is documented with clearly defined roles for management, internal auditors, the governing body, and other personnel			Policy or other published document that outlines the entity's control framework
Demonstration of proven payment/disbursement systems			Procedures describing payment/disbursement system with particular reference to project payments/disbursements

Production of long term business plans/ financial projections demonstrating financial solvency			Long Term Business plans or Financial Projections for the next 3 to 5 years
Evidence of preparation of corporate, departmental/ ministry budgets and demonstration of ability to spend against budgets			i) Annual budgets for the organization and entities within it ii) End of calendar year/fiscal year or periodical budget report

### Section III - Requisite Institutional Capacity

#### Specific Capabilities Required:

1. Ability to manage procurement procedures which provide for transparent practices, including competition
2. Ability to identify, develop and appraise projects
3. Competency to manage or oversee the execution of projects/programmes, including ability to manage sub-recipients and to support project/programme delivery and implementation
4. Capacity to undertake monitoring and evaluation

#### Description of Capabilities

*Please enter corresponding inventory and supporting document reference in the boxes provided for each of the capabilities listed below. The column on the far right lists examples of what is expected.*

	Inventory of Current	Document References	
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	Organizational Environment		
Evidence of transparent and fair procurement policies and procedures at the national level that are consistent with recognized international practice (including dispute resolution procedures)			i) Procurement Policy ii) Detailed procedures or guidelines including composition and role of key decision making committees iii) Provisions for oversight/audit /review of the procurement function with an actual sample of oversight/audit/review reports iv) Procedures for handling/controlling procurement in Executing Agencies
Demonstration of capability and experience in identification and design of projects (preferably adaptation projects)			Detailed project plan documents for 2 projects
Demonstration of availability of/ access to resources and track record of conducting appraisal activities			i) Details of the project approval process/procedure ii) 2 samples of project appraisals undertaken
Demonstration of the ability to examine and incorporate the likely impact of technical, financial, economic, social, environmental, and legal aspects into the project at the appraisal stage itself			Sample of project documents which demonstrate this capability

Evidence procedures/framework in place to undertake risk assessment and integrate mitigation strategies/plans into the project document			i) Policy and/or other published document(s) that outline the risk assessment procedures/framework ii) 2 samples of completed project appraisals with identified risks and corresponding mitigation strategies/plans
Evidence of institutional system for planning implementation of projects with particular emphasis for quality-at-entry			Operational manual or written procedures for project review system during the design phase
Evidence of preparation of project budgets for projects being handled by the entity or any sub-entity within it			i) Project budgets ii) Analysis of project expenditure vs budget
Demonstration of existing capacities for monitoring and independent evaluation that are consistent with the requirements of the Adaptation Fund			i) Policy or other published document that outlines monitoring and evaluation requirements ii) Detailed procedures and formats used for monitoring and evaluation during project implementation iii) Sample project monitoring and evaluation reports
Production of detailed project accounts which are externally audited			i) Sample of project accounts ii) Sample of project audit reports

Evidence of a process or system, such as a project-at-risk system, that is in place to flag when a project has developed problems that may interfere with the achievement of its objectives, and to respond to redress the problems			Procedures for project-at-risk system or similar process/system to ensure speedy solutions to problems which may interfere with the achievement of the project objectives
Demonstration of an understanding of and capacity to assess impact/implications of the technical, financial, economic, social, environmental, and legal aspects of projects			Project closure reports or independent evaluation reports containing assessment of the impact/implications of the technical, financial, economic, social, environmental, and legal aspects of projects
Demonstration of competence to execute or oversee execution of projects/programmes			Independent evaluation reports of completed projects/programmes

**Section IV - Transparency, Self-investigative Powers, and Anti-corruption Measures**

**Specific Capabilities Required:**

1. Competence to deal with financial mis-management and other forms of malpractice

**Description of Capabilities**

*Please enter corresponding inventory and supporting document reference in the boxes provided for each of the capabilities listed below. The column on the far right lists examples of what is expected.*

	Inventory of Current Organizational Environment	Document References	
Evidence/tone/statement from the top emphasising a policy of zero tolerance for fraud, financial mismanagement and other forms of malpractice by implementing entity staff or from any external sources associated directly or indirectly with the projects			Provide evidence of a statement communicating such a policy of zero tolerance for fraud, financial mismanagement and other forms of malpractice
Demonstration of capacity and procedures to deal with financial mismanagement and other forms of malpractice			i) Provide copy of documented code of conduct/ethics applicable to the staff ii) Documentation establishing avenues for reporting non-compliance/ violation/misconduct and business conduct concerns iii) Details of policies and procedures relating to managing conflict of interest and whistle blower protection

<p>Evidence of an objective investigation function for allegations of fraud and corruption</p>			<p>i) The structure and process/ procedures within the organization to handle cases of fraud and mismanagement and undertake necessary investigative activities. ii) Data on cases of violation of code of conduct/ethics and frauds reported over last 2 years provided in terms of number of cases, types of violations and summary of status/action taken. iii) Periodical oversight reports of the ethics function/ committee be attached for the last 2 years</p>
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## DOCUMENTATION CHECKLIST

### 0. Prerequisites for Application

Please ensure, prior to submitting your application, that you meet the following requirements.

<b>Prerequisites for NIE Accreditation Application</b>	Yes	
Has your country nominated a Designated Authority?		A Designated Authority must be nominated prior to application for NIE accreditation. Please explain.
Is an endorsement letter from your country's Designated Authority attached?		Along with an application for NIE Accreditation, an endorsement letter is required. Please explain.
Have you used the application form provided by the Adaptation Fund for the accreditation application? <i>An application form is made available to you as part of this Toolkit</i>		Please explain

## I. Financial Management and Integrity

Which of the following documents have you attached to support that your organization meets the financial management and integrity standards required to be an NIE for the Adaptation fund?

	Attached	
<b>a. Production of reliable financial statements that are prepared in accordance with internationally recognized accounting standards</b>		
Last two Audited Financial Statements including the external auditor's opinion		Please explain if document not attached
<b>b. Production of annual external audited accounts that are consistent with recognized international auditing standards</b>		
Audit Committee's Terms of Reference		Please explain if document not attached
External Auditor Reports internal control letter		Please explain if document not attached
<b>c. Production of detailed departmental accounts</b>		
Sample of departmental account and two samples of an account or financial statement of a donor project		Please explain if document not attached
<b>d. Demonstration of use of accounting packages that are recognised and familiar to accounting procedures in developing countries</b>		
Name and website reference of company using the accounting		Please explain if document not attached

package used		
<b>e. Demonstration of capability for functionally independent internal auditing in accordance with internationally recognized standards</b>		
Policy or other published document that outlines the entity's internal auditing function		Please explain if document not attached
Copy of the last annual internal audit report		Please explain if document not attached
Copy of annual internal audit plan for last two years and current year		Please explain if document not attached
List of internal audit reports issued in last two years		Please explain if document not attached
Organigramme of internal audit services		Please explain if document not attached
<b>f. Demonstration of use of a control framework that is documented with clearly defined roles for management, internal auditors, the governing body, and other personnel</b>		
Policy or other published document that outlines the entity's control framework		Please explain if document not attached
<b>g. Production of financial projections demonstrating financial solvency</b>		
Business plan/corporate budgets for the next fiscal year		Please explain if document not attached
<b>h. Demonstration of proven payment/disbursement systems</b>		
Procedures describing the payment/disbursement system		Please explain if document not attached

Copies of reviews of the payment/disbursement system by internal/external auditors or another independent authority		Please explain if document not attached
<b>i. Evidence of preparation of corporate, project or departmental/ministry budgets</b>		
Business plan/corporate budgets for the next fiscal year (same document as for g)		Please explain if document not attached
<b>j. Demonstration of ability to spend against budgets</b>		
End of calendar year/fiscal year budget report		Please explain if document not attached
<b>k. Demonstration of necessary legal personality if not government department/institution</b>		
Documentation of legal status such as enabling legislation or founding documents. The relevant sections should be mentioned.		Please explain if document not attached
<b>l. Demonstration of legal capacity/authority and the ability to directly receive funds</b>		
Documentation of legal status such as enabling legislation or founding documents. The relevant sections should be mentioned. (same document as for k)		Please explain if document not attached

## II. Requisite Institutional Capacity

Which of the following documents have you attached to support that your organization has the requisite institutional capacity required to be an NIE for the Adaptation fund?

	Attached	
<b>a. Evidence of procurement policies and procedures at the national level that are consistent with recognized international practice (including dispute resolution procedures)</b>		
Recent reviews demonstrating that the procurement system is being adhered to from internal/external auditors or another independent authority		Please explain if document not attached
<b>b. Policy or other published document that outlines monitoring requirements</b>		
Sample of project documents and criteria used to monitor project implementation		Please explain if document not attached
Recent reviews demonstrating that the monitoring system is being adhered to from internal/external auditors or another independent authority		Please explain if document not attached
Policy or other published document that outlines evaluation requirements		Please explain if document not attached
Copies of two recent independent evaluation reports		Please explain if document not attached
<b>c. Evidence of a process</b>		

<b>or system, such as a project-at-risk system, that is in place to flag when a project has developed problems that may interfere with the achievement of its objectives, and to respond to redress the problems</b>		
Procedures for project-at-risk system or similar process/system		Please explain if document not attached
Several examples of a project at risk and how the risks are being addressed and followed up until resolved		Please explain if document not attached
<b>d. Demonstration of availability of/access to resources for and track records of conducting appraisal activities</b>		
Two Sample documents of appraisals undertaken by the entity		Please explain if document not attached
<b>e. Evidence of institutional system for balanced review of projects, particularly for quality-at-entry during design phase</b>		
Operational manual or written procedures for project review system		Please explain if document not attached
Two examples of how a project is reviewed		Please explain if document not attached
<b>f. Evidence of risk assessment procedures in place</b>		
Policy or other published document that outlines the risk assessment procedures		Please explain if document not attached
Two examples of a project documentation showing the risk assessment		Please explain if document not attached
<b>g. Demonstration of an</b>		

<b>understanding of and capacity to oversee the technical, financial, economic, social, environmental, and legal aspects of projects and their implications</b>		
Listing of staff and qualifications who will be assigned to do these tasks		Please explain if document not attached
<b>h. Demonstration of competence to execute or oversee execution of projects/programmes</b>		
Independent evaluation reports of completed projects/programmes		Please explain if document not attached

### III. Transparency, self-investigative powers, and anti-corruption measures

Which of the following documents have you attached to support that your organization is able to undertake transparency, self-investigative powers, and anti-corruption measures as required, to be an NIE for the Adaptation fund?

	Attached	
<b>a. Demonstration of capacity and procedures to deal with financial mismanagement and other forms of malpractice</b>		
<i>A widely available policy statement by the applicant entity that clarifies the following:</i>		
<i>1. That the entity has a zero tolerance policy related to fraud and other mismanagement on its projects.</i>		Please explain if document not attached
<i>2. That this zero tolerance policy is supported by top management and relates not only to the entity staff but anyone, including third parties, associated directly or indirectly with any of its activities and projects.</i>		Please explain if document not attached
<i>3. A mechanism to convey allegations to the entity and public whistleblower policy to protect those making allegations</i>		Please explain if document not attached
<i>4. A demonstration that each allegation is investigated and concluded upon.</i>		Please explain if document not attached
<i>5. A demonstration that the progress of each complaint is continuously monitor until a conclusion is reached; such follow-up should continue even if other government or</i>		Please explain if document not attached

<i>police authority takes over the allegation.</i>		
A statement from the applicant that they give assurance that AF projects will be executed in an environment free from fraud and corruption and that any allegations will be immediately and effectively reviewed and dealt with		Please explain if document not attached
Procedures describing the role and authority of the ethics or related administrative support function, including a copy of the code of ethics		Please explain if document not attached

In cases where the applicant relies on national or other investigative systems there needs to be a demonstration how these are implemented within the applicant's entity. Thus a passive reliance on country or other systems is not sufficient for accreditation.