



ADAPTATION FUND

19 November, 2012

Adaptation Fund Board

Accreditation of “Fundecooperación para el Desarrollo Sostenible” of Costa Rica

Having considered the attached report by the Accreditation Panel, the Adaptation Fund Board decides to accredit “Fundecooperación para el Desarrollo Sostenible” (ADA) of Costa Rica as a National Implementing Entity.

Decision B.18-19/20

Annex

Report of the Accreditation Panel on the Accreditation of the Fundecooperación para el Desarrollo Sostenible as the NIE for Costa Rica

Background

Fundecooperación is a small foundation located in Costa Rica and was established in 1994 to be the implementing agency for a Dutch grant of USD 13.2 covering 36 projects in three countries being Costa Rica, Bhutan and Benin. This is an example of South-South Cooperation. The remaining activities are local in nature and cover 200-300 projects involving an equivalent of USD 11 million of which part are the giving of grants and part the providing of loans for development.

Fiduciary Standards

Legal Mandate

Fundecooperación was established as a Foundation in 1994, based on the Costa Rica's Law on Foundations N° 1338 of August 28th, 1973. Without giving a legal opinion, the documentation provided demonstrates that Fundecooperación has a legal personality that has the capacity, authorization and the ability to directly receive funds.

Financial Integrity

The applicant's practices relating to financial integrity are very strong. There are audited financial statements with a clear opinion given by local accountants who are rotated each few years to assure their independence. The last opinion covered the financial statements for 2011. Since 2007 Fundecooperación uses an accounting package for financial management and control called "Millenium-Contador". This package was chosen based on its easy way of use, the innovative module application for project financial management, its national recognition and the fact that it is periodically updated.

There is sufficient auditing of projects. Fundecooperación engaged a contractor to do an extensive internal audit of its administration in order to meet the requirements of the fiduciary standards of Adaptation Fund. The results were positive. The internal audit included, contracting, procurement and disbursements and it was stated that these activities were done in line with best practices and competitive prices were obtained. The internal audit also covered the preparation of financial statements and a positive assessment was given similar what is expected for larger organizations trading

on the stock exchange and reporting under the Sarbanes Oxley legislation. In addition to such a comprehensive audit a full risk assessment was performed covering such risks as: credit risk, country risk, liquidity risk, market risk, operational risk, interest group risk, and reputational risk.

The internal control framework is described in the Statutes and the various manuals and there is a statement signed by The Executive Director and the Chairman of the Executive Board is on the website affirming the adequacy of the internal controls. An audit committee was introduced to adhere to the fiduciary standards of the Adaptation Fund and its first meeting was held in October of this year. Fundecooperación has demonstrated its capacity to do strategic planning and budgeting and its financial solvency is moderately guaranteed based on its local activities and a book profit of over USD equivalent of seventy thousand in 2011.

Project Management

Fundecooperación has a manual to guide the project management activities throughout the full cycle and this manual is complemented with extensive guidance in the form of handbooks with annexes for the different projects it handles. The manual and handbooks together fully meet the fiduciary standards and demonstrate that there is an overall documentation of the required policies and procedures. The applicant demonstrated through many examples including audit reports and evaluations that the policies and procedures are followed in all stages such as the identification, budgeting, approval of projects, implementation of projects including monitoring and project closure and evaluation. The Panel concluded that the applicant's procedures for project management were very strong and followed.

Anti Fraud

The applicant strengthened its anti fraud policy and made references directly on its website. A sufficient policy and a framework to deal with financial mismanagement and other forms of malpractices exist for staff and for external fraud related to projects that are implemented by Fundecooperación. Based on a case in 2004, the indications are that the Fundecooperación would initiate an investigation of fraud related to a project. It must also be noted that the current projects are small in size and they are extensively audited and therefore the fraud risks is not extensive. Nevertheless, Fundecooperación has strengthened its fraud policy to be fully in line with the requirements of the fiduciary standards

Conclusion

After considering the conclusions and outcome of the review, the Panel concluded that the applicant is a strong candidate for accreditation and decided to recommend the accreditation of Fundecooperación as an NIE for Costa Rica.