



ADAPTATION FUND

AFB/B.13/4  
March 13, 2011

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Adaptation Fund Board  
Thirteenth Meeting  
Bonn, March 17-18, 2011

Agenda item 6

## **REPORT OF THE FIFTH 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 February 14 and 15, 2011, the Panel held its fifth face-to-face meeting in the secretariat's premises in Washington, D.C. The Panel meeting also allowed for the opportunity to hold teleconferences with applicants to communicate application status and provide direct guidance on additional documentation required.

2. The Panel received two new NIE and one new MIE applications for accreditation. The Panel also reviewed the results of a field visit to one applicant country, and two other NIE applications that were previously reviewed but required additional information for the Panel to make its recommendations.

3. As outlined in the operational policies and guidelines, these applications were initially screened by the secretariat. The list of all applications for accreditation under review by the Panel before the 13<sup>th</sup> Board meeting includes five applications from potential NIEs and one application from a potential MIE. By the time of the finalization of the present report, the Panel concluded the review of the following applications:

- 1) National Implementing Entity 1
- 2) National Implementing Entity 2

4. Four further applications, three for potential NIEs and one potential MIE, are still under review by the Panel. For purposes of confidentiality, a numbering system has been used to report on the status of each Implementing Entity's application.

- 1) National Implementing Entity 3
- 2) National Implementing Entity 4
- 3) National Implementing Entity 5
- 4) Multilateral Implementing Entity 1

5. The Panel also reconsidered three outstanding applications, two for NIEs and one for a MIE, that were reviewed at the Fourth Panel meeting. In the case of all three applications, requested documentation had not been submitted before the Fifth Panel meeting.

### *National Implementing Entity 1*

6. The accreditation application with supporting documentation was received by the secretariat on June 8, 2010. After screening the original application, the secretariat found that further supporting documentation was needed and sent a letter to the NIE detailing the missing documentation on August 3, 2010. The additional documentation was submitted to the secretariat on October 19, 2010 and forwarded to the Accreditation Panel on October 22, 2010.

7. During the fourth AP meeting, the secretariat was asked by the Panel to inform the applicant that further documentation was necessary and the secretariat did so on

November 8, 2010 and to coordinate a teleconference with one of the expert Panel members. An expert Panel member discussed via teleconference, the additional documentation required for accreditation with the entity on November 9, 2010. NIE 1 responded to that request with additional documentation on November 24, 2010.

8. The Panel concluded during its fourth meeting that the NIE 1 appeared to be a reasonable candidate for accreditation and recommended a field visit to collect the required information, examine in detail various project documents and conduct face to face discussions.

9. During its 12<sup>th</sup> Board meeting, the Adaptation Fund Board approved a field visit to NIE 1. An expert member of the Panel and a representative from the AFB Secretariat conducted the field visit from January 23-27, 2011.

10. The field visit mission report revealed that while NIE 1 has many procedures in place, there are significant shortcomings in the application of the Fiduciary Standards. After deliberation, the Panel concluded that it was not in a position to recommend accreditation of NIE 1. Annex I provides a summary report and analysis of the Panel's conclusion not to recommend NIE 1 for accreditation.

#### *National Implementing Entity 2*

11. The secretariat initially received an application from this NIE on December 2, 2010 electronically in French (with English translations on January 17, 2011). The secretariat then notified the Panel that NIE's application was ready for review on January 27, 2011.

12. The AP reviewed the application of NIE 2 electronically. At their fifth meeting, the AP concluded that there was no clear demonstration of evaluation and project management capacity. Also, the organization's mandate is not necessarily within the purview of the AF. During the fifth Panel meeting, the secretariat dispatched a list of documents requested by the Panel to the applicant. A telephone call was held between NIE 2 and one of the Panel members to communicate the Panel's views, during which the applicant was asked to provide additional information by February 28, 2011, for a final decision to be made.

13. NIE 2 dispatched additional documents to the secretariat, which were forwarded to the Panel, on March 3, 2011. Following a review of the documents, the Panel found that NIE 2 does not have sufficient experience or the internal control functions to have adequate systems and procedures in place and therefore does not recommend accreditation of NIE 2. Annex II provides a summary report and analysis of the Panel's conclusion not to recommend NIE 2 for accreditation.

#### *National Implementing Entity 3*

14. The application with supporting documentation was received by the secretariat on October 8, 2010 by hard copy. The Secretariat forwarded the application to the

Accreditation Panel on October 26, 2010. Following the fourth Accreditation Panel meeting, the secretariat on behalf of the Panel requested further documentation on November 18, 2010.

15. Documentation was submitted via DHL hard copy on December 15, 2010 that was impossible to scan. The secretariat forwarded the documentation to an expert panel member who reviewed the documentation and presented his findings. After review, the Panel concluded that although NIE 3 has many policies, procedures and regulations in place, it is not clear if their systems are being implemented.

16. The panel concluded that NIE 3 appears to be a reasonable candidate for accreditation and recommends a field visit to NIE 3 to substantiate the application in the areas of policies, procedures and regulations in the implementation/execution of the projects/programs. The budgetary implications of the field visit are estimated at USD 22,000.

#### *National Implementing Entity 4*

17. The secretariat initially received an accreditation application from this NIE on September 28, 2010 in hard copy. After requesting further documentation, the secretariat received it, electronically, on October 25, 2010. The secretariat then notified the Panel that NIE's application was ready for review.

18. The Panel reviewed the application of NIE 4, whose main function is to oversee environmental concerns within the country. During its fourth meeting, the Panel found that while the application makes extensive reference to legislation and government wide practices to provide evidence of the Fiduciary Standards, it does not provide evidence or demonstrate that they are adequately applied within the ministry and that the AF projects would be executed in accordance with the Fiduciary Standards. Additional evidence and demonstration was requested on November 20, 2010 and January 26, 2011 and NIE 4 responded with further documentation on February 11, 2011 and February 15, 2011.

19. Upon reviewing the additional documentation, the Panel noted that NIE 4 is an independent body with an advisory and policy-making mandate. As a result, there appears to be an absence of project management experience since no documentation was provided on projects. The Panel decided to allow NIE 4 an additional two weeks from February 15, 2011 to respond with documentation to demonstrate compliance with the Fiduciary Standards.

20. On March 3, 2011, the Panel communicated with NIE 4 to inform the applicant that the documentation thus far received was not sufficient and did not adequately address the Panel's clarification requests. On March 8, 2011, NIE 4 submitted additional documentation to the secretariat, which was forwarded to the Panel. To allow the Panel to fully evaluate the additional documentation, the Panel will defer recommendation on the application of NIE 4 until the next Panel meeting.

21. Further, the Panel recommends the Board to approve a field visit to NIE 4, should the Panel decide that, upon review of the additional documentation submitted,

NIE 4 is a reasonable candidate for accreditation. The budgetary implications of the field visit are estimated at USD 22,000.

#### *National Implementing Entity 5*

22. On October 6, 2010 the secretariat received an application from NIE 5. Following a request for more information, additional documents were submitted on October 25, 2010. The secretariat forwarded the application to the AP for deliberation at its fifth meeting.

23. As with many other applications, the Panel concluded the application in its current form is weak on demonstration and providing evidence. While public procurement has a central role in NIE 5, procurement is not managed. While the Panel felt a field visit may be required to verify many issues, a significant number of additional documentation must be requested and examined in order to make that determination.

24. The Panel members' requests for clarification were consolidated and shared with NIE 5 on February 22, 2010. The Panel will review any additional materials provided at its next Panel meeting in May 2011.

#### *Multilateral Implementing Entity 1*

25. On February 4, 2011, an MIE 1 sent an application to the secretariat, which then forwarded the application to the Panel indicating that it was ready for their review on February 8, 2011.

26. The Panel reviewed the application for the MIE 1 and agreed that the application was strong and sufficiently responded to each fiduciary standard requirement. However, sample documents are necessary to demonstrate the application of policies but many were not available due to technical difficulties. The secretariat notified the applicant that further information was required for the Panel to complete their review on February 18, 2010. One of the Panel Members is working with the MIE, and it is expected to deliver a fully satisfactory set of sample documents in March. The full Panel will review the documentation and if fully satisfactory intends to ask an intercessional approval from the AFB for accreditation.

#### *Outstanding accreditation applications*

27. Following the fourth Panel meeting, two NIEs and one MIE had not responded to the Panel's last request for additional documentation. The secretariat advised each of the three applicants to respond on their intention to continue with their application by February 28, 2011, otherwise their applications would be considered closed.

28. Two of the three applicants contacted responded indicating their intention to continue the application process. The documentation that is received will be reviewed at the next Panel meeting. The Panel decided to keep the applications open for consideration.

*Regional workshops on accreditation of NIEs mandated by CMP6*

29. At CMP6, parties requested the UNFCCC secretariat, in consultation with the AFB, and making use of the accreditation toolkit, to conduct three or four regional or sub-regional workshops in order to familiarize Parties with the process and requirements of the accreditation of NIEs.

30. The AFB secretariat introduced points for discussion on key issues related to organizing the workshops, primarily prioritization amongst regions, outline of the workshops/structure, presenters, and participant profile. The Panel was requested to provide their recommendations on the aforementioned. On March 1, 2011, the Panel submitted its comments to the secretariat. Annex III provides the Panel's recommendations on content of the workshop, as well as a suggested workshop agenda and schedule.

*Clarification of the fiduciary standards and supporting documentation (decision B.11/3)*

31. The Board in its decision B.11/3, paragraph 47j) requested the Panel to provide inputs to the Board; in particular, on the clarification of the fiduciary standards and the supporting documentation in order to inform the process of review of the Operational Policies and Guidelines. The Panel agreed to send the secretariat comments by Feb 24, 2011 and discussed the best way to present a clearer explanation of the supporting documentation necessary to demonstrate that the applicant meets the fiduciary standards. The Panel's recommendation is designed to clarify the Fiduciary Standards in relation to project accounting and management to streamline the sequencing of the elements of the Fiduciary Standard, while not weakening them in any manner. The Panel's recommendations for the revised accreditation application are contained in Annex IV.

*Conditional accreditation*

32. The Panel, during its fifth meeting, took note of the increasing difficulty to accredit NIEs. Conceptually, the Panel deliberated on conditional accreditation and its various implications particularly in terms of criteria and monitoring.

33. According to its Term of Reference the Panel can recommend Conditional Accreditation. This option would be most appropriate when the applicant Implementing Entity (IE) does not meet all the Fiduciary Standards and the Panel is of the view that the conditions can fully compensate for the areas where the Fiduciary Standards are not met. The conditions will be formulated such that they would provide full assurance that Adaptation Fund projects are not subject to any additional risk as compared to a situation where a fully accredited entity would implement the project.

34. Conditions would normally hold for the five years and be incorporated into the Trustee or individual Grant agreements. At any time during the five year period the IE can provide additional information that provides evidence and demonstration that the gap to meet the Fiduciary Standard has been closed and on that basis ask the condition to be deleted or modified. Equally the Panel can stipulate that the IE is required to report back at some time during the accreditation period and inform the Secretariat on

the steps taken to close the gap between its practices and the Fiduciary Standards and this may be reviewed by the Panel. This would encourage the IE to acquire the competences described by the Fiduciary Standards.

35. Examples of conditions could be:
- a. More frequent reporting,
  - b. Using the support systems of an MIE for part of the project cycle such as project evaluation or oversight of the procurement,
  - c. A more detailed independent annual or semiannual review by a third party with reporting to the Secretariat, or
  - d. Limiting the financial size of projects that the NIE can handle.

36. The Panel noted that Conditional Accreditation may place an additional monitoring burden on the Secretariat, such as if option 35 a) or 35 b) were employed. The Panel will inform the Adaptation Fund Board (AFB) of the impact on the Secretariat's workload whenever it makes a recommendation for a conditional accreditation.

## I. RECOMMENDATIONS

### *Non-accreditation of NIE 1*

37. The Accreditation Panel, having considered the outcome of the field visit to applicant NIE 1, has concluded that is not in a position to recommend accreditation. The Panel recommends the Board to instruct the secretariat to communicate the Accreditation Panel observations as contained in Annex I to the present report to the applicant and to work with the designated authority to identify a potential NIE that would meet the Fiduciary Standards.

(Recommendation AFB/AP.5/1)

### *Non-accreditation of NIE 2*

38. The Accreditation Panel has concluded that is not in a position to recommend accreditation. The Panel recommends the Board to instruct the secretariat to communicate the Accreditation Panel observations as contained in Annex II to the present report to the applicant and to work with the designated authority to identify a potential NIE that would meet the Fiduciary Standards.

(Recommendation AFB/AP.5/2)

### *Accreditation Panel observations of NIE 3*

39. The Accreditation Panel recommends to the Adaptation Fund Board:
- a) To authorize the Accreditation Panel to conduct a field mission to the applicant; and

- b) To consider the budgetary implications of such a field visit, estimated at USD 22,000, and to include them into the budget for the Accreditation Panel.

(Recommendation AFB/AP.5/3)

*Accreditation Panel observations of NIE 4*

- 40. The Accreditation Panel recommends to the Adaptation Fund Board:
  - a) To authorize the Accreditation Panel to conduct a field mission to the applicant, should the Panel conclude that, upon review of the additional documentation submitted, NIE 4 is a reasonable candidate for accreditation; and
  - b) To consider the budgetary implications of such a field visit, estimated at USD 22,000, and to include them into the budget for the Accreditation Panel.

(Recommendation AFB/AP.5/4)

*Accreditation Panel observations of MIE*

- 41. The Accreditation Panel recommends the Adaptation Fund Board allow the Accreditation Panel to submit a recommendation on the accreditation to MIE intercessionally, should the Panel conclude the assessment of additional documentation reviewed lead to a positive recommendation.

(Recommendation AFB/AP.5/4)

*Regional workshops on accreditation of NIEs mandated by CMP6*

- 42. The Accreditation Panel invites the Board to consider and discuss its recommendations regarding the regional workshops.

(Recommendation AFB/AP.5/5)

*Clarification of the fiduciary standards and supporting documentation (decision B.11/3)*

- 43. The Accreditation Panel recommends that the Board note the *Clarification of the Fiduciary Standards and supporting documentation that is contained in the revised accreditation application template* and approves the use of that template.

(Recommendation AFB/AP.5/6)

*Conditional accreditation*

- 44. The Accreditation Panel invites the Board to note its views on conditional accreditation.

(Recommendation AFB/AP.5/7)



**Annex I: Accreditation Panel's Observations of NIE 1**

Based on the documents and evidence provided by NIE 1 and the field visit, the following are the Accreditation Panel's conclusions regarding the application of NIE 1:

1. The accounting system followed is in line with the requirements of the Government of NIE 1 and is acceptable. Project accounting though undertaken offers considerable scope for improvement.
2. There is no internal audit function within the department/ministry.
3. External audit for foreign aided projects is undertaken for all such projects being implemented by the Government. Some reports made available were scrutinized and a large number of audit irregularities were observed on which virtually no action has been taken. The system for follow-up on audit irregularities is very weak across all ministries/departments and little meaningful action gets taken, a fact observed even in other multilateral funded projects for the year 2008 undertaken by NIE 1.
4. The internal control framework is weak resulting in a payment and disbursement system which is not able to prevent improper use of funds. Also several of the audit reports note non-compliance to financial rules and regulations in the implementation of various projects (most of these may not relate to NIE 1 but even for projects to be undertaken by NIE 1 implementation will be across ministries)
5. There has been some improvement in procurement transparency and openness since 2008. However, all multilateral lending agencies keep a tight control over the procurement process for projects funded by them through their representatives in the country and consider project procurement a continuing risk. Such a control would not take place under the direct access methodology. It is noted that while there is improvement, project procurement risks still exist in projects undertaken by the Government.
6. The Government and NIE 1 have developed adequate capabilities for project design and appraisal.
7. The system of project implementation is not adequately developed. The people responsible for project implementation, in most cases, do not possess specialized skills and competence required for project management. Also NIE 1 has little experience of handling large projects, a fact observed by several of the multilateral and donor agencies also. One of the points emerging in the discussions during the field visit related to major problems of co-ordination between ministries for project implementation.
8. The external monitoring of project implementation and evaluation is undertaken by a unit with neither adequate resources nor competence to undertake meaningful and exhaustive monitoring and evaluation.
9. The orientation towards prevention of fraud and financial mismanagement is low both in terms of structure to deal with this issue and adequate evidence of commitment for taking appropriate action.
- 10.

Given the above status the accreditation of NIE 1 is not recommended.

**Annex II: Accreditation Panel's Observations of NIE 2***Rationale for Non- Accreditation*

Based on the documents made available to the Accreditation Panel through the Adaptation Fund Secretariat, the following are the conclusions of the Accreditation Panel regarding the application of NIE 2:

1. While examining the comparative advantage of the applicant in terms of undertaking and executing concrete adaptation projects, it was conclusive that the applicant lacked policies and procedures needed to be used for project management (in the areas of project identification, initiation, execution, monitoring, reporting and evaluation).
2. There is no internal audit section/division/function available within the NIE.
3. There is no demonstration of existence of a control framework which states the roles, responsibilities and financial authorities of the concerned staff.
4. There is no documentary evidence or demonstration of any payment/disbursement system.
5. There is no evidence as to how the corporate/project/departmental budgets are prepared or any demonstration of how budgets are monitored with respect to the expenditures.
6. There is no clear demonstration of how the procurement policy is effectively monitored or followed with regards to the donor funded projects.
7. As the NIE has not handled any major projects in the past, it is difficult at this point to determine how effectively the monitoring and evaluation aspects of the project would be handled by the NIE.
8. There is no effective systems and process in place to address the project-at-risk system.
9. The NIE has not provided sufficient documents to address the capacity in handling/overseeing the technical, financial, economic, social, environmental, and legal aspects of the projects. The panel recognized that the NIE has not had the opportunity being small to demonstrate this capability since it is relatively new in implementing/executing major projects., However it was unable to identify the existence of such control mechanism of process and procedures in place that would assist the NIE in handling projects execution in the future.
10. The NIE states that it has not had any financial mismanagement so far, but what is lacking is clear demonstration of a policy of zero tolerance for fraud supported by relevant policies and procedures as to how the NIE will handle such cases in the future.

**Conclusion:**

**Based on the above points the Accreditation Panel has concluded that is not in a position to recommend accreditation to NIE 2.**

**Annex III: Recommendations for Regional Accreditation Workshops**  
*Input from the Accreditation Panel*

**I. Location(s) and scheduling**

The regional workshops will be held in Africa, Asia/Eastern Europe, LAC, and the 4<sup>th</sup> is TBD (possibly Pacific).

Based on the current status of applications and the accreditations of NIEs, the first priority should be Asia from where only 1 application has been received and none are accredited. The 2<sup>nd</sup> priority could be Latin America and the Caribbean (2 applications reviewed by the AP, both accredited) and thereafter Africa (8 applications reviewed, 1 accreditation).

Criteria that should be taken into account when selecting the location of the workshops to ensure broad participation:

- Ease to reach for most of the delegates in terms of time and cost
- Facilities made available by host country
- Infrastructure in terms of hotels

The workshops could be scheduled every 4 to 6 months (over the course of 2 years). The first will be planned during the summer of 2011. The second is targeted for October 2011.

**II. Duration of workshop**

The duration of each workshop would be 3 days. The first 1.5 days would be for presentations and discussions. The 2<sup>nd</sup> half day would be for the workshop for small group activity. Day three and possibly the day before if demand is there would be for one-on-one discussions. Day three would only be for delegates that request one on one consultation (on an appointment basis).

The duration of presentations and discussions will be finalized after developing the workshop material and making an estimate of the time required for its delivery.

**III. Objectives of the workshop**

- i. Providing guidelines for selection of Designated Authority and suitable NIE
- ii. Enable participants to do a comprehensive job of completing the accreditation application
  1. Helping participants understand the Fiduciary Standard and its requirements in detail with particular emphasis on the management of the complete project cycle.
  2. Familiarizing the participants with the communication toolkit
- iii. Enable participants, particularly NIE candidates, to better comprehend the project cycle and the process of project design
  1. Familiarizing with the project cycle
  2. Going through the sections of the project document template and providing guidance on how to address them
  3. Based on the experience from project reviews and from the outcomes of previous Board meetings, including Board Decisions

related to project development process and the project level framework and baseline guidance, help participants in better apprehending the process of project design

**Secondary objectives of the workshop**

- iv. Provide inputs to the participants on the key points of the Operational Policies and Guidelines
- v. Provide inputs to participants on the capabilities that would need to be built for developing a successful NIE

**IV. Approach and activities**

The workshop will include the following activities:

- 1. Presentations
- 2. Large group discussions
- 3. One-on-one /small group sessions, or sessions based on the audience's distribution, e.g. DA or government officials vs NIE representatives

**V. Participant profile and target audience**

Each workshop will have in attendance approximately 40-60 participants, with a team of preferably 2 per country.

The workshop should include:

- i. Designated authority (DA), if already selected
- ii. High level officer from ministry of Environment, Planning or Finance who may either be appointed as DA or be closely associated with the process of selection of DA
- iii. Appropriate senior person from a NIE candidate, if NIE is already identified, who would be associated with the completion of the application for accreditation, or a potential NIE (in the case where an NIE has been identified by the country but has not yet submitted an application).
- iv. If NIE is not identified, then a senior officer who would be involved in the selection of NIE and also can work with the NIE to complete the application for accreditation or be involved in project design or supervision.

The presenters should be representatives of the AFB Secretariat and at least one expert member of the AP should present at the workshop and be available to answer specific questions on the fiduciary standards. Representatives from accredited NIEs may also be invited to participate. The toolkit will be used and made available to participants

**VI. Proposed agenda and outline**

- i. Background to AF and Key points of the Operational Policies and Guidelines

- ii. Role of the Designated Authority
- iii. Guidelines for Identifying and selecting the Designated Authority
- iv. Importance of selecting appropriate NIEs and guidelines for selecting NIEs
- v. Detailed explanation of the Fiduciary Standards and its requirements
- vi. Enable participants to identify gaps (in terms of policies, framework, processes and competencies, if any in the capabilities of the NIE vis-a-vis the requirements for the Fiduciary Standards
- vii. Enable participants to create a road map to fill the gaps
- viii. Guidelines for undertaking tasks to fill the policies/frameworks/processes/competencies gap and reassessing capabilities of NIE to meet the requirements of the Fiduciary Standard
- ix. Guidelines for completing the application form for accreditation of NIEs
- x. Using the Communication Toolkit
- xi. Undertaking an assessment of the NIE with reference to the Fiduciary Standard Framework
- xii. Comprehend the project cycle
- xiii. Familiarize with the project document sections and requirements prior to submission
- xiv. Better apprehend the project development process, including guidelines provided by Board Decisions and project level results framework and baseline guidance
- xv. Small group sessions with representatives groups of countries (in case we can ask individual delegations to prepare a list of their requirements prior to the workshop we may be able to make groups of 2 to 4 countries for conducting small group activity).
- xvi. One-on-one sessions with representatives from individual countries (depending on the demand made to us ahead of time we can schedule the day before the conference and the day after.

## **VII. Preparation work for participants**

To improve the effectiveness of one-on-one sessions the participants should be asked to prepare a short note on their expectations from the workshop and the one-on-one sessions in particular. This would help the workshops in 3 ways:

- Delegates of countries that do not have a Designated Authority should bring a one page rationale for which government entity could be asked to fill the role of a DA.
- Delegates of countries that do not have a NIE should bring a one page rationale for which entity could be asked to fill the role of a NIE.
- Delegates should be encouraged to bring a completed or semi completed NIE application along.
- Delegates should bring a real or imaginary project proposal for discussion

**Annex IV: Recommended clarification to the Fiduciary Standards** and the supporting documentation

**Draft paper on the Fiduciary Standards proposed by the Accreditation Panel – 21 Feb 2011**

 **SECTION I: Background/Contact**

|                            |
|----------------------------|
| Nominated Entity (if NIE): |
| Invited Entity (if MIE):   |
| Address:                   |
| Country:                   |
| Postal Code:               |
| Telephone:                 |
| Fax:                       |
| Web Address:               |
| Contact Person:            |
| Telephone:                 |
| Email:                     |

 **SECTION II: Financial Management and Integrity**

 **Specific Capability Required**

- a) Legal status to contract with Adaptation Fund Board)
- b) 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;
- c) Managing and disbursing funds efficiently and with safeguards to recipients on a timely basis;
- d) Produce forward-looking financial plans and budgets

|  | <b>Required competency</b>                                                                                           | <b>Specific capability required</b>                                                                                                | <b>Supporting documentation that should be provided</b>                                                                                                                                                                                                                                                                        |
|--|----------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <b>Legal Status</b>                                                                                                  | 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                                                | <ul style="list-style-type: none"> <li>i) Same documentation or separate supporting documentation</li> <li>ii) List of foreign loan/donor funds handled over the last 2 years</li> </ul>                                                                                                                                       |
|  | <b>Financial statements including Project Accounts statement and the provisions for Internal and External Audits</b> | 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              | <ul style="list-style-type: none"> <li>i) External Auditor Reports</li> <li>ii) Audit Committee's Terms of Reference and</li> </ul>                                                                                                                                                                                            |
|  |                                                                                                                      | 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 | <ul style="list-style-type: none"> <li>i) Policy/charter and other published documents (like manuals) that outline the entity's internal auditing function</li> <li>ii) Copies of audit plans for last 2 years and the current year</li> <li>iii) List of internal audit reports of last 2 years and sample reports</li> </ul> |
|  | <b>Internal Control Framework with</b>                                                                               | Demonstration of use of a control framework                                                                                        | Policy or other published                                                                                                                                                                                                                                                                                                      |

|  |                                                                                                          |                                                                                                                            |                                                                                                                                   |
|--|----------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|
|  | <b>particular reference to control over disbursements and payments</b>                                   | that is documented with clearly defined roles for management, internal auditors, the governing body, and other personnel   | document that outlines the entity's control framework                                                                             |
|  |                                                                                                          | Demonstration of proven payment/disbursement systems                                                                       | Procedures describing the payment/ disbursement system with particular reference to project payments/ disbursements               |
|  | <b>Preparation of Business Plans and Budgets and ability to monitor expenditure in line with budgets</b> | 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<br>ii) End of calendar year/fiscal year or periodical budget report |

### SECTION III: Requisite Institutional Capacity

#### Specific Capability Required

- A) Ability to manage procurement procedures which provide for transparent practices, including competition
- B) Ability to identify, develop and appraise projects
- C) Competency to manage or oversee the execution of projects/programmes, including ability to manage sub-recipients and to support project/programme delivery and implementation
- D) Capacity to undertake monitoring and evaluation



|  | <b>Required competency</b>                                                                                                                                                   | <b>Specific capability required</b>                                                                                                                                                                  | <b>Supporting documentation that may be provided</b>                                                                                                                                                                                                                                                                                                                                                                |
|--|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <b>Procurement</b>                                                                                                                                                           | Evidence of transparent and fair procurement policies and procedures at the national level that are consistent with recognized international practice (including dispute resolution procedures)      | <ul style="list-style-type: none"> <li>i) Procurement Policy</li> <li>ii) Detailed procedures or guidelines including composition and role of key decision making committees</li> <li>iii) Provisions for oversight/audit /review of the procurement function with an actual sample of oversight/audit/review reports</li> <li>iv) Procedures for handling/controlling procurement in Executing Agencies</li> </ul> |
|  | <b>Project preparation and approval. This should include impact (environment, socio-economic, political, etc) assessment study with risk assessment and mitigation plans</b> | 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                                                                                            | <ul style="list-style-type: none"> <li>i) Details of the project approval process/procedure</li> <li>ii) 2 samples of project appraisals undertaken</li> </ul>                                                                                                                                                                                                                                                      |
|  |                                                                                                                                                                              | 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                                                                       | <ul style="list-style-type: none"> <li>i) Policy and/or other published document(s) that outline the</li> </ul>                                                                                                                                                                                                                                                                                                     |

|  |                                                                    |                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                             |
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|  |                                                                    | document                                                                                                                                                                                                                            | <p>risk assessment procedures/framework</p> <p>ii) 2 samples of completed project appraisals with identified risks and corresponding mitigation strategies/plans</p>                                                                                                        |
|  | <b>Project implementation Planning and Quality-at-entry Review</b> | 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                                                                                                                     | <p>i) Project budgets</p> <p>i) Analysis of project expenditure vs budget</p>                                                                                                                                                                                               |
|  | <b>Project Monitoring and Evaluation during implementation</b>     | Demonstration of existing capacities for monitoring and independent evaluation that are consistent with the requirements of the Adaptation Fund                                                                                     | <p>ii) Policy or other published document that outlines monitoring and evaluation requirements</p> <p>iii) Detailed procedures and formats used for monitoring and evaluation during project implementation</p> <p>iv) Sample project monitoring and evaluation reports</p> |
|  |                                                                    | Production of detailed project accounts which are externally audited                                                                                                                                                                | <p>i) Sample of project accounts</p> <p>ii) Sample of project audit reports</p>                                                                                                                                                                                             |
|  |                                                                    | 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                                                                                                   |

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|  | <b>Project closure and final evaluation</b> | 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 Capability Required

a) Competence to deal with financial mismanagement and other forms of malpractice

|  | <b>Required competency</b>                                                                         | <b>Specific capability required</b>                                                                                                                                                                                                                         | <b>Supporting documentation that may be provided</b>                                                                                                                                                         |
|--|----------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <b>Policies and Framework to deal with financial mismanagement and other forms of malpractices</b> | 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                                                                                                                                                | <ul style="list-style-type: none"> <li>i) Provide copy of documented code of conduct/ethics applicable to the staff</li> <li>ii) Documentation establishing avenues for reporting non-compliance/</li> </ul> |

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|  |  |                                                                                                | <p>violation/misconduct and business conduct concerns</p> <p>iii) Details of policies and procedures relating to managing conflict of interest and whistle blower protection</p>                                                                                                                                                                                                                                                                                                               |
|  |  | <p>Evidence of an objective investigation function for allegations of fraud and corruption</p> | <p>i) The structure and process/ procedures <b>within</b> the organization to handle cases of fraud and mismanagement and undertake necessary investigative activities.</p> <p>ii) Data on cases of violation of code of conduct/ethics and frauds reported over last 2 years be provided in terms of number of cases, types of violations and summary of status/action taken.</p> <p>iii) Periodical oversight reports of the ethics function/ committee be attached for the last 2 years</p> |