



ADAPTATION FUND

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Adaptation Fund Board
Seventeenth Meeting
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Agenda item 6

REPORT OF THE NINTH 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 9 and 10, 2012, the Panel held its ninth face-to-face meeting at 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, to ask questions, and to provide direct guidance on additional documentation required. Additionally, the Panel took opportunity to receive an update by the secretariat on existing reporting requirements for implementing entities as well as an update on the status of development of the accreditation workflow.

2. The Panel considered two new NIE applications for accreditation (NIE023 and NIE034). The Panel also continued its review of one RIE (RIE002), nine NIE applications (as detailed below) and two existing MIE applications that were previously reviewed but required additional information for the Panel to make its recommendations. As outlined in the operational policies and guidelines, all these applications were initially screened by the secretariat. By the time of the finalization of the present report, the Panel concluded the review of the following applications:

- 1) National Environment Management Authority (NEMA) from Kenya
- 2) Instituto Mexicano de Tecnologia del Agua (IMTA) from Mexico
- 3) Unidad para el Cambio Rural (UCAR) from Argentina
- 4) National Implementing Entity NIE022
- 5) Multilateral Implementing Entity MIE010

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

- 1) National Implementing Entity NIE018
- 2) National Implementing Entity NIE023
- 3) National Implementing Entity NIE028
- 4) National Implementing Entity NIE029
- 5) National Implementing Entity NIE032
- 6) National Implementing Entity NIE034
- 7) National Implementing Entity NIE035
- 8) Regional Implementing Entity (RIE002)
- 9) Multilateral Implementing Entity MIE011

Completed cases

National Environment Management Authority (NEMA)

4. NEMA originally submitted its application in August, 2010. After requests for additional information, the application was discussed at the 5th meeting of the Panel in November, 2010. Based on the discussions a list of outstanding requirements was communicated to the applicant during the same month. After several exchanges of emails some documents were received over a period of 3 months between February

2011 and May 2011. The application was revisited by the Panel at its 6th meeting in May 2011.

5. An accreditation panel member met the representatives of NEMA on the sidelines of the UNFCCC Accreditation workshop in Senegal in September, 2011, and discussed the requirements which were still outstanding. NEMA sent a response to those documents at the end November, 2011.

6. Based on the scrutiny of these documents the Panel decided to undertake a field visit to NEMA to complete the assessment. The field visit was undertaken from 16th to 19th January, 2012.

7. Taking into account the outcome of the field visit and the assessment of the information provided by NEMA throughout the process, the Panel recommends its accreditation subject to the following conditions:

- a) NEMA would be required to prepare annual financial statements for all the project(s) funded by the Adaptation Fund;
- b) The annual financial statements must be audited by the National Audit Office or another external auditor and a report must be provided within six months after the end of the financial year.

8. The Panel's report on its conclusions concerning NEMA's application for accreditation is contained in Annex I to this document.

Instituto Mexicano de Tecnologia del Agua (IMTA)

9. The application from IMTA was received in November 2011. The application included an extensive number of supporting documents covering all aspects of the fiduciary standards. However, most of such supporting documents were provided in Spanish. The Panel assisted the applicant in identifying and extracting relevant sections of the supporting documents and requested the applicant to translate them into English. Bilateral consultations between the applicant and the Expert Panel member took place at the UNFCCC accreditation regional workshop for Latin America and the Caribbean in Panama City. This resulted in a better understanding of the application by the Panel Member and an increased appreciation of the need to demonstrate the various fiduciary standards by the applicant.

10. Subsequently IMTA had the important sections of key documents translated into English which enabled the Panel to appreciate the quality and strength of the applicant. The applicant is a separate legal entity owned by the government of Mexico and its processes are ISO 9001 certified. This means that its processes are well documented and IMTA effectively demonstrated that it follows these processes. IMTA has a very qualified staff of 800 and some 400 consultants. Many are trained in the many aspects of project management and they received the strong support in terms of accounting, auditing and project evaluation. The Panel concludes that IMTA is a strong candidate for accreditation and recommends accordingly to the Board.

11. The Panel's report on its conclusions concerning IMTA's application for accreditation is contained in Annex II to this document.

Unidad para el Cambio Rural (UCAR)

12. The application with supporting documentation was received by the secretariat in October 2011 and forwarded to the Accreditation Panel. After reviewing the documentation before the eighth Accreditation Panel meeting, the secretariat on behalf of the Panel requested further documentation on 21 November 2011.

13. Further documentation was submitted on December 8, 2011. The secretariat forwarded the documentation to an expert Panel member who reviewed the documentation. The expert member of the Panel held teleconferences with the applicant to clarify the requested documentation. The applicant forwarded additional documents on December 28, 2011. After review, the Panel concluded that the applicant showed strong potential of demonstrating compliance the fiduciary standards.

14. At its ninth meeting the Panel decided to follow up with the applicant on the issues raised and its interest in pursuing the application. The applicant responded and submitted additional documents and information on February 20, 2012.

15. After several exchanges of information and reviewing documentation, the Panel recommends accreditation of UCAR as NIE. The Panel's report on its conclusions concerning UCAR's application for accreditation is contained in Annex III.

National Implementing NIE022

16. The NIE submitted its application in June 2011. After requesting additional supporting documents, the Secretariat forwarded the application to the Panel at its eighth meeting in November 2011. The application provided evidence of a project audit report that raised questions as to whether the applicant meets the fiduciary standards related to the project cycle. The Panel concluded that apart from very brief information in the area of project cycle management, virtually no information has been provided for the various requirements of the fiduciary standards. Also, from one of the documents submitted, the Panel could not understand if the applicant has the requisite legal personality.

17. The Panel sent a detailed email after its eight meeting requesting further information seeking clarifications for the various gaps identified, which obtained no response from the applicant. Additional follow-up calls were attempted without success.

18. Following the conclusion agreed by the Panel at its ninth meeting, the Adaptation Fund Board secretariat sent an email to the applicant on 14 February 2012, with a copy to the Designated Authority, requesting information for the various gaps identified and also stating that that the panel would conclude its review on the basis of all information available by and up to 01 March 2012.

19. On this basis, the Panel considered that the application displays a number of issues and gaps in relation to most of the fiduciary standards. In consequence, the Panel is not in a position to recommend accreditation of the applicant as NIE. Further details on the conclusion agreed by the Panel can be found in Annex IV.

Multilateral Implementing MIE010

20. On July 25, 2011, MIE 010 sent an application for accreditation as MIE to the secretariat following the invitation sent by the Board. The secretariat forwarded the application to the Panel indicating that it was ready for their review on July 26, 2011 and August 2, 2011. The Panel reviewed the application for the first time at its seventh meeting and agreed that it required further information.

21. One of the Panel Members worked with the MIE and followed-up on the status of document preparation through various teleconferences. The Panel reviewed all additional materials provided and evaluated the additional documentation at subsequent meetings.

22. However, the secretariat received notification on 06 March 2012 that the entity decided to formally withdraw its application for accreditation until such time when it completed the installation of an Enterprise Resource Planning system that would enable it to execute potential projects in conformity with the fiduciary standards.

Cases under review for which an intersessional decision may be appropriate

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

24. Consequently, the Panel requests authorization from the Board to submit a recommendation on the accreditation of three implementing entities intersessionally (NIE028, NIE029 and NIE032), should the Panel conclude that the assessment of the additional documentation reviewed leads to a positive recommendation.

National Implementing NIE028

25. The application was submitted close to the end of October 2011. The Secretariat observed a comprehensive list of supporting documents related to each section of the fiduciary standards and forwarded the application to the Panel for consideration at its eighth meeting. The Secretariat also learnt that this application was prepared with support from a bilateral cooperation agency.

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

27. At its 9th meeting, the Panel agreed that, while the applicant had the potential, there were several issues which needed detailed discussions and, therefore, the Panel agreed to conduct a field visit to the applicant in order to facilitate conclusion of the

review and to address the remaining gaps. The field visit would also provide an opportunity to meet some of the applicant's donors and partner organizations. It is scheduled to take place at the end of March, after the UNFCCC accreditation workshop for Asia, Middle East and Eastern Europe.

National Implementing Entity NIE029

28. The application for accreditation from entity NIE029 was received in August, 2011. After requests for additional information, the application was made available to the Panel in time for its 8th meeting in November, 2011.

29. The Panel discussed this application first at its 8th meeting and followed up with the applicant on a list of questions and issues that needed clarification. During the course of the review, the Panel noted that, given the wide range of products and the large size of this organization, the main accreditation challenge was to determine the right components of the organization and to link this to the possible uses of adaptation funding and this was clarified by demonstrating that NIE029 would use similar processes as those in place for another large foreign donor that has worked with the bank for over a decade.

30. The Panel considers that NIE029 is a strong candidate for accreditation, though some outstanding issues remain open. Depending on the relevant information being made available by the applicant, the Panel expects to finalise its review soon.

National Implementing NIE032

31. The application was received in October 2011 in time for consideration by the Panel at its eighth meeting. The application was well organized and contained a comprehensive list of supporting documents, although mainly in the local language of the applicant's country. The Panel therefore, with assistance from the secretariat, identified the list of relevant documents and executive summaries for the applicant to translate into English.

32. The Panel continued consideration of this application at its 9th meeting and held a conference call with the applicant in order to clarify the outstanding issues and some of the questions related. The applicant agreed to provide information on the remaining issues for further consideration by the Panel.

33. The Panel has received additional information, however, it considers necessary to further discuss the application until a recommendation can be agreed.

Other cases under review

National Implementing NIE035

34. The applicant has submitted an application for accreditation in September, 2011, which was considered by the Panel at its 8th meeting. The Panel reverted back to the applicant with a number of questions and has maintained contact with the applicant between then and its 9th meeting in February, 2011.

35. The Panel agreed at its 9th meeting to continue its consideration of this application and to wait for further information and clarification from the applicant.

National Implementing NIE018

36. The application was received in February 2011. The secretariat conducted the screening and completeness check of the application and determined that it was incomplete. In addition many documents were in the country's official local language which was not known to any of the Panel members or the Secretariat staff. Given the slow response, the secretariat decided to forward the application to the Panel at its eighth meeting for consideration. The Panel instructed the secretariat to confirm with the applicant the list of documents submitted, which was done soon after the meeting in November. In addition to this, the Panel compiled a list of issues to be addressed which were sent to the applicant.

37. In response to this communication, the applicant confirmed that the list contains the complete set of documents submitted in support of its application and advised that answers to the issues raised by the Panel will be provided soon. Further, the applicant indicated that the entity is currently undergoing a restructuring.

38. The Panel revisited this application at its 9th meeting and, following the last communication from the applicant regarding its ongoing institutional restructuring, the Panel agreed to contact the applicant to clarify the extent of this restructuring and its expected time lines.

39. Additional information/documents have been received on 05 March 2012. The next course of action will be determined based on an assessment of the additional information/documents received and discussions between the panel members.

National Implementing NIE023

40. The application was initially submitted in the country's official language in January, 2011. The secretariat conducted the screening of the application and found that it was incomplete. Additional information and English translation were requested. The applicant submitted some additional information to the secretariat in August, 2011, mostly in a language other than English. After additional requests, the applicant finally submitted sufficient information in English in January, 2012. The application was immediately thereafter forwarded to the Panel.

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

National Implementing NIE034

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

43. The Panel therefore will follow up as necessary with the applicant in order to clarify the outstanding issues and intends to reconsider the application at its next meeting.

Regional Implementing Entity RIE002

44. The application with supporting documentation was received by the secretariat on April 21, 2011 in hard copy. The secretariat forwarded the application to the Accreditation Panel on April 28, 2011. After reviewing the documentation before the sixth Accreditation Panel meeting, the secretariat on behalf of the Panel requested further documentation on May 18, 2011.

45. Further documentation was submitted on June 3, 2011. The secretariat forwarded the documentation to an expert Panel member who reviewed the documentation. The expert member of the Panel held teleconferences with the applicant to clarify the requested documentation. After review, the Panel concluded that the applicant showed strong potential of demonstrating compliance with the fiduciary standards.

46. However, since the Panel's sixth meeting, the applicant has been non-responsive. At its eighth meeting the Panel decided to follow up with the applicant on the issues raised and its interest in pursuing the application. The applicant has finally responded and submitted additional documents and information on December 07, 2011.

47. After several exchanges of information, and reviewing documentation, the Panel concluded that there are a few gaps in the fiduciary standards. While none of them are crucial, some mitigating controls are needed in order to ensure full compliance with the fiduciary standards. The Panel had discussion with the applicant, which concurred with the findings of the Panel and stated it will provide demonstration of how these gaps are being or planned to be handled. In view of this, the Panel requested the applicant to clarify the outstanding issues and intends to reconsider the application at its next meeting.

Multilateral Implementing MIE011

48. The applicant responded to the invitation by the Board to potential MIEs by submitting its application in September 2011. The secretariat forwarded the application to the Panel for consideration at its eighth meeting.

49. At its eighth meeting, the Panel held a conference call with the applicant and discussed various aspects of the application. Subsequently, the Panel compiled a list of questions to the applicant. Responses to the questions were received by the Panel; however, a significant number of documents were considered confidential and therefore not provided and prevented the Panel to conclude its consideration of the application.

50. The Panel is now in conversation with the applicant in order to determine how to handle the issue of confidential information that needs to be verified. The Panel will therefore continue its consideration of this application.

Regional workshops on accreditation of NIEs mandated by CMP6

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

52. The agenda and structure of the workshop draws primarily on the model adopted for the Panama workshop, which proved to be effective. Among the most important features related to the workshop, the Panel noted:

- a) Three-day duration to allow for bilateral consultations.
- b) Participation by one accredited NIE from the region and one from Africa, which are expected to share their experiences and views on the accreditation process as well as project preparation.
- c) Appropriate logistical support.

53. All presentations to be provided during the workshop will be made available at the secretariat's web site.

54. The Panel was also informed that the UNFCCC confirmed that the fourth accreditation workshop will take place from 23 to 25 April in Samoa. The Panel agreed, at its ninth meeting, to assign Mr. Ravinder Singh and Mr. Murari Aryal as Expert resource persons for this workshop.

Other matters

10th Meeting of the Accreditation Panel

55. The Panel was informed by the secretariat about Decision B.16/38 whereby the Board decided that the tenth meeting of the Accreditation Panel would take place in Stockholm, Sweden from 10 and 11 May 2012, provided that there are no additional costs to the Adaptation Fund.

56. The secretariat informed the Panel that the cost analysis confirmed the possibility to organize AP10 in Stockholm and therefore, on this basis, the Panel agreed to accept the invitation by the government of Sweden and schedule its 10th meeting in Stockholm.

Accreditation workflow

57. The Panel took note, at its 9th meeting, of the ongoing efforts to implement the online workflow and highlighted the need to prioritize the user-friendliness of the application form interface and make it similar to the actual application form, to the extent possible.

58. The secretariat informed the Panel that the first version of the accreditation workflow is scheduled to be operational in time to be presented at the Regional Accreditation Workshop in Manila.

English Translations

59. Following up on Decision B.16/6, the Panel revisited the issue of translations into English and agreed that while it remains a challenge, the Panel agree to continue assisting applicants, on a case by case basis, in identifying the supporting documents that need to be translated, either in full, partially or by way of a summary text. However, the Panel emphasized the need that applications are to be submitted in English.

I. RECOMMENDATIONS

Accreditation of the National Environment Management Authority (NEMA) of Kenya

60. After considering the conclusions of the field visit and the outcome of the review, the Panel decided to recommend the accreditation of NEMA as an NIE subject to the following conditions:

- a) NEMA would be required to prepare annual financial statements for all the project(s) funded by the Adaptation Fund;
- b) The annual financial statements must be audited by the National Audit Office or another external auditor and a report must be provided within six months after the end of the financial year.

(Recommendation AFB/AP.9/1)

Accreditation of the Instituto Mexicano de Tecnologia del Agua (IMTA) of Mexico

61. After considering the conclusions and outcome of the review, the Panel decided to recommend the accreditation of IMTA as an NIE for Mexico.

(Recommendation AFB/AP.9/2)

Accreditation of the Unidad para el Cambio Rural (UCAR) of Argentina

62. After considering the conclusions and outcome of the review, the Panel decided to recommend the accreditation of UCAR as an NIE for Argentina.

(Recommendation AFB/AP.9/3)

National Implementing NIE022

63. The Accreditation Panel has concluded that it is not in a position to recommend accreditation of NIE022. The Panel recommends the Board to instruct the secretariat to communicate to the applicant the observations of the Panel as contained in Annex IV to the present report and to work with the designated authority to identify a potential NIE that would meet the fiduciary standards of the Adaptation Fund.

(Recommendation AFB/AP.9/4)

Accreditation Panel observations of applications under review

64. The Accreditation Panel recommends to the Adaptation Fund Board:
- a) To authorize the Accreditation Panel to make a recommendation for an intersessional decision, if deemed appropriate by the Panel, on the applications of NIE028, NIE029 and NIE032 and other applications under review if the situation would arise.

(Recommendation AFB/AP.9/5)

Annex I

Report of the Accreditation Panel on the Accreditation Application of the National Environment Management Authority (NEMA) of Kenya

I. Background

NEMA has been set up as the lead agency to co-ordinate and handle issues related to the environment in Kenya. As a part of its core activities it handles various issues relating to climate change and adaptation. It has adequate experience in the field of climate change and adaptation to handle projects and related matters.

II. The fiduciary standards

Legal mandate:

NEMA has been established under an act of the Parliament of Kenya and has the legal mandate to independently enter into contracts and also initiate and/or be party to law suits in a court of law. It receives donor funds from various aid agencies and multilateral agencies.

Financial integrity:

NEMA publishes annual audited financial statements. These statements are audited by the Kenya National Audit Office. It has an independent internal audit function which also undertakes oversight of the procurement function and concurrent audit of payments. The organization has a corporate governance structure comprising of sub-committees of the Board. One of these is the Audit Committee which directly oversees the functioning of the Internal Audit function. The organization prepares a long term strategic plan and has a reasonably well structured annual budgeting process in place.

Project management:

Procurement was a major concern area in the past. An oversight report, in 2008, highlighted major issues in procurement at NEMA. The improvements in the functioning of procurement have been substantial over the last 2 years. With the full implementation of the NAVISION software more online controls will get built in apart from improvements in cycle times and transparency. The Internal Audit at NEMA undertakes daily audit of local purchases and quarterly audit of the procurement function. Additionally, the Kenya National Audit Office undertakes an annual systems audit at NEMA which includes audit of the procurement function.

NEMA currently does not have a well structured Project Management system covering the entire project management cycle. However, sufficient elements of the Project Management System are in place to ensure adequate performance in terms of project identification, approval, implementation and monitoring and evaluation. This is supported by the fact that NEMA has been implementing projects for some time now. Considering that NEMA is investing resources in

upgrading the project management skills of several of its staff members it may be considered to have adequate capability to meet the requirements of the Fiduciary Standard in this respect, subject to some conditions for monitoring & evaluation and undertaking final evaluation.

Anti-Fraud:

Numerous steps have been taken over the last 12 to 18 months to increase transparency and improve systems for preventing and dealing with fraud and corruption, both at the level of the government of Kenya and at NEMA. In view of the very substantial improvement in this area the applicant meets the requirements of the Fiduciary Standard for this capability.

III. Conclusion

After considering the conclusions of the field visit and the outcome of the review, the Panel decided to recommend the accreditation of NEMA as an NIE subject to the following conditions:

- a) NEMA would be required to prepare annual financial statements for all the project(s) funded by the Adaptation Fund;
- b) The annual financial statements must be audited by the National Audit Office or another external auditor and a report must be provided within six months after the end of the financial year.

Annex II
Report of the Accreditation Panel on the Accreditation of the
Instituto Mexicano de Tecnologia del Agua (IMTA) of Mexico

I. Background

IMTA was established in 1986 as a government owned entity to be involved in research, development, adaptation and transfer of technology, and to provide technical services and prepare projects for the conservation and rehabilitation of water to contribute to sustainable development. It has a staff of around 800 plus 400 consultants with many having post university degrees in their areas of expertise. It is ISO 9001 certified which means that their systems and procedures are systematically documented.

II. The fiduciary standards

The application, including the documents that were more recently forwarded, demonstrate and provide evidence that IMTA meets the fiduciary standards of the Adaptation Fund.

Legal mandate:

IMTA was established by Presidential Decree in 1986 and this Decree was updated on 30 October 2001 (doc 8). According to the 2001 updated Presidential Decree IMTA has a legal personality and can hold assets and that would include receiving, disbursing and holding cash. A legal opinion confirms that IMTA can take on projects as an NIE in all areas of climate change even if it does not have a water component.

Financial integrity:

The aspects related to accounting and external audit are very strong. The financial statements are audited annually and for 2009 and 2010 they had clear audit opinions. The internal audit activity is done through an Internal Body of Control that is a central authority in Mexico but has a unit within IMTA. The Audit Committee, called Institutional Control and Performance Committee, has a broad mandate and reviews many aspects of controls and risk management. The internal control structures are seen in the extensive manuals, legislation through the financial statements. IMTA has an adequate ability to budget and comparing to the actual results thereto.

Project management:

IMTA has an effective project management cycle that includes adequate policy and guidance documents and, in a complete and exhaustive manner, it demonstrated the application thereof through many examples. The Panel concluded on this basis that the capability of IMTA related to the identification, preparation and initiation of project is very strong and projects are adequately monitored and project audit reports exist. The same positive conclusion was reached on the post completion and evaluation activities and reporting.

Anti-Fraud:

Policies and a framework to deal with financial mismanagement and other forms of malpractices exist including a complaint mechanism with whistleblower protection.

III. Conclusion

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

Annex III
Report of the Accreditation Panel on the Accreditation of the Unidad para el
Cambio Rural (UCAR) of Argentina

I. Background

Through Resolution of Argentina's Ministry of Agriculture, Farming and Fishing (MAGyP) 45/2009 the Unit for Rural Change (UCAR) was created. This Unit centralizes all planning, coordination and implementation functions for all Programs and Projects with external funding sources deriving from Loan or Grant Agreements.

II. The Fiduciary Standards

The application, including the documents that were more recently forwarded, demonstrate and provide evidence that UCAR meets the Fiduciary Standards of the Adaptation Fund.

Legal mandate:

The Government Resolution 45/09 entrusts UCAR with the task of maintaining relations with the Ministry of Economy and Public Finance, the Ministry of Foreign Affairs, International Trade and Worship, Lending Organizations and International cooperation agencies, and all those agencies of the National and Provincial Public Administration, in order to coordinate and implement Programs and Projects subject to external funding.

UCAR acts as a Managing Coordinator of relevant Loan Agreements, the standard forms of which were approved by the National Executive Branch of Government through the relevant Executive Orders, from which powers to acquire rights and assume obligations derive.

Financial integrity:

The UCAR prepares and presents annual financial statements. These conform to generally accepted financial and accounting standards of application in Argentina and to the requirements established in the relevant loan agreement.

The management system used is the UEPEX (Administration and Financial Control System for Implementation of External Loans Units). All transactions are timely entered in the system. The information provided may be disaggregated according to any request by the lending organizations or the National Government, thereby providing useful information for follow-up, disaggregated either per funding source, expenditure category or activation, as required for the report. All programs implemented by UCAR have financial statements for the fiscal year and are audited. Executive summaries are prepared by the National General Audit Office.

All programs and projects implemented by the UCAR are examined by the AGN – National General Audit Office – in its capacity as independent external auditor.

Project management:

As a unit coordinating projects and programs with international funding, one of the main functions of the UCAR is the identification and writing of projects, which are developed following standards agreed upon with the lending organizations. Each project implemented goes through review and approval by the international agencies.

The UCAR, and the projects encompassed by it, have in place Operating Rules and Manuals of Procedures approved by the lending agencies, detailing the procedures, stages and responsibilities for the writing of projects. Each project designed goes through technical, economic, environmental and social assessments prepared by the consultants hired for such purpose.

UCAR has in place specific areas and detailed procedures for the review of projects during the design stage. During the feasibility stage, technical alternatives are analyzed, together with their anticipated environmental and economic effects (benefits and costs), and the alternative better meeting a set of criteria already established will be the alternative selected for each project. The online Follow-up and Evaluation System allows knowing when departures occur and when a project is facing difficulties.

Anti Fraud:

Within its organic structure, the UCAR has in place an Internal Control area comprising of the following,

1) National Controlling Committee (SIGEN). Responsible for the internal control of the public administration, it reports to the National Executive branch of government and it has legal standing and capacity of its own, administrative and financial independence. 2) National Attorney's Office of Administrative Investigations: this is a body specialized in the investigation of acts of corruption and administrative irregularities committed by agents of the National Public Administration. 3) National General Audit Office (AGN): responsible for financial and operation external control of the public sector. Although it is functionally independent and has legal standing on its own, it is responsible for preparing and presenting reports to the National Congress /Parliament for the latter to check upon the National Public Administration. 4) Anti-Corruption Office (OA) this is a special agency belonging to the Ministry of Justice and Human Rights responsible for investigating and prosecuting cases of political corruption in the sphere of the National Executive Branch of government. 5) Financial Information Unit (UIF) it operates as a financially independent and self-governed entity within the scope of the National Ministry of Justice and Human Rights and is responsible for the analysis, treatment and transmission of information in order to prevent and avoid crime

III. Conclusion

Based on the additional information provided and the positive outcome of its review, the Accreditation Panel recommends the Adaptation Fund Board to accredit Unit for Rural Change (UCAR) as a National Implementing Entity.

Annex IV
Report of the Accreditation Panel on the Application of NIE022

I. Rationale

Based on the documents made available to the Accreditation Panel through the Adaptation Fund Board secretariat, the following are the conclusions of the Accreditation Panel regarding the application of NIE 022:

- 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).
- A project audit review reported significant gaps and there was no information how these gaps were addressed for the specific project or for future projects.
- There is no internal audit section/division/function available within the NIE.
- There is no demonstration of existence of a control framework which states the roles, responsibilities and financial authorities of the concerned staff.
- There is no documentary evidence or demonstration of any payment/disbursement system.
- 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.
- There is no clear demonstration of how the procurement policy is effectively monitored or followed with regards to the donor funded projects.
- There is no demonstration or documentation to determine how effectively the monitoring and evaluation aspects of the project would be handled by the NIE.
- The applicant did not demonstrate processes, procedures or templates that are in place for any of the key components of the project management cycle such as Project identification and design, Project appraisal, Project implementation planning and review, Project monitoring and evaluation, Final evaluation and closure.
- There is no effective systems and process in place to address the project-at-risk system.
- 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 was unable to identify the existence of control mechanism of processes and procedures in place that would assist the NIE in handling projects execution in the future.

- The NIE has not provided any information on handling financial mismanagement nor there a clear demonstration of a policy of zero tolerance for fraud supported by relevant policies and procedures.