



ADAPTATION FUND

AFB/B.20/4
28 March 2013

Adaptation Fund Board
Twentieth Meeting
Bonn, 4-5 April 2013

Agenda item 6

REPORT OF THE TWELFTH MEETING OF THE ACCREDITATION PANEL

WORK OF THE PANEL

1. The Accreditation Panel (the Panel) of the Adaptation Fund (the Fund) continued its work reviewing both new and existing applications. On February 12-13, 2013 the Panel held its twelfth face-to-face meeting at the secretariat's premises in Washington, D.C. Two new expert members were welcomed to the Panel, making the total number of expert members on the Panel four. The Panel meeting also allowed for an opportunity to hold teleconferences with applicants in order to; (i) communicate to them the status of their application; (ii) discuss particular issues regarding the application, and (iii) provide direct guidance on additional documentation required.

2. The Panel considered three new applications from National Implementing Entities (NIE) for accreditation (NIE043, NIE044, and NIE046), one new Regional Implementing Entity (RIE) (RIE007), and one new Multilateral Implementing Entity (MIE) (MIE014). The Panel also continued its review of applications from six NIEs, four RIEs, and one MIE that were under review but required further analysis by the Panel. 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 Regional Implementing Entity RIE005.

3. The panel is still reviewing 16 further applications, of which ten are from potential NIEs, four from potential RIEs and two from potential MIEs, 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 NIE028
- 2) National Implementing Entity NIE034
- 3) National Implementing Entity NIE035
- 4) National Implementing Entity NIE038
- 5) National Implementing Entity NIE039
- 6) National Implementing Entity NIE042
- 7) National Implementing Entity NIE043
- 8) National Implementing Entity NIE044
- 9) National Implementing Entity NIE046
- 10) Regional Implementing Entity RIE002
- 11) Regional Implementing Entity RIE004
- 12) Regional Implementing Entity RIE006
- 13) Regional Implementing Entity RIE007
- 14) Multilateral Implementing Entity MIE011
- 15) Multilateral Implementing Entity MIE014

Completed cases

Regional Implementing Entity RIE005

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

5. Following the request, the entity supplied additional information. However, after discussion at the eleventh Panel meeting, the Panel agreed that several outstanding points still remain. The Panel sent the list of outstanding items on 9 October 2012.

6. The response to the outstanding issues communicated in October, 2012 was received from the applicant on 29 January 2013. The analysis of the response was completed and discussed at the twelfth Panel meeting. During the meeting the Panel concluded that given the current setup of the applicant entity it would likely require a considerable time (more than a year or two) for it to develop and demonstrate the various capabilities required to be an Implementing Entity of the Fund. The Panel concluded that it was not in a position to recommend RIE005 for accreditation (Annex I provides a summary report and analysis of the Panel's conclusion not to recommend RIE005).

Other cases under review

National Implementing Entity NIE028

7. The application was first discussed at the eight panel meeting (November 2011). Based on the additional information provided after that meeting the Panel decided in its ninth meeting (February 2012) that while the applicant appeared to have potential to become an accredited NIE, there were several issues that needed detailed discussions, and an appropriate way to proceed further would be to undertake a field visit to facilitate conclusion of the review and to address the remaining gaps. The field visit was conducted during the last week of March 2012. The visit also provided an opportunity for an in-depth interaction with the applicant entity where all the identified issues and gaps were discussed.

8. Following these discussions and the output of the field visit, the Panel further observed that while the mandate of the entity falls fully in line with the mission of the Fund and that the country has committed resources to enhance the institutional capacity of the entity, there are still major challenges posed by the relatively short existence of the applicant as a legal entity and by the fact that some key capabilities and the engagement of staff with appropriate qualifications and experience are still in the process of implementation. The Panel accordingly agreed that the applicant needs to put in place systems relating to some of the capabilities where gaps exist and demonstrate effective implementation of these systems.

9. Subsequently, the entity has not taken adequate steps to work on the major gap areas identified by the Panel, but has communicated from time to time that these systems are in place. The Panel has reiterated that major gaps still remain and the entity needs to demonstrate adequate and effective steps to meet the requirements of the fiduciary standards.

10. At the twelfth panel meeting, the Panel held a teleconference with the applicant after which the entity agreed to send additional information. The applicant uploaded the additional information through the workflow on 19 March 2013. The Panel will review the additional information and assess whether the steps taken adequately address the gaps identified. The Panel will discuss the application at its thirteenth meeting.

National Implementing Entity NIE034

11. The application was received in time to be considered at the ninth meeting of the Panel. The analysis of the application revealed several gaps, some of which were critical, in the applicant entity's capabilities in terms of the fiduciary standards.

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

13. The applicant submitted additional information and documents on 25 January, 2013 which were analysed and discussed at the twelfth panel meeting. Based on the discussions in the meeting, the Panel concluded that gaps in the applicant's capabilities still exist despite several actions undertaken by the entity. The Panel held a teleconference with the applicant on 27 March 2013 to communicate the gaps and ensure the applicant understood the requirements. The entity agreed to submit clarifying information based on the conversation. The Panel agreed to continue its consideration of the application and revisit it again at its thirteenth meeting.

National Implementing Entity NIE035

14. The applicant submitted an application for accreditation in September, 2011. The application was first considered by the Panel at its eighth meeting. The Panel reverted back to the applicant with a number of questions and maintained contact with the applicant between then and its ninth meeting in February, 2011.

15. The Panel agreed at its ninth meeting to continue its consideration of the application and to wait for further information and clarification from the applicant.

16. Following its previous work, the Panel was informed that two expert Panel members were able to meet with representatives of the applicant entity during one of the UNFCCC regional workshops. This was an opportunity to further explain the issues and gaps that have been identified and to take stock of the current status of the institutional situation in the applicant organization. The Panel agreed to continue its consideration of the application and revisit it again at its eleventh meeting.

17. At the eleventh meeting, the Panel agreed to provide the applicant entity additional time to explain and or clarify a number of issues and gaps in relation to many of the fiduciary standards and to review the application again at the twelfth meeting. The applicant responded on 7 February on steps it had taken to establish an audit committee and to reinforce its internal audit function. It also provided information on steps taken to reinforce a zero tolerance of fraud. However a number of gaps remain related to project administration and the financial fiduciary standards and the applicant has been asked to address these.

National Implementing Entity NIE038

18. The application was received by the secretariat on 25 July 2012. At that time the Panel raised a number of queries related to the application and the demonstration of the

required capabilities. The documentation was received on 19 September 2012 and forwarded to the Panel for consideration at its eleventh meeting.

19. The Panel considered this application and agreed that some gaps needed to be addressed and raised a number of questions to be clarified by the applicant. The Panel took note of the fact that the applicant had received a \$300,000 grant for capacity building to increase its capacity to manage climate financing and that these improvement actions are ongoing.

20. The applicant has provided additional information. Much of this information relates to the efforts of ongoing capacity building activities that are not finalized and may take one or more years to demonstrate in terms of whether the applicant can handle these effectively. The underlying hurdle is that the applicant only has experience to do routine small projects that would be very different from those it would need to implement for the Adaptation Fund. In addition, most of the documents are not in English. The Panel has requested translations and is following-up with the applicant in order to clarify the outstanding issues and will continue its consideration of the applicant entity at the next Panel meeting.

National Implementing Entity NIE039

21. The application was received by the secretariat on 27 April 2012. The secretariat undertook a completeness and consistency check during a screening process and the application was forwarded on 02 May 2012 for the Panel's consideration at its tenth meeting. The Panel discussed the application at its tenth meeting and raised a number of questions to be addressed by the applicant. The Panel noted that further clarifications were necessary and requested the entity to develop a work plan addressing a number of gaps.

22. The applicant entity submitted an action plan for strengthening the areas where gaps exist. While some actions have been undertaken as per the plan submitted some others are still in the process of being taken. The effectiveness of some of the actions already initiated will be assessed in due course.

23. The Panel and the secretariat have been in regular contact with the applicant. In response to a request sent to the applicant on 4 March, 2013 for an update on the status of implementation of the action plan, the entity has communicated that it would be shortly submitting the update. Accordingly, the Panel agreed it would be appropriate to wait for the update on the current status of the action plan and discuss the application at its thirteenth meeting.

National Implementing Entity NIE042

24. The application was received by the secretariat on 23 July 2012. The secretariat undertook a completeness and consistency check during a screening process and the application was forwarded on 18 August 2012 for the Panel's consideration at its eleventh meeting.

25. The Panel discussed the application at its eleventh meeting and considered the possibility of a field visit as the most effective way to follow up on this application. The cost was minimal as it could be combined with other travel and enabled the Panel to

understand the full range of project management systems and controls first-hand without the time consuming and costly translations that it would otherwise involve. The field visit, as authorized by the Board, was conducted during the last week of November 2012.

26. The outcome of the field visit was analysed and discussed in the twelfth panel meeting wherein it was decided that apart from the documents which the entity was to submit based on discussions during the field visit, the entity also needed to take appropriate actions to fill the gaps in the organizational capability resulting from the lack of an internal audit function and an audit committee.

27. The applicant provided the documents as discussed during the field visit just after the twelfth panel meeting. The documents have since been analysed and while some outstanding issues have been closed some others still remain open partly because many of the documents provided were not in English.

28. The issues still outstanding and actions required in the areas of internal audit and audit committee have been communicated to the applicant. The Panel agreed to give the applicant time to address the outstanding issues and will discuss any actions put in place by the entity at the thirteenth meeting of the panel.

National Implementing Entity NIE043

29. The application was received by the secretariat on 02 October 2012 through the Accreditation Workflow. After screening the application for consistency and completeness, the secretariat requested the applicant to complete the supporting documentation missing from the application. Subsequently, the secretariat forwarded the application and supporting documentation for the Panel's consideration at its twelfth meeting.

30. During this meeting, the Panel discussed the application and agreed to send to the applicant a list of questions requesting clarification on a number of fiduciary issues, particularly in the areas of internal audit, project management and project related procurement. Once the additional information is received and analyzed, it will reassess the merits of this application.

National Implementing Entity NIE044

31. The applicant submitted its application on 25 January 2013. Most of the supporting documentation was not provided in English. However, so as not to delay the application, the secretariat forwarded the application to the expert members for review.

32. The Panel members were able to provide the applicant entity with a list of selected supporting documents that needed translation. This was aimed at reducing the workload and cost of translation of all documents provided by the applicant. Once translations have been received, the Panel will be able to complete its review of the application.

National Implementing Entity NIE046

33. The applicant submitted its application on 31 December 2013. The application was forwarded to the expert members on 10 January 2013. The application contained a large amount of supporting documentation that the Panel reviewed and analysed for the twelfth panel meeting.

34. Several gaps were identified and a list of additional questions relating mainly to the applicant's track record in project appraisal, monitoring and evaluation was sent to the applicant. The applicant has advised the Panel that the requested information will be provided shortly. Once the additional information is received, the Panel will continue with the analysis of the application.

Regional Implementing Entity RIE002

35. The application was received by the secretariat on in April 2011. The Panel identified several gaps in the capability of the organization and after the eleventh panel meeting requested the entity to develop a work plan to address these gaps.

36. The applicant entity submitted an action plan for strengthening the areas where gaps exists. While some actions have been undertaken as per the plan submitted others are still in the process of being undertaken. In addition, the effectiveness of some of the actions already initiated has to be assessed in due course.

37. The Panel and the secretariat have been in regular contact with the applicant. The last communication to the applicant was sent on 24 February 2013 and contained a list of issues which are still open. The Panel received confirmation of receipt but has yet to receive any additional information. The Panel agreed to wait for an update of the current status of the action plan and discuss again at its thirteenth meeting.

Regional Implementing Entity RIE004

38. The Panel initially discussed this application at its tenth meeting and considered that the organization shows areas of expertise of interest to adaptation projects. However, a number of issues relating to the compliance with the fiduciary standards were raised by the Panel, particularly in relation to the institutional and financial time lines of the organization.

39. The Panel sent a list of questions requesting additional information and clarifications to the applicant. The applicant responded on 4 March 2013 with additional information and proposals they would make to the Executive Board to establish an internal audit function and an audit committee of the Board. The Panel discussed the approach with the applicant and suggested methods to speed up the intended actions. The Panel will continue its consideration of this application once this additional information has been forwarded.

Regional Implementing Entity RIE006

40. The application was received by the secretariat on 21 July 2012. Following the completeness and consistency checks undertaken by the secretariat during screening, the application was forwarded to the Panel on 06 August 2012.

41. The Panel considered the application at its eleventh meeting and agreed that the applicant has several strong points however a number of gaps need to be resolved. Since the eleventh meeting, the secretariat and the Panel have been corresponding with the applicant. The applicant has concerns about several documents it considers confidential but which are needed to prove the applicant meets the fiduciary standards.

42. During the twelfth panel meeting a teleconference was held with the applicant about the confidentiality issues and the possibility of conducting a field visit for an expert member to see the documents on-site (at the expense of the entity). On 6 March 2013, the secretariat received an email from the entity indicating they agreed to the visit. The tentative plan is for a visit to take place in April 2013. The outcome and analysis of the visit will be discussed at the thirteenth panel meeting.

Regional Implementing Entity RIE007

43. The applicant submitted its application on 23 January 2013. After an initial screening by the secretariat, the application was forwarded to the Panel on 10 February 2013.

44. The application was discussed at the twelfth panel meeting. Several gaps were identified and a list of additional questions requesting clarification on a number of issues was sent to the applicant. Once additional information is received, the Panel will continue with the review and analysis of the application.

Multilateral Implementing MIE011

45. 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.

46. 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 from concluding its consideration of the application.

47. Following on previous interaction with the applicant as reported by the Panel to the seventeenth meeting of the Board, the applicant submitted a letter to the Panel indicating that some consultations needed to take place internally in order to provide some crucial information as evidence against key fiduciary criteria. The Panel held an additional conference call at its eleventh meeting and the MIE agreed to consult with their lawyers about the potential to having expert members visit (at the expense of the MIE) to examine the confidential information in person. As of the date of this report the applicant has not communicated with the Panel. The Panel will follow-up with the applicant at its next panel meeting.

Multilateral Implementing Entity MIE014

48. The applicant responded to the invitation by the Board to potential MIEs by submitting its application which was made available for analysis by the expert members of the Panel on 23rd Jan, 2013.

49. The Panel has since completed its assessment of the application. While the applicant has enormous experience in handling projects and some good systems in place, there are still gaps in the information provided for some of the capabilities of the fiduciary standard for which more information is required. Additionally, there are several observations and recommendations contained in the reports issued by the Board of Auditors (external auditors for the UN and its agencies) and other reviewing authorities for which no responses have been provided or the ones provided are inadequate.

50. The Panel communicated its findings to the applicant the last week of March and will discuss the application at the next meeting.

Other matters

Thirteenth Meeting of the Accreditation Panel

51. The dates for the Panel's next meeting will be 20-21 May 2013 in Washington DC. The deadline for submissions of applications for accreditation for consideration at the twelfth meeting of the Panel is four weeks prior to the scheduled meeting (22 April 2013).

Re-accreditation Process

52. The Panel discussed developing a proposal for the Board to consider for a re-accreditation process given that the accreditation has a validity of five years. The Panel will continue to discuss at its thirteenth meeting with a goal of including a full proposal to the Board at its 22nd meeting.

RECOMMENDATIONS

Non-Accreditation of Regional Implementing Entity RIE005

53. 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 I to the present report to the applicant.

(Recommendation AFB/AP.12/1)

Annex I: Regional Implementing Entity (RIE) 005

Note on non-accreditation of RIE005

The RIE005 application was received in May, 2012 and first discussed in the 10th Accreditation Panel meeting held on 10 and 11 May 2012.

Based on the documents and evidence provided by RIE005, the following are the Accreditation Panel's conclusions regarding the application of RIE005:

1. RIE005's experience as an implementing entity is confined to small projects with outlays of up to US\$ 40,000. However, in the last 15 years it has worked as an executing agency for three projects with World Bank and UNIDO.
2. There is no internal audit function within the organisation. RIE005 is of the view that given the size of the organization, setting up an internal audit function is not justified in terms of cost and volume of transactions.
3. While RIE005 has some control procedures for over the system of payments and disbursements with respect to project payments, the organization does not have any other element of an Internal Control Framework, nor any body like an Audit or Supervisory Committee for co-ordination and oversight of Internal Control.
4. Regarding procurement RIE005 has limited experience in handling large procurements given the typical size of its projects. The World Bank in connection with the project where it is associated with RIE005 has commented positively on the procurement competencies of RIE005, while at the same time cited limited experience as a need for further training. Another major issue with procurement is that as an implementing entity RIE005 executes projects through national project teams in the member countries. It has no system for oversight/control of the procurement by these teams.
5. RIE005 does not have any formal/structured/documented project appraisal and approval process. RIE005 as an executing agency has not had to undertake a complete and comprehensive project appraisal as that task has been the responsibility of the implementing agencies. However, as an executing agency it has been supporting the activities of implementing agencies like UNIDO and the World Bank in the area of project design and preparation in terms of undertaking some of the activities required for project identification and design. It has not demonstrated the capability both in terms of a framework or experience in undertaking project design and appraisals independently.
6. RIE005 has informed the Panel that given the small size of the projects handled by the organization and the short implementation time required for execution the need for annual project budgets has not been established and hence currently annual project budgets are not prepared.
7. Given the small size of the projects RIE005 does not have a policy for independent evaluation of completed projects because of the cost involved/financial implications

8. No formal/documented procedures or defined avenues are in place for reporting non-compliance/ violation/misconduct nor any policy on Whistleblower protection. No evidence of any documented procedure for undertaking investigations in case of misconduct, fraud, or financial mismanagement has been provided by the applicant.
9. There are no documented procedures for identifying and handling Conflict of Interest at RIE005.
10. RIE005 has reported that it has not experienced any case of financial mismanagement or fraud/corruption in the last two years. While this is accepted, given the fact that there are no formal systems for reporting violations, nor has any awareness been created about the violations amongst stakeholders who are spread geographically in all the member countries it is possible that actual violations, if any, may go unreported/undetected.

RIE005 has provided information for most of the issues raised by the Panel. It is unlikely that any additional relevant information will be forthcoming by continuing the interaction with the applicant. Based on the information it can be concluded that the applicant has not demonstrated the capability with respect to several of the requirements of the Fund's Fiduciary Standards. Accordingly, the Panel is not in a position to recommend that RIE005 be accredited as an implementing entity of the Adaptation Fund.