



ADAPTATION FUND

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Adaptation Fund Board
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Agenda item 4

**REPORT OF THE FIFTEENTH MEETING OF
THE ACCREDITATION PANEL**

WORK OF THE PANEL

1. The Accreditation Panel (the Panel) continued its work reviewing both new and existing applications. On 10-11 February 2014 the Panel held its fourteenth meeting at the secretariat's offices in Washington, DC. The Panel meeting allowed for an opportunity to hold teleconferences with applicants, to communicate application status, to ask questions, and to provide direct guidance on any additional documentation required. The Panel also used the meeting to reflect upon the trends observed in the accreditation process.

2. For the Panel meeting, two new completed applications were received and the Panel continued its review of the applications of seven potential National Implementing Entities (NIEs), three potential Regional Implementing Entities (RIEs), and two potential Multilateral Implementing Entities (MIEs) that were previously reviewed but required additional information for the Panel to make its recommendations. By the time of the finalization of the present report, the Panel had concluded the review of four applications:

- 1) Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE)
- 2) Corporación Andina de Fomento (CAF)
- 3) European Bank for Reconstruction and Development (EBRD)
- 4) National Implementing Entity NIE043

3. Ten applications (seven for potential NIEs, two for potential RIEs 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 NIE034
- 2) National Implementing Entity NIE038
- 3) National Implementing Entity NIE039
- 4) National Implementing Entity NIE044
- 5) National Implementing Entity NIE046
- 6) National Implementing Entity NIE049
- 7) National Implementing Entity NIE054
- 8) Regional Implementing Entity RIE007
- 9) Regional Implementing Entity RIE008
- 10) Multilateral Implementing Entity MIE014

Completed Cases

Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE)

4. PROFONANPE's application was initially forwarded on 18 August 2012 for the Panel's consideration at its eleventh meeting. The Panel discussed the application and considered the possibility of a field visit as the most effective way to follow up on this application. The field visit conducted in the last week of November 2012 enabled the Panel to understand the full range of project management systems and controls firsthand without the need for time consuming and costly translations that it may otherwise have involved.

5. The outcome of the field visit was analyzed and discussed in the twelfth Panel meeting. The Panel requested the entity to take appropriate actions to fill the gaps related to the lack of an internal audit function and an audit committee. At the thirteenth meeting, the Panel held a teleconference with the applicant and the applicant explained their proposed way forward on the remaining issues. The applicant has now provided all the information/documents relating to the outstanding issues

6. The Panel's report on its conclusions concerning PROFONANPE's application for accreditation is contained in Annex I of this document.

Corporación Andina de Fomento (CAF)

7. CAF's application was first forwarded to the Panel for review on 06 August 2012.

8. The Panel considered the application at its eleventh meeting. The Panel agreed that the applicant had strong points however a number of gaps needed to be resolved. Since the eleventh meeting, the secretariat and the Panel have been corresponding with the entity that had concerns about accessibility to several documents it considered confidential but which were needed to prove that the applicant met the fiduciary standards. These concerns were resolved in May 2013 when a field visit, at the entity's expense, allowed a Panel expert together with a member of the secretariat staff to carry out a review of the confidential documentation on-site and follow up on open items.

9. Prior to the fifteenth Panel meeting, CAF was able to demonstrate that it complied with the one remaining gap identified by the Panel. CAF had taken appropriate steps to put in place the policies, systems, and procedures to deal with financial mismanagement and other forms of malpractice.

10. The Panel's report on its conclusions concerning CAF's application for accreditation is contained in Annex II of this document.

European Bank for Reconstruction and Development (EBRD)

11. EBRD 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.

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

13. EBRD and the secretariat were able to come to an agreement to conduct a field visit at the entity's expense. The field visit took place in December 2013 prior to the fifteenth Panel meeting.

14. The Panel's report on its conclusions concerning EBRD's application for accreditation is contained in Annex III of this document. All documents required to verify the fiduciary standards were made available and EBRD staff responded freely and

openly to all questions of the Panel. Based on the original documents, the extra documentation and the interviews with the staff, the Panel was able to establish that the EBRD had strong financial and project management cycle controls. These fully meet the fiduciary standards including those related to financial mismanagement and other forms of malpractices.

National Implementing Entity NIE043

15. The application was received by the secretariat on 02 October 2012 through the Accreditation Workflow.

16. The Panel deliberated on the merits of this application and discussed a number of fiduciary issues that required clarification at the twelfth Panel meeting of February 2013. The Panel requested additional information from the applicant entity on 26 February 2013. After several follow-up efforts, the applicant entity provided only partial information by 25 April 2013.

17. At the thirteenth meeting, the Panel agreed to (i) send another reminder inviting the applicant entity to fully address the Panel's information request, and (ii) if received on time, to re-assess the applicant's response at its fourteenth Panel meeting. The applicant entity did not respond and at its fourteenth meeting in September 2013. At that point, the Panel decided to inquire as to whether the applicant entity was still interested in pursuing the application. Subsequently, the secretariat sent a letter to the applicant entity expressing the Panel's concerns about the lack of response and asking again for a reply to the information request before 31 October 2013.

18. On 18 October 2013, the applicant entity informed the secretariat via e-mail that it was very much interested in completing the information requirements. Although the applicant entity uploaded a few documents to the Workflow in October 2013, over 75 per cent of questions and issues raised by the Accreditation Panel remained unanswered.

19. On 30 December 2013, the Panel sent an updated version of the information request and informed the applicant entity that without a full response, the Panel will not be in a position to come to a conclusion on a recommendation for accreditation and that the Board would be informed accordingly. As of 10 March 2014, no response has been received from the applicant.

20. Overall there has been inadequate progress on the part of the applicant in responding to the Panel's information request and in addressing the major outstanding issues. Annex IV provides an analysis and the Panel's conclusions.

Other cases under review

National Implementing Entity NIE034

21. The application was received in time for the ninth meeting of the Panel (February 2012). 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.

22. 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.

23. The applicant submitted additional information on 25 January, 2013 which was analyzed and discussed at the twelfth Panel meeting. Based on the discussions in the meeting, the Panel concluded that major gaps in the applicant's capabilities still existed 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 that the applicant had understood the requirements. During the teleconference the applicant expressed confusion about the terminology used in relation to the fiduciary standards. The Panel agreed to communicate in detail and provide to the applicant further clarifications about the gaps that still exist.

24. At the fourteenth meeting, the Panel discussed the application and concluded that there were three areas where major gaps still remained: project appraisal, internal audit, and internal control framework. The Panel agreed that prior to the fifteenth Panel meeting, it would be helpful to conduct a field visit to review in detail the systems the applicant has in place and better communicate the elements needed to meet the Fund's fiduciary standards.

25. The Panel conducted a visit to the entity at the end of February 2014. During the field visit, it was clear that the entity had many more systems in place than they were able to present via their application. The visit provided an opportunity for the Panel to explain the requirements and develop an action plan for the entity to fill the remaining gaps.

26. Once the Panel has received information demonstrating the fulfillment of the remaining gaps, the Panel will analyze the information and make an appropriate recommendation to the Board.

National Implementing Entity NIE038

27. The application was received by the secretariat on 25 July 2012, it was determined that supporting documentation was missing. The documentation was received on 19 September 2012 and forwarded to the Panel for consideration at its eleventh meeting.

28. The Panel considered the application and agreed that several 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 US\$ 300,000 grant for capacity building to increase its capacity to manage climate financing and that these improvement actions are ongoing.

29. The applicant has provided additional information, much of it relating to the efforts of capacity building but these are ongoing activities and, once they are defined, they 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. After the thirteenth meeting, the Panel did not hear back from the applicant with regards to several requests for updates.

30. The application was discussed during the fourteenth meeting and it was agreed that the Panel would correspond with the applicant to confirm the applicant's interest in continuing to pursue the application. The applicant confirmed strong interest in pursuing the application and explained that between the thirteenth and fourteenth Panel meetings the organization had a change in leadership with the appointment of a new executive director. The new executive director agreed to review the original application, provide updated information, and address the initial questions raised by the Panel. The Panel will continue its review of the application at its sixteenth meeting.

National Implementing Entity NIE039

31. The application was first forwarded on 02 May 2012 for the Panel's consideration at its tenth meeting. The Panel discussed the application and raised a number of questions to be clarified by the applicant.

32. During the course of the assessment the Accreditation Panel had several rounds of interaction, including several teleconferences with the applicant. In August 2012 the applicant submitted an action plan with timelines for developing capabilities in areas where substantial gaps existed vis-à-vis the Fiduciary Standards.

33. The applicant typically handles individual projects and grants of less than US\$ 50,000. Only a couple of grants handled by the entity have been in the range of US\$ 100,000. Accordingly the adequacy of the entity's systems and processes has not been demonstrated for handling medium and large projects. Apart from systems and processes that have not been demonstrated, it would not be possible to assess the applicant's competencies for handling larger projects. The applicant has also communicated that the size of the grants it currently makes and anticipates making in the next several years (based on experience and the absorptive capacity of the majority of the project executing agencies) are likely to remain small. Further in a communication from the entity during the first week of June 2013, it requested to be considered for accreditation for small projects and indicated that that it would not make a request to the Fund for funding levels beyond a mutually agreed upon threshold which is within their capacity to manage.

34. The Panel's experience with this entity along with a few others precipitated a long discussion about the possibility of the Adaptation Fund opening a small grants window whereby entities such as NIE039 could be accredited to access that particular window. Accordingly, the Board agreed to allow the Panel to visit NIE039 to develop a case example for the need of a "small grant window" or similar mechanism which would help the Fund manage the risks associated with providing funds to small organizations and to work in conjunction with the secretariat to provide options at the twenty-third Board meeting.

35. The field visit to the entity took place in January 2014. Based on the visit and other experiences and discussions a separate document on *Options for the Accreditation of Small Entities* (AFB/EFC.14/3) has been developed by the Panel for the Board's consideration at the current Board meeting.

National Implementing Entity NIE044

36. 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.

37. The Panel provided 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.

38. At the thirteenth meeting, the Panel briefly discussed the application and agreed to communicate the additional information needed and the need for further clarification on several issues. Many additional documents were provided by the applicant entity. The Panel agreed to continue to communicate with the entity and discuss the application again at the Panel's fourteenth meeting.

39. At the fourteenth meeting the Panel agreed that the organization may have the capacity to be an *executing entity*. However the best option to complete a review of the entity's *implementation capacity* would be to conduct a field visit prior to the fifteenth Accreditation Panel meeting. The field visit took place during the last week of January 2014.

40. During the visit the applicant demonstrated that it has most of the systems and procedures in place to be a strong and effective NIE. Nevertheless some actions still need to be put in place and these were discussed with the senior staff of the entity to ensure they were well understood. The steps included: the completion of two internal audits including management comments thereon; establishing an audit committee; issuing an internal control statement; completing a basic risk analysis including the identification and taking of risk mitigation steps; supplement the procedures manual for the areas relating to selection of projects and to how procurement of executing entities will be verified; comparing budget statements to actual and include explanations for variances; and developing the required system, procedures and internal capacity for financial mismanagement and other forms of malpractices.

National Implementing Entity NIE046

41. The application submitted on 31 December 2013 was forwarded to the Panel members on 10 January 2013. The application contained a large amount of supporting documentation that the Panel reviewed and analyzed for the twelfth Panel meeting.

42. Several gaps were identified and a list of additional questions relating mainly to the organization's track record in project appraisal, monitoring and evaluation was sent by the Panel. The applicant uploaded the additional information requested to the accreditation workflow on 17 June, 2013. The information was reviewed and analyzed between the thirteenth and fourteenth Panel meetings.

43. The Panel found gaps still existed in a number of areas, particularly with regard to internal audit (the entity is in the process of augmenting its internal audit framework project management, and transparency and anti-corruption policy). The Panel requested additional information in August 2013. The entity agreed to submit a response with

additional supporting documentation prior to the fifteenth Panel meeting, scheduled for February 2014.

44. The applicant provided additional information in January 2014. The additional documentation was analyzed by the Panel and helped to close several of the open issues. However, several gaps do remain and the Panel agreed at its fifteenth meeting that a field visit would be the best way to resolve the outstanding issues.

National Implementing Entity NIE 049

45. The application was received by the secretariat on 14 April 2013 through the accreditation workflow. After screening the application for consistency and completeness, the secretariat requested the applicant entity to complete the missing supporting documentation. On 23 July 2013, the application was submitted to the Panel for consideration at its fourteenth meeting.

46. After discussing the merits of the application, the Panel sent a list of questions to the applicant entity requesting clarification on a number of fiduciary issues on 8 October 2013 and 30 December 2013. The applicant entity submitted its responses and supporting documentation on 14 November 2013 and 14 January 2014, respectively.

47. There are various measures pending to be implemented by the applicant entity to address the requirements of the Fiduciary Standards. As these measures are implemented over the next six months, the Panel will require from the applicant entity to demonstrate that they are in place and functioning effectively.

National Implementing Entity NIE054

48. The application was received by the secretariat on 12 January 2014 through the accreditation workflow. After screening the application for consistency and completeness, the secretariat forwarded the application to the Panel on 14 January 2014 for consideration at its fifteenth meeting.

49. Various fiduciary issues associated with the application were discussed at the fifteenth Panel meeting. The Panel agreed to complete the analysis of the application and prepare a consolidated list of questions and additional information request by the end of March 2014.

Regional Implementing Entity RIE007

50. The applicant submitted its application on 23 January 2013 and it was forwarded to the Panel on 10 February 2013.

51. The application was discussed at the twelfth Panel meeting. Many gaps were identified and a list of additional questions requesting clarification on a number of issues was sent to the applicant. Additional information and documents in response to the questions raised by the Panel in the initial review have been submitted by the applicant on 18 June 2013.

52. Prior to the fourteenth Panel meeting, the Panel reviewed and analyzed the additional information provided by the applicant, determined that a significant number of

gaps still existed, and requested further clarification. The Panel agreed to follow-up with the applicant and discuss again at the fifteenth Panel meeting.

53. In February 2014, after the completion of the fifteenth Panel meeting, the applicant informed the Panel that it had engaged the services of a consultant to help fill some of the gaps identified by the Panel. The secretariat will request the applicant to provide a work plan and target dates for responding to the Panel's questions and requests for additional information. If the applicant does not respond by the time of the sixteenth Panel meeting in May 2014, the Panel will consider and decide on the option of asking the applicant to withdraw the application and resubmit it when it has addressed the information gaps.

Regional Implementing Entity RIE008

54. The application was received by the secretariat on 08 January 2014 through the accreditation workflow. After screening the application for consistency and completeness, the secretariat forwarded the application to the Panel on 09 January 2014 for consideration at its fifteenth meeting

55. Initial review of the application shows the applicant has established a good track record in the execution of climate change related projects funded by several multilateral and bilateral institutions. In doing so, however, the applicant has largely relied on operational procedures and guidelines of the financing institutions, such as the World Bank and the Inter-American Development Bank. In order to meet the Fund's Fiduciary Standards the applicant needs to develop its own operational procedures, address deficiencies in key areas such as internal audit, internal control framework, and demonstrate the required capabilities in project management. The Panel's findings will be communicated to the applicant along with requests for additional information and indications of areas where the applicant's capabilities need to be strengthened.

Multilateral Implementing Entity MIE014

56. 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.

57. The Panel completed its initial assessment of the application in March, 2013. While the applicant was found to have enormous experience in handling projects and some good systems in place, there were some gaps in the information provided for some of the capabilities of the fiduciary standard for which more information was asked for. Additionally, there were several observations and recommendations contained in the reports issued by the external auditors and other reviewing authorities for which no responses had been provided or the ones provided were inadequate.

58. The applicant provided some additional information but at the time of the thirteenth meeting had not provided a full response. The full response was subsequently provided in July, 2013.

59. The Panel analyzed the additional information provided prior to the fourteenth Panel meeting and agreed that while a majority of the gaps/requirements had been satisfactorily responded to, some areas still required additional clarifications/information.

The Panel has since communicated these to the applicant and awaits its response. The applicant has been reminded to send its response several times. Each time the applicant has responded stating that the response will be provided shortly.

Other Matters

Sixteenth Meeting of the Accreditation Panel

60. The dates for the Panel's next meeting will be 5-6 May 2014. The deadline for submissions of applications for accreditation for consideration at the sixteenth meeting of the Panel is four weeks prior to the scheduled meeting (07 April 2014).

Options for the Accreditation of Small Entities

61. The Panel deliberated on options for the accreditation of small entities, taking into account findings from the field visit to NIE039. A separate document on *Options for the Accreditation of Small Entities* (AFB/EFC.14/3) was developed by the Panel for the Board's consideration.

Internal Control Framework

62. The Panel has begun discussions on different aspects of the fiduciary standards it believes could be better articulated or clarified. The Panel has spent several meetings discussing the standard related to the internal control framework, "demonstration of use of a control framework that is documented with clearly defined roles for management, internal auditors, the governing body, and other personnel."

63. To better assist applicant entities, the Panel has developed a short guidance note, which outlines what the Panel examines when assessing whether an entity has an adequate internal control framework in place.

64. Annex V of the present report includes the brief guidance on the internal control framework developed by the Panel. It will be accessible to applicants through the Adaptation Fund website. The Panel is currently working on similar guidance for other aspects of the fiduciary standards commonly misunderstood by applicants or for which several applicants have sought clarification.

Update on Conditional Accreditation

65. The Panel took stock of all applicants that had been accredited conditionally. There were two types of applications with "conditional accreditation": one set that included conditions that had to be met prior to receiving funding from the Fund and a second that require additional reporting. Additional reporting is given as a requirement when an applicant meets the fiduciary standards but may have limited experience demonstrating how the standard works in practice. It is a way to give institutions the ability to access the Fund's resources while providing risk mitigation measures through additional assurances for the secretariat and Board to monitor. Annex VI provides an annex of all Board decisions related to these entities and the status of any conditions.

RECOMMENDATIONS

Accreditation of Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE)

66. After considering the conclusions and outcome of the review, the Panel decided to recommend the accreditation of PROFONANPE as a National Implementing Entity.

(Recommendation AFB/AP.15/1)

Accreditation of Corporación Andina de Fomento (CAF)

67. After considering the conclusions and outcome of the review, the Panel decided to recommend the accreditation of CAF as a Regional Implementing Entity.

(Recommendation AFB/AP.15/2)

Accreditation of European Bank for Reconstruction and Development (EBRD)

68. After considering the conclusions and outcome of the review, the Panel decided to recommend the accreditation of EBRD as a Multilateral Implementing Entity.

(Recommendation AFB/AP.15/3)

Non-Accreditation of National Implementing Entity NIE043

69. The Accreditation Panel has concluded that is not in a position to recommend accreditation of NIE043. The Panel recommends the Board to instruct the secretariat to communicate the Panel's observations as contained in Annex IV to the present report to the applicant.

(Recommendation AFB/AP.15/4)

ANNEX I: REPORT OF THE ACCREDITATION PANEL ON ITS ASSESSMENT OF THE PERUVIAN TRUST FUND FOR NATIONAL PARKS AND PROTECTED AREAS (PROFONANPE)

Background

PROFONANPE was established in 1992 by a government decree as a dedicated administrator of funds for the protection of biodiversity. Though established by a Government decree PROFONANPE is not a government organisation. PROFONANPE is based in Lima, Peru. PROFONANPE's focus areas to date have been biodiversity and conservation. PROFONANPE is managed by a Board of Directors with nominees from the government, private institutions and civil organisations. The day to day operations are managed by the Executive Director who is assisted by two full time directors responsible for i) Administration and Finance, and ii) Development and Supervision.

The Fiduciary Standards

Legal Mandate

PROFONANPE is registered as a civil organisation in the Register of Legal Entities of the Public Registry and has the capacity to contract as a separate legal entity. Article 22 of PROFONANPE's bylaws states that the Executive Director of PROFONANPE is its legal representative at national and international level, and enjoys the legal powers and mandate to enter all kinds of legal acts and contracts (including civil, commercial, administrative, labour or any other kind of acts, contracts and agreements, including inter-institutional cooperation agreements, service contracts, construction contracts and in general, consultancies or services related to the corporate purposes of PROFONANPE). Pursuant to its bylaws, PROFONANPE's main functions are to secure non-reimbursable financial resources, manage them (acting as trustee where required) and channel them for the implementation of programs and projects for government and non-governmental institutions.

As of 2011, PROFONANPE had received a total funding of US\$ 134 million from international donors and institutions with the bulk of the funds coming from GEF, Germany, Finland and USA.

Financial Integrity

PROFONANPE's financial statements are prepared in compliance with internationally recognized accounting standards and are audited annually by independent external audit firms. The auditors undertake an audit of the financial statements of the various projects under implementation along with those of PROFONANPE. The auditors have given an unqualified opinion on the financial statements for the three years for which the information was provided. The annual audit reports are provided to all donors.

While the organisation did not have an Internal Audit function at the time of the application it has now outsourced its internal audit function. The first internal audit report has since been issued and provided to the Panel, Similarly, an Audit Committee has since been set up and has had two meetings to date.

With regards to the internal control framework the first outsourced internal audit at PROFONANPE covered the effectiveness of the framework at PROFONANPE. The

report notes that the entity maintains an adequate system of internal control in operations which is carried out through various processes.

PROFONANPE has a well-defined payment and disbursement process and controls to undertake a check on the process/payments.

PROFONANPE prepares long term Strategic plans. A five-year strategic plan was prepared in 2008 and at the time of the field visit in November, 2012 a plan for the next 10 years was under preparation. The organisation undertakes budgeting on an annual basis.

Institutional Capability

Procurement

PROFONANPE has developed procurement procedures based on World Bank guidelines for procurement. To verify the adequacy of procurement procedures and their implementation documents pertaining to two large procurements undertaken were examined during the field visit to the entity. Further the Procurement Specialist in the World Bank office in Peru has noted that, "PROFONANPE has extensive experience with World Bank-financed activities. Its capacity in procurement activities with the World Bank rules is good, and has been verified during the several supervision missions that were carried out during Implementation of projects".

The external auditors undertake an audit of procurement at PROFONANPE and also at projects under implementation.

Project Management

PROFONANPE has considerable experience in designing and approving large projects. As the area of Conservation is very specialised it also uses the services of a small pool of external consultants for preparation and appraisal of project documents.

PROFONANPE has developed its own monitoring and evaluation (M&E) framework. Typically Monitoring & Evaluation is undertaken twice per year. M&E reports and the frequency of reporting are not standardised but differ depending upon various factors including donor requirements.

PROFONANPE has a four stage process for preparation and approval of project implementation plans which provides reasonable checks prior to implementation. Overall PROFONANPE has good competencies and experience in handling projects at all stages of the project management cycle.

Transparency, Self-investigative Powers, and Anti-corruption Measures

Numerous steps have been taken by PROFONAPE over the last year to develop procedures in this area to meet the requirements of the AF fiduciary Standard. The entity now has adequate procedures for handling Conflict of Interest, Whistle Blower Protection, Investigations, etc. The entity's website also prominently displays its Code of Ethics, Handling Corruption along with an online mechanism for reporting violations and malpractices.

Conclusion

PROFONANPE in its 21 years of operations has handled several large projects and handled large volume of funds. It has well defined policies and procedures covering most of the aspects of the Fiduciary Standard. Over the years PROFONANPE has established an excellent reputation, as an efficient and transparent organisation which can deliver results, with most of its development partners including the World Bank.

It is accordingly recommended that PROFONANPE be accredited as an NIE of the Adaptation Fund

ANNEX II: REPORT OF THE ACCREDITATION PANEL ON ITS ASSESSMENT OF CORPORACIÓN ANDINA DE FOMENTO (CAF)

The application: Corporación Andina de Fomento (CAF) submitted its application in August 2012. The application was strong although several gaps were identified. The entity had concerns about the accessibility to several documents it considered confidential but were needed for the Panel to establish that CAF meets the Fiduciary Standards. These concerns were resolved and a Panel Member with the assistance of staff of the secretariat visited CAF in May of 2013. The travel and accommodation costs were paid by the applicant.

The organization: CAF is regional development cooperation, operating in central and Latin America, that is transforming itself into a Latin American Development Bank. CAF started operations in 1970 and specializes on large infrastructure lending such as clean water projects and road structures. It is an efficient investment bank which is shown by the administrative cost to loans ratio of approximately .6%.

The figures show that CAF is very significant bank in the region. It disbursed over \$7 billion to projects in 2011. Guarantees given were \$662 million in that period and the loan portfolio was worth \$15 billion at the end of the year. Roughly 90% of the outstanding loans are sovereign guaranteed, and the remainders are to the private sector. CAF also gives technical assistance grants.

Financial integrity: Without giving a legal opinion CAF has the legal personality in international public law to be a regional implementing entity. Its purpose is to promote sustainable development and regional integration by providing multiple financial services to clients in the public and private sectors of its shareholders countries.

There are audited financial statements with a positive audit opinion and there is acceptable accounting software. There is an internal audit function and an audit committee. Both meet the minimal requirements. The internal control framework that has been in place since 2007, is in line with the COSO methodology and the Sarbanes Oxley legislation and is annually certified by the external auditor. CAF has had a continuous increase in its ratings from credit agencies which demonstrates its financial solvency and strong control systems. CAF has demonstrated its capacity to do budgeting particularly for its banking operations and intends to increase its strategic planning capability.

Project procurement: There are proper rules to ensure good procurement by implementing entities and the enforcement was demonstrated during the visit.

Project management: The project proposals and plans demonstrate that CAF has the capability and experience to identify and design projects and that it has access to resources and a track record of reviewing appraisal activities. CAF has the ability to examine and incorporate the likely impact of technical, financial, economic, social, environmental, and legal aspects into the project, do project budgeting, and to undertake risk assessment and integrate mitigation strategies and plans into the project document. The examples provided and reviewed during the visit demonstrate how CAF adhered to its policies and procedures during the project management stage. CAF has a strong field presence where the monitoring of loans and projects takes place. The same holds true for evaluations during the project execution. Closing reports and evaluations are normally done by the executing entities and reviewed by CAF staff. The ability for CAF to do its own evaluations is limited by the staff resources allocated to that activity.

Anti-Fraud: The application demonstrates that the policy and a framework to deal with financial mismanagement and other forms of malpractices exist for staff. There is a code of interest that covers the required areas including situations of conflict of interest. A policy related to external staff was developed as part of the accreditation process. There now is a policy on the web on external fraud related to projects that are implemented by CAF which meets the Fiduciary Standards. At the suggestion of the Panel the related investigation tasks have been given to an existing Ethics Committee as an interim measure while the organization works on a complete Anti-Corruption and Anti-Fraud Scheme.

It is accordingly recommended that CAF be accredited as an RIE of the Adaptation Fund

ANNEX III: REPORT OF THE ACCREDITATION PANEL ON ITS ASSESSMENT OF THE EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)

The Application: The EBRD responded to an invitation by the Board to potential MIEs by submitting its application in September 2011. A number of documents required to establish whether the EBRD met the Fiduciary standards were considered confidential and prevented the Panel from concluding its consideration of the application. After much back and forth the EBRD and the Secretariat were able to come to an agreement to conduct a field visit. A Panel Member with a staff of the Secretariat visited EBRD in December 2013. The travel and accommodation costs were paid by the applicant.

The Organization: The EBRD was established as a regional development bank following the collapse of the Soviet Union and the associated political changes that took place in Eastern Europe. Since then its lending has shifted from the Eastern European countries to the former Soviet republics and recently to some countries bordering the southern and eastern Mediterranean. The Bank in its lending encourages co-financing which significantly increases the resources for needed projects beyond their own funding. The geographic location and the nature of lending makes the EBRD a logical MIE for the Adaptation Fund.

The annual business volume of the EBRD in 2012 was EUR 8.9 billion to this must be added non-EBRD finance of EUR 17.3 billion to arrive at a total value for its almost 400 projects.

Financial integrity: Without giving a legal opinion the EBRD has the legal capacity to do the work required of an MIE for the AFB. The financial fiduciary standards are demonstrated for the accounting, financial statements and the external audit thereof. EBRD has the proper mandate for the Audit Committee and an internal audit function that operates in accordance with international norms. The Bank has a strong internal control framework and the management report thereon is certified by the external auditors. There is an extensive set of disbursement regulations and the effectiveness was demonstrated to the Panel during its visit. The evidence of long range planning and budgeting is provided and linked to its capital increases. The Bank has a triple "A" rating which demonstrates its solvency, a solid balance sheet and strong control systems.

Project procurement: There are extensive rules to ensure good procurement by the EBRD itself and by implementing entities and the thorough enforcement was demonstrated during the visit.

Project management:

The application provided documents relating to the policy and procedures for project identification, preparation and approval. The same is true for controls over procurement, monitoring, reporting, project closure and independent evaluations. The procedures were judged to be very strong covering all phases of the project cycle. The correct application of these policies and procedures was demonstrated to the Panel during its visit through the many documents that were made available to the Panel and by interviews with the staff.

Anti-Fraud:

The application and website adequately demonstrates that EBRD has the framework to deal with financial mismanagement and other forms of malpractice and that it is adhered to and this was demonstrated to the Panel during the visit.

It is accordingly recommended that EBRD be accredited as an MIE of the Adaptation Fund

ANNEX IV: REPORT OF THE ACCREDITATION PANEL ON ITS ASSESSMENT OF NIE043

Recommendation for Non-accreditation

Background

The application from NIE 043 was received in on 27 November 2012 and discussed for their first time at the twelfth Accreditation Panel meeting held in February 2013.

The accreditation process for this application has been characterized by inaction on the part of the applicant entity to fully respond to the Panel's request of clarifications and additional information. Since February 2013, the Accreditation Panel had several rounds of interactions with the applicant entity, including telephone calls and e-mails to follow up and convey the need to respond to the issues raised by the Panel. Despite these interactions, as of 10 March 2014, over 75% of the Panel's questions and information request remain unanswered. As a result, the Panel's conclusions are as follows:

Observations

Based on the information provided with the application, and the limited documentation received to date in response to the Panel's information request of 26 February 2013, it is the Panel's opinion that the applicant entity has not demonstrated its capability with respect to a number of the requirements of the Adaptation Fund's Fiduciary Standards as follows:

- i) The information provided on the Internal Control Framework did not meet the requirements of the Fiduciary Standard. There are issues related to the reliability of the accounting system, the validity of specific accounting procedures and practices, including existing payments/disbursements procedures which require clarifications and remain unaddressed by the applicant entity to date.
- ii) The applicant entity provided neither the Terms of Reference of the Audit Committee nor internal audit plans and reports to demonstrate the independence and effectiveness of the internal audit function.
- iii) At the time that the application was submitted, there were delays (i) in issuing the official gazette for the revised Public Procurement and Contract Administration, and (ii) a lack of official issuance date and number on the 2007 Act. The Panel needed assurances that the 2007 Public Procurement and Contract Administration has been in force since 2007 and that the procurement procedures were working as intended. Such assurances were never provided. While the procurement regulations were reasonably detailed no procurement manual (which was referred to in the regulations) was provided giving detailed procedures at the operations level. The applicant did not provide:
 - a) documentation on actual procurement cases to demonstrate adherence to the regulations; and
 - b) information on the provisions for oversight/audit of the procurement function.

- iv) The applicant entity has not fully demonstrated its project management capabilities. While a sample of project documents were provided to the Panel, most of these documents were prepared by international and regional funding organizations. The applicant entity did not answer the Panel's question regarding the role that applicant entity had played in the preparation of those project documents as well as it did not provide:
 - a) Details of procedures for undertaking identification, design and appraisal of projects.
 - b) Documentation to demonstrate its capabilities to examine and incorporate the likely impact of technical, financial, economic, social, environmental, and legal aspects into the project at the appraisal stage itself.
 - c) Information on procedures to undertake risk assessment and integrate mitigation strategies/plans into the project document.
 - d) Evidence of an institutional system for planning implementation of projects.
 - e) Information regarding preparation of monthly/ quarterly/annual project budgets.
 - f) Details of policy and procedures for monitoring and evaluation of projects.
 - g) Samples of project monitoring reports, project closure reports and independent evaluation reports.
- v) While the applicant entity provided information on the existing Code of Ethics, Conflict of Interest and investigation guidelines as well as information related to either the procurement function or financial frauds/losses; the applicant entity reported that there had not been any cases of financial malpractices or mismanagement. No response to the Panel's questions was received on:
 - a) The avenues/channels available to the staff members, other stakeholders and the public at large for reporting fraud, corruption and other forms of malpractices involving applicant entity's staff and/or people involved in the execution of projects.
 - b) Procedures and practices to identify situations where "Conflict of Interest" arises and to how to handle such situations.
 - c) Procedures for investigating misconduct/violations of Code of Ethics which do not involve financial misappropriation or procurement.
 - d) Policies and practices relating to Whistle-blower Protection.

I. Conclusion

In view of the above and the lack of a meaningful response to the Panel's queries over the past twelve months, the Panel concludes that it is not in a position to recommend that NIE043 be accredited as an Implementing Entity of the Adaptation Fund.

Annex V: Internal Control Framework Guidance on Fiduciary Standard Requirement



GOVERNANCE

1. Documented organisational structure and clearly defined responsibilities and authorities, including the role and responsibilities of the major groups involved in the governance process (Oversight/Governing group, Executive Management, Administration and Operations Management, and Assurance groups) within the organization. They can be formalised and communicated by means of terms of reference, task or job descriptions, roles and responsibilities defined in directives and regulations, operating and functional line organization charts and delegation of authorities. Much of this can usually be found in the Charter establishing the organization.



POLICIES &

2. Documented policies and procedures with respect to key processes in the organization, including procurement, revenue generated activities, payment and disbursement, cash management, project management and financial accounting.



REPORTING

3. Reports/ information regularly produced on the effectiveness of the internal control systems (i.e., internal audits) and/or exception reports that provide information to senior management on areas described in the previous paragraphs and/or important areas of needed attention and/or major control risks faced by the organization and the mitigating actions to address them. This should include a sample of the management reports/information along with evidence of the actions taken to address the identified exceptions, risks and areas of needed attention.



ACCOUNTABILI

4. Annual public statement signed by Chief Executive Officer or Head of Unit/Department confirming that the internal control framework that include at least the elements set out in the first three paragraphs are operating satisfactorily. This representation should be supported by periodic review of the effectiveness of these internal control elements. For example, internal control reviews carried out by the internal and external auditors, and other management consultants.



PYMT. & DISB.

5. A demonstration of the organization's capability to ensure that all payments/ disbursements (both for projects and other expenditures) are properly checked and made only for bona-fide/approved purposes. Basic documents/information required:
 - A description of the disbursement system and procedures.
 - A copy of the Disbursement and Payment Procedures Manual, including a flow chart describing the most important steps in processing payments for both projects and other expenditures.
 - A list of authorized signatories including those who have signing authority on the basis of authorizing documents (flow) supporting payments.
 - Evidence of a recently audit work carried out over the disbursements and payments function.

Annex V: Progress to Date on Entities Accredited with Conditions

Conditions for Accredited Entities as of 15 March 2014

Implementing Entity	Board Decision(s)	Issue/s Satisfactorily met Addressed	Status
CSE, Senegal	<i>AFB 9</i> : To retain the option to require more frequent reporting than required in the operational policies and guidelines of the Adaptation Fund Board for the projects and programmes implemented by the Centre de Suivi Ecologique in the event that the Entity was to administer amounts that greatly exceeded its previously demonstrated capacity to administer funds for projects and programmes. This will also be communicated to the Centre de Suivi Ecologique.		Condition continues
UNEP	<i>AFB10</i> : To accredit the United Nations Environment Programme (UNEP) as a Multilateral Implementing Entity on the understanding that: i. The secretariat would require more frequent reporting on projects to be implemented by UNEP; and ii. The Board would again discuss the issue of additional requirements on projects to be implemented by UNEP at its eleventh meeting. <i>AFB11</i> : Repeal the more frequent reporting requirements for the United Nations Environment Programme that had been imposed on it at the tenth meeting of the Adaptation Fund Board	<ul style="list-style-type: none"> Additional information was made available after AFB10 decision; Panel reviewed the additional material and decided that additional reporting was not necessary - 	No conditions outstanding
IFAD	<i>AFB10</i> : To accredit the International Fund for Agricultural Development (IFAD) as a Multilateral Implementing Entity (MIE) on the understanding that there would be no disbursement of funding for any Adaptation Fund projects being implemented by the IFAD before the Executive Board of the IFAD authorized the IFAD to function as an MIE of the Adaptation Fund	<ul style="list-style-type: none"> The Executive Board of IFAD has authorized IFAD to function as an MIE of AF in order receive disbursement of funding 	No conditions outstanding
NEF, Benin	<i>AFB14</i> : During the closed meeting the Board decided to accredit the National Environment Fund (NEF) of Benin as a National Implementing Entity, subject to the following two conditions: (a) That within three months of each year end the external auditor of the NEF inform the Adaptation Fund Board secretariat as to whether: (i) Key staff was available during the year to monitor, execute and account	<ul style="list-style-type: none"> Prior to disbursement of US\$29,000 for project formulation grant, Panel verified that an anti-fraud page with the required information was on NEF website (9/2012) 	<p>(a) Condition related to the requirement of the NEF's external auditor to inform the Adaptation Fund Board secretariat continues.</p> <p>(b) Condition related to the</p>

	<p>for Adaptation Fund projects;</p> <p>(ii) The accounts of Adaptation Fund projects are up to date, and accurately reflect the transactions during the year; and</p> <p>(iii) All Adaptation Fund project procurements during the year followed national procurement rules;</p> <p>(b) That before the first disbursement the Ministry of Environment, Hygiene and Urban Planning (MEHU) and NEF place on their website an anti-fraud policy that includes, inter alia, that:</p> <p>(i) It has a zero fraud tolerance in relation to the projects funded by the Adaptation Fund and the other projects they manage;</p> <p>(ii) All allegations received will be investigated and complainants will be covered under appropriate whistleblower protection; and</p> <p>(iii) A demonstration of an appropriate system whereby allegations of fraud, financial mismanagement and other irregularities that come to the NEF or the MEHU will be recorded and properly investigated.</p>		anti-fraud policy is fully complied with
BOAD	<p><i>AFB14:</i> During the closed meeting the Board decided to accredit the Banque Ouest Africaine de Développement (BOAD), subject to the following conditions:</p> <p>(a) That BOAD include an internal control statement with their financial statements, starting with the 2011 statements; and</p> <p>(b) That BOAD have in place an investigative function that reflects its needs, and the practices of other development banks, before the first disbursement is made by the Adaptation Fund, and that the effectiveness thereof will be reviewed after two years by the Panel</p>	<ul style="list-style-type: none"> • Internal control statement has been included in the financial statements; • Website has been updated to include a no tolerance for fraud statement and an avenue for reporting misconduct 	<p>(a) Condition related to the internal control statement is fully complied with</p> <p>(b) From the website, Investigative Function is in place. The Panel will review in 2014</p>
Belize	<p><i>AFB15:</i> During a closed session the Board decided to accredit the Protected Areas Conservation Trust (PACT) of Belize as a National Implementing Entity, subject to the following two conditions:</p> <p>(a) PACT should provide semi-annual progress reports on Adaptation Fund projects;</p> <p>(b) PACT should have in place to the satisfaction of the Accreditation Panel and before the approval of the first project:</p> <p>(i) A formal annual internal control statement signed by its Executive Director and the Board and to be issued with the financial statements;</p> <p>(ii) A formal mandate for the Finance Committee of the Board to execute the functions of an audit committee; and</p> <p>(iii) A public anti-fraud policy that demonstrates a zero tolerance attitude</p>	<ul style="list-style-type: none"> • A Formal annual internal control statement is in place as well as a formal mandate for the Finance Committee to execute the functions of an audit committee. Also, a public anti-fraud policy is now on the PACT website • Panel reviewed and examined all additional supporting documents provided and determined that PACT met all the conditions of accreditation (November 2012) 	<p>(a) Condition related to providing semi-annual progress reports continues</p> <p>(b) Condition related to having various elements in place before the first disbursement is fully complied with.</p>
AfDB	<i>AFB 15:</i> During a closed session the Board decided to accredit the African		Both conditions continue

	<p>Development Bank (AfDB), subject to the following two conditions:</p> <p>(a) The AfDB describe in any project proposal the capability of the local office to implement, monitor and close the proposed project in light of the decentralization process of the AfDB;</p> <p>(b) The AfDB deliver annually, and within three months after the end of the year, an independent grant audit report covering the open projects that the AfDB handles on behalf of the Adaptation Fund. This audit, which can be done by or under the supervision of The Office of the Auditor General of the AfDB, should:</p> <p>(i) Confirm for all open Adaptation Fund projects that the required reports that were due for the year reviewed were delivered to the Adaptation Fund secretariat or if this is not the case the report should explain what is missing and why;</p> <p>(ii) Confirm that the AfDB has allocated the necessary monitoring activities to the open Adaptation Fund projects in accordance with the AfDB's policies to ensure the adequate progress and achievements of the projects. If that is not the case, the audit report should state what is missing; and</p> <p>(iii) Provide information that in the view of the auditor should be brought to the attention of the Adaptation Fund secretariat</p>		
MINIRENA, Rwanda	<p><i>AFB 16:</i> Having considered the recommendations of the Accreditation Panel as contained in document AFB/B.16/4, paragraphs 4 to 10 and the conclusions contained in Annex I, the Adaptation Fund Board decided to accredit the Ministry of Natural Resources of Rwanda (MINIRENA) as the National Implementing Entity for Rwanda on the understanding that:</p> <p>(a) MINIRENA submit to the secretariat, on an annual basis, a procurement audit report issued by the Auditor General's Office, or an independent auditor, on the Adaptation Fund project/s under implementation, in relation to the effectiveness of its procurement systems and practice, as well as continuous availability of qualified resources in project cycle management; and</p> <p>(b) The report referred to above should correlate recommendations identified by the internal auditor of MINIRENA and any relevant review by the Ministry of Economy and Finance (MINECOFIN), taking also into account any issues raised by stake holders</p>		Both conditions continue
MOPIC,	<i>AFB16:</i> Having considered the recommendations of the Accreditation	<ul style="list-style-type: none"> Update on implementation of 	No condition outstanding

Jordan	Panel as contained in document AFB/B.16/4, paragraphs 11 to 15 and the conclusions contained in Annex II, the Adaptation Fund Board decided to accredit the Ministry of Planning and International Cooperation (MOPIC) as the National Implementing Entity for Jordan on the understanding that it would submit to the secretariat of the Adaptation Fund Board, by 30 June 2012, an update on the implementation of its impacts assessment system.	its impacts assessment system was provided by to the secretariat and the Panel determined that MOPIC met the requirement	
NEMA, Kenya	<p><i>AFB17</i>: Having considered the recommendation of the Panel, the Board decided to accredit the National Environment Management Authority (NEMA) of Kenya as an NIE on the understanding that:</p> <p>(a) NEMA required to prepare annual financial statements for all the project/s funded by the Adaptation Fund; and</p> <p>(b) The annual financial statements must be audited by the National Audit Office or another external auditor and that a report must be provided within six months after the end of the financial year.</p>		Both conditions continue