



ADAPTATION FUND

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Adaptation Fund Board  
Nineteenth Meeting  
Bonn, 11-14 December 2012

Agenda item 5

## **REPORT OF THE ELEVENTH MEETING OF THE ACCREDITATION PANEL**

## WORK OF THE PANEL

1. The Accreditation Panel (Panel) continued its work reviewing both new and existing applications. On September 24-25, 2012 the Panel held its eleventh face-to-face meeting at the secretariat's premises in Washington, D.C. The Panel meeting also allowed for an opportunity to hold teleconferences with applicants, to communicate application status, to ask questions, and to provide direct guidance on additional documentation required.

2. The Panel considered two new NIE applications for accreditation (NIE038, NIE042) and one new RIEs (RIE006). The Panel also continued its review of three RIEs, eight NIE applications and one MIE application 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) Agence pour le Development Agricole (ADA) – Morocco
- 2) Fundecooperación para el Desarrollo sostenible – Costa Rica
- 3) Agencia de Cooperacion Internacional (AGCI) – Chile

3. Eleven further applications, six for potential NIEs, four 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 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) Regional Implementing Entity RIE002
- 8) Regional Implementing Entity RIE004
- 9) Regional Implementing Entity RIE005
- 10) Regional Implementing Entity RIE006
- 11) Multilateral Implementing Entity MIE011

### Completed cases

#### *Agence pour le Development Agricole (ADA)*

4. The Panel considered the application for the first time at its ninth meeting in February, 2012. Following a discussion by the Panel, the lead reviewer assigned to the application compiled a list of questions and issues that were raised with the applicant. The Panel considered the possibility of 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.

5. ADA was established in February 2009 to implement the “Plan Maroc Vert” or Green Morocco Plan (GMP). The GMP is a strategy by the government to transform the agricultural sector and make it a mechanism for the development of the country. This plan is based on the premise of an investment of MAD 140 billion (or over ten billion US dollars) during the period 2009-2020 and that involves over 1500 individual projects to commercial and small holders. Most of the program is funded by the government and other sources within the country such as the Hassan II Foundation but there are also foreign donors such as the World Bank, the Global Environmental Fund, the French Development Agency, the International Fund for Agriculture Development, the African Development Bank and others. ADA works through a network of local government entities who have an extensive presence throughout the country and who understand local circumstances and conditions and who are close to the people affected by the projects.

6. At its tenth meeting in May 2012, the Panel agreed to recommend a field visit, which was conducted between 29 July and 03 August 2012. Based on the outcome of the field visit at its eleventh meeting in September 2012, the Panel recommended accreditation by the Board of ADA. The decision was taken by the Board to accredit ADA intersessionally on November 13, 2012 (*Decision B.18-19/19*). The Panel’s report on its conclusions concerning ADA’s application for accreditation is contained in Annex I to this document.

*Fundecooperación para el Desarrollo sostenible – Costa Rica*

7. The application was received by the secretariat on 19 April 2012, the secretariat conducted the screening as per usual practice and after receiving additional information from the applicant, forwarded the application on 02 May 2012 for the Panel’s consideration at its tenth meeting.

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

9. The Panel considered this application and agreed that some gaps needed to be addressed. These gaps were clarified through interaction with the applicant after the Board’s 18<sup>th</sup> meeting and prior to the Panel’s eleventh meeting.

10. At the Panel’s eleventh meeting, the Panel recommended accreditation by the Board of Fundecooperacion para el Desarrollo sostenible. The decision was taken by the Board to accredit Fundecooperacion para el Desarrollo sostenible intersessionally on November 16, 2012 (*Decision B.18-19/20*). The Panel’s report on its conclusions concerning Fundecooperación application for accreditation is contained in Annex II to this document.

*Agencia de Cooperacion Internacional (AGCI) – Chile*

11. The application was initially 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 a list of relevant documents and requested executive summaries of these documents for the applicant to translate into English.

12. The Panel continued consideration of this application at its ninth meeting and held a conference call with the applicant in order to clarify the outstanding issues and request additional documentation. The applicant agreed to provide information on the remaining issues for further consideration by the Panel. The full set of documents request by the Panel was received on 21 September 2012, in time for the eleventh Panel meeting.

13. AGCI is an autonomous body established under the Ministry of External Relations. AGCI was established with the purpose of supporting Government development plans, programs, projects and activities through training, provision and management of international cooperation resources. Another of the Agency's objectives is to implement, carry out and execute international cooperation for and between developing countries. This includes receiving and channelizing bilateral assistance from partners in strategic areas where some of its current main partners are Japan, Germany, New Zealand, IDB, GEF. It also undertakes triangular cooperation programmes and projects, an example of which is the Chile-Mexico Fund and is involved in other programmes and projects relating to South-South cooperation.

14. At the eleventh meeting the Panel agreed to conduct a field visit, as authorized by the Board, to the applicant in order to facilitate a conclusion of the review. The field visit was conducted from 19-23 November 2012. Based on the outcome of the field visit, the Panel concludes that AGCI is a strong candidate for accreditation and recommends accordingly to the Board. The Panel's report on its conclusions concerning AGCI application for accreditation is contained in Annex III to this document.

### **Other Cases Under Review**

#### *National Implementing Entity NIE028*

15. At its ninth meeting, the Panel agreed that, while the applicant had potential, there were several issues that needed detailed discussions and, therefore, the Panel agreed to conduct a field visit, as authorized by the Board, to the applicant in order to facilitate a conclusion of the review and to address the remaining gaps.

16. The field visit took effect during the last week of March and also provided an opportunity for an in-depth interaction with the applicant entity where all the identified issues and gaps were discussed.

17. Following these discussions and the output of the field visit, the Panel further observed that the mandate of the entity falls fully in line with the aims and mission of the Fund. However, the Panel recognizes the 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.

18. The Panel 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. Since the last Board meeting, the entity has not communicated to the Panel progress made to date. Before taking a final decision, the Panel would like to provide an opportunity for the applicant to design and implement the systems, as well as demonstrate the required capacity to sustain them.

*National Implementing Entity NIE034*

19. The application was received in time for the ninth 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.

20. The Panel followed up with the applicant in order to clarify the outstanding issues and reconsidered the application at its tenth meeting and eleventh meeting. 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. The applicant is currently working to strengthen the areas where gaps exist and the Panel will further consider the case at its next meeting.

*National Implementing Entity NIE035*

21. The applicant submitted an application for accreditation in September, 2011. The application was first considered by the Panel at its 8th 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.

22. 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.

23. 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.

24. Since the last Panel report, the applicant has yet to explain and clarify a number of gaps in many areas, including in relation to internal audit, internal control framework and outstanding issues on transparency. 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 same at the next meeting.

*National Implementing Entity NIE038*

25. 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.

26. 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. The Panel 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*

27. The application was received by the secretariat on 27 April 2012, after the completeness and consistency checks during the screening; 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 clarified by the applicant. The Panel noted that further clarifications are necessary and requested the entity to develop a work plan addressing missing gaps.

28. The applicant entity submitted an action plan for strengthening the areas where gaps exist. It would be appropriate to provide additional time to the entity to work on the action plan. The Panel agreed to continue to follow up with the entity and discuss at the 12<sup>th</sup> meeting.

*National Implementing Entity NIE042*

29. The application was received by the secretariat on 23 July 2012, after the completeness and consistency checks during the screening; the application was forwarded on 18 August 2012 for the Panel's consideration at its eleventh meeting.

30. The Panel considered 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 the last week of November 2012. The Panel will analyze the outcomes of the field visit and continue its review of the applicant at its next meeting.

*Regional Implementing Entity RIE002*

31. After several exchanges of information, and reviewing documentation, the Panel concluded that there are still gaps in the fiduciary standards. Two members of the panel met with representatives of the organization during one of the UNFCCC workshops on accreditation and explained the requirements of the Fiduciary Standards in respect of the outstanding issues.

32. Subsequently, the applicant sent additional information and documents for consideration by the panel on 26<sup>th</sup> August and followed up with a conference call to

discuss the information provided. The additional information/documents provided were discussed in the eleventh Panel meeting and based on that the panel's observations were forwarded to the applicant in the last week of September.

33. The applicant responded with the comment that they would discuss the matter internally and revert to the panel. Further information is awaited from the applicant. The Panel agreed to wait and see if the organization is able to demonstrate effective implementation of fully functional mechanisms that address the issues raised at the next meeting.

*Regional Implementing Entity RIE004*

34. 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 were raised by the Panel, particularly in relation to the institutional and financial time lines of the organization.

35. The Panel sent a list of questions requesting additional information and clarifications to the applicant. The Panel will continue its consideration of this application once this additional information has been forwarded.

*Regional Implementing Entity RIE005*

36. 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.

37. The entity sent 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 and is waiting for a response. Upon receipt of the additional information the Panel will analyze and discuss the case at its next meeting.

*Regional Implementing Entity RIE006*

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

39. The Panel considered the application at its eleventh meeting. The Panel agreed that the applicant has several strong points however a number of gaps need to be resolved. The Panel determined that the applicant is a strong candidate and will continue to discuss the issue via teleconference once the new Panel experts are on board.

*Multilateral Implementing MIE011*

40. 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.

41. 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.

42. 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 for the next Panel meeting.

### **Other matters**

#### *12th Meeting of the Accreditation Panel*

43. The dates for the Panel's next meeting will be 11-12 February 2013 in Washington DC. The deadline for submissions of applications for accreditation for consideration at the twelfth meeting of the Panel is three weeks prior to the scheduled meeting (21 January 2013).

#### *Field Visits*

44. At the 18<sup>th</sup> Board meeting the Board approved budgetary provisions for up to six field visits during the fiscal year 2012 – 2013, and to authorize the Panel to decide on additional field visits should sufficient resources be available within these budget limits, if needed and considered necessary by the Panel (Recommendation AFB/AP.10/3). One of these visits was to Morocco during the last week of July 2012. In addition, at the eleventh Panel meeting, the Panel agreed to proceed with two field visits to two NIEs in the same region. These were both conducted during the last two weeks of November 2012.

### **RECOMMENDATIONS**

#### *Accreditation Agencia de Cooperacion Internacional of Chile*

45. After considering the conclusions and outcome of the review and field visit, the Panel decided to recommend the accreditation of Agencia de Cooperacion Internacional, AGCI as an NIE for Chile.

(Recommendation AFB/AP.11/1)

#### *Field Visits to Multilateral Implementing Entities (MIEs) and Regional Implementing Entities (RIEs)*

46. For cases where a field visit to an MIE or RIE is necessary to determine whether the entity should be recommended for accreditation, the Panel recommends that the Board requests the MIE or RIE to pay for the costs associated with such a visit.

(Recommendation AFB/AP.11/2)



## Annex I

### **Report of the Accreditation Panel on the Accreditation of “Agence pour le Développement Agricole” or Agricultural Development Agency (ADA) of the Government of Morocco**

#### **Background**

ADA was established in February 2009 to implement the “Plan Maroc Vert” or Green Morocco Plan (GMP). The GMP is a strategy by the government to transform the agricultural sector and make it a mechanism for the development of the country. This plan is based on the premise of an investment of MAD 140 billion (or over ten billion US dollars) during the period 2009-2020 and that involves over 1500 individual projects to commercial and small holders. Most of the program is funded by the government and other sources within the country such as the Hassan II Foundation but there are also foreign donors such as the World Bank, the Global Environmental Fund, the French Development Agency, the International Fund for Agriculture Development, the African Development Bank and others. ADA works through a network of local government entities who have an extensive presence throughout the country and who understand local circumstances and conditions and who are close to the people affected by the projects. More information can be found on [www.ADA.gov](http://www.ADA.gov)

A member of the Adaptation Panel and the Secretariat visited ADA in August of 2012 to fully understand the systems of ADA, how these related to the government systems and the relationship and controls over the decentralized operations.

#### **Fiduciary Standards**

##### **Legal Mandate**

Without giving a legal opinion, ADA has the proper legal mandate. It was established under the Law No 42-08 as an Agency for Agricultural Development and it is endowed with a legal personality and financial autonomy and is subject to the Morocco law governing public institutions. As such it has the authorization and the ability to directly receive funds. ADA has the “responsibility for ... taking any action likely to promote partnerships with any organization interested in investing in the agricultural sector”.

##### **Financial Integrity**

The financial integrity fiduciary standards were met. There are audited financial statements with a positive opinion. An audit committee was created in September 2011 and its first meeting took place a month later but its mandate could be stronger in terms of the number of meetings and to include aspects of internal control, project management as well as risk management. ADA uses as its accounting software “CEGID Expert” which is a web-based software originating from France and meets the fiduciary standards. There are further controls by the State Controller which gives insight to the adequacy of the accounting system and the annual accounts and the State Treasurer that reviews all payments before they are made.

The internal audit function is done by a team of two individuals and does several detailed reports a year. Recent reports related to the treasury, including disbursements, and to human resources. The management responses to the audits were action oriented. An internal audit of procurement was planned for later in this year. The manuals and

documentation of the website provide an comprehensive internal control structure and an letter confirming that the internal control structure was operating satisfactory to the Administrative Board was signed in August 2012 by the Director general and the Director Administration and Finance. Given the size and importance of the GMP the financial solvency of ADA is very strong.

### **Project Management**

ADA has an adequate set of procurement rules and this is verified through at least three independent levels, the external auditor, the State Controller and the State Treasurer. The procurement controls over the regional entities that execute the projects is similar although there is less control of the external auditor but in its place are controls by ADA. The GMP entails hundreds of projects in the agricultural sector for which ADA is the implementing entity. Each project has a detailed budget and expenditure profile which is transparent to all stakeholders. ADA as implementing entity and its regional executing entities have demonstrated during the visit of the Panel and through documentation a strong capability to identify, appraise, assess and approve projects including project implementation planning and quality-at-entry.

There is evidence of accurate financial data and reporting thereof. Adequate monthly monitoring has been demonstrated at by ADA and at a continuous level by the regional entities. In addition to monthly reporting and frequent contacts there is a common software system that links the two organizations. Although there have been no GMP projects closed it is clear that ADA has the capability to do those reports as well as evaluation studies and they have done a number of high quality thematic studies and interim evaluations.

The Panel concluded that the applicant's procedures for project management were very strong and followed.

### **Anti Fraud**

The applicant strengthened its anti fraud policy during the application process and made references directly on its website. A sufficient policy and a framework to deal with financial mismanagement and other forms of malpractices exist for staff and no cases of fraud were experienced by the staff in the last two years. ADA is working with the assistance of the recently established Central Forum for the Prevention of Corruption (ICPC) on issues related to project fraud. Such fraud is normally committed by third parties. While these efforts are ongoing it should be noted that the monitoring over the current projects is extensive and therefore the fraud risks is not extensive.

The Panel concluded that the fiduciary standards relating to financial mismanagement and other forms of malpractice was met and recognizes that further strengthening is taking place.

### **Conclusion**

After considering the documentation and the outcome of the review, the Panel concluded that the applicant is a strong candidate for accreditation and decided to recommend the accreditation of Agence pour le Développement Agricole of the Government of Morocco.

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

**Background**

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

**Fiduciary Standards**

**Legal Mandate**

Fundecooperación was established as a Foundation in 1994, based on the Costa Rica's Law on Foundations Nº 1338 of August 28th, 1973. Without giving a legal opinion, the documentation provided demonstrates that Fundecooperación has a legal personality that has the capacity, authorization and the ability to directly receive funds.

**Financial Integrity**

The applicant's practices relating to financial integrity are very strong. There are audited financial statements with a clear opinion given by local accountants who are rotated each few years to assure their independence. The last opinion covered the financial statements for 2011. Since 2007 Fundecooperación uses an accounting package for financial management and control called "Millenium-Contador". This package was chosen based on its easy way of use, the innovative module application for project financial management, its national recognition and the fact that it is periodically updated. There is sufficient auditing of projects. Fundecooperación engaged a contractor to do an extensive internal audit of its administration in order to meet the requirements of the fiduciary standards of Adaptation Fund. The results were positive. The internal audit included, contracting, procurement and disbursements and it was stated that these activities were done in line with best practices and competitive prices were obtained. The internal audit also covered the preparation of financial statements and a positive assessment was given similar what is expected for larger organizations trading on the stock exchange and reporting under the Sarbanes Oxley legislation. In addition to such a comprehensive audit a full risk assessment was performed covering such risks as: credit risk, country risk, liquidity risk, market risk, operational risk, interest group risk, and reputational risk.

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

## **Project Management**

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

## **Anti Fraud**

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

## **Conclusion**

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

**Annex III**  
**Report of the Accreditation Panel on the Accreditation of *Agencia de Cooperacion Internacional* of the Government of Chile**

**Background**

The Chilean International Cooperation Agency (AGCI) is an autonomous body established under the Ministry of External Relations. AGCI was established with the purpose of supporting Government development plans, programs, projects and activities through training, provision and management of international cooperation resources. Another of the Agency's objective is to implement, carry out and execute international cooperation for and between developing countries.

As a part of its objectives AGCI major functions include receiving and channelizing bilateral assistance from partners in strategic areas where some of its current main partners are Japan, Germany, New Zealand, IDB, GEF. It also undertakes triangular cooperation programmes and projects, an example of which is Chile-Mexico Fund and is also involved in other programmes and projects relating to South-South cooperation.

**Fiduciary Standards**

**Legal status**

The Chilean International Cooperation Agency is a functionally decentralized public service, having legal capacity and own assets. AGCI has its own legal department to handle contracts/agreements and other legal issues. AGCI has the required legal capacity to be a NIE of the Adaptation Fund.

**Financial management**

AGCI prepares its annual financial statements in accordance with the requirements of the Government of Chile, following the General Accounting System of the Nation. The external audit of the financial statements is undertaken by the Office of the Comptroller General, Government of Chile. AGCI's financial statements were audited in 2007, 2008 and 2009. It was subsequently categorised as a low risk entity and hence no audit was undertaken for the year 2010. The audit for 2011 has been completed recently and the draft report is currently under preparation. The audit includes a procurement audit.

AGCI has an Internal Audit department with one auditor and an assistant. AGCI has a robust system for preparing annual audit plans. It also has an adequate system for following up on the actions required based on audit observations/recommendations. The Internal Audit unit of AGCI is subject to ongoing supervision by, Consejo de Auditoría Interna General de Gobierno (CAIGG), an advisory body to the government and public for auditing, anti-corruption and internal management control.

AGCI has adequate Financial Management Systems including audit and internal control to meet the requirements of the Fiduciary Standards.

**Procurement**

AGCI has an adequate process for procurement which includes preparation of bid documents, call for bids, technical and financial evaluation and award of contracts. It also has a system for reporting and handling complaints, including those relating to procurement. The procurement processes at AGCI are audited on a selective basis by the Comptroller General's office as a part of its external audit and also by the Internal Audit department of AGCI.

Based on the above it can be concluded that the procurement systems at AGCI are adequate to meet the requirements of the Fiduciary Standards.

### **Project Management**

AGCI handles programmes and projects under several different bilateral and trilateral co-operation agreements. While there are some variations in the processes for undertaking identification and appraisal of projects, all the approaches cover the essential steps and include the stages like call for proposals, eligibility analysis, technical appraisal, pre-selection, selection and approval. For all the projects regular monitoring and evaluation is undertaken by AGCI and reported to the relevant authorities/partners as per the requirements.

While AGCI follows Monitoring and Evaluation (M&E) guidelines defined in the various agreements for undertaking this task, it is also in the process of preparing an Integrated Project Monitoring System for the organization which is likely to be completed by December 2012 and presented for discussions and approval to the management. AGCI also undertakes activities relating to project closure and independent evaluation of projects.

AGCI has the competencies and experience to undertake project management activities covering the entire project management cycle.

### **Transparency and handling financial mismanagement**

The staff at AGCI are governed by the government regulations regarding code of conduct, a copy of which is provided to them at the time of joining. During the year one workshop was conducted for the staff on anti-corruption and another one Sexual Harassment and labour Laws.

AGCI's website has a provision for lodging complaints and the necessary procedures for handling complaints, including appropriate investigation depending upon the nature of the complaint.

Transparency and corruption does not appear to be an issue in the country or for AGCI. This is also borne out by the fact Chile was ranked at 22<sup>nd</sup> position in 2011 in Transparency Internationals Corruption Perception Index and has moved up 20<sup>th</sup> position in 2012

### **Recommendations**

Based on above analysis and conclusions it is recommended that AGCI be accredited as a NIE of the Adaptation Fund.