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April 12, 2010

To the Permanent Representations to the UN of Annex I Parties to the Kyoto Protocol

Sub: The Adaptation Fund becomes operational – Request for financial and technical support for National Implementing Entities in non-Annex I Parties to the Kyoto Protocol

The Adaptation Fund, established by the Parties to the Kyoto Protocol of the UN Framework Convention on Climate Change (UNFCCC), is mandated to finance concrete adaptation projects and programmes in developing countries that are Parties to the Kyoto Protocol.

The Adaptation Fund Board (AFB) at its ninth meeting (Bonn, March 23-25, 2010) adopted two decisions that mark the full operationalization of the Fund: The Board decided to accredit the first three Implementing Entities eligible to access funds from the Adaptation Fund. The AFB also decided to issue the first call for project and programme proposals.

The non-Annex I Parties to the Kyoto Protocol can access funds from the Adaptation Fund through an accredited Implementing Entity. While the AFB has invited several established multilateral institutions to seek accreditation as Multilateral Implementing Entities (MIEs), the countries have been also invited to nominate their own National Implementing Entity (NIE), a national organization that would be the proponent and fund recipient in the direct access modality. The possibility to access and manage funds independently of multilateral agencies is one of the innovative features of the Adaptation Fund.

In order to be accredited, an aspiring Implementing Entity would need to provide evidence that it meets the fiduciary standards set up by the AFB. The accreditation process and the fiduciary standards are presented in detail on the Adaptation Fund website: <http://www.adaptation-fund.org>.

The eligible non-Annex I Parties have enthusiastically welcomed the introduction of the NIE modality. However, the AFB is aware that for many countries, the accreditation process can be a challenge. With this letter, the AFB requests bilateral donors to consider initiating programmes for financial and technical support for developing countries in establishing their National Implementing Entities. Such support could include, *inter alia*, assisting the countries in identifying suitable organizations or in establishing new ones, and supporting the selected organization in building capacity and/or illustrating and providing evidence how it could meet the fiduciary standards to secure accreditation for direct access with the Adaptation Fund Board.

It is also important to underline that applications for accreditation of potential NIEs should be accompanied by documentary evidence on how such entities meet the Fund's fiduciary standards. The attached application includes examples of the types of supporting



documentation that would provide evidence for these standards (Annex 1). The NIE will be accountable to the AFB for all funds received from the Fund for projects and programmes. The NIE may appoint executing entities to execute projects and programmes under its oversight.

The Board would like to inform that the eligible non-Annex I Parties were invited to apply for NIE accreditation with a letter dated October 6, 2009 (Annex 2). As of the date of issuance of the present letter, altogether twenty-one countries had expressed interest in setting up an NIE, five countries had submitted an application to the secretariat, and two applications had been forwarded to the Accreditation Panel, an advisory body responsible for assessing the applications. Following recommendation by the Panel, the AFB accredited the first NIE, *Centre de Suivi Ecologique* from Senegal, at its last meeting.

Given that this is an evolving process, the Board has not placed any deadline for the submission of applications for accreditation of the NIEs. Following the Operational Policies and Guidelines, the applications for accreditation, including supporting documentation, can only be submitted in English.

The AFB secretariat is available to provide more information on the Adaptation Fund and the accreditation process.

Your assistance will be highly appreciated.

Sincerely,



Farrukh Iqbal Khan
Chair
Adaptation Fund Board



Hiroshi Ono
Vice-Chair
Adaptation Fund Board

Annex 1: Accreditation Application Form

Annex 2: Invitation letter sent on October 6, 2009 (without annexes)

Cc: UNFCCC Focal Points of the non-Annex I Parties and Permanent Representations to the UN of the non-Annex I Parties to the Kyoto Protocol of the UNFCCC

Accreditation Application Form

Please fill out all of the background and contact information contained in Section I.

For Sections II-IV, provide a description of how the organization meets the specific required capabilities and attach supporting documentation. Examples of the types of supporting documentation that would provide evidence of meeting the Fund's fiduciary and management standards are included at the end of each of these sections.

SECTION I: Background/Contact

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

SECTION II: Financial Management and Integrity

■ Specific Capability Required

- a) Accurately and regularly record transactions and balances in a manner that adheres to broadly accepted good practices, and are audited periodically by an independent firm or organization;
- b) Managing and disbursing funds efficiently and with safeguards to recipients on a timely basis;
- c) Produce forward-looking financial plans and budgets
- d) Legal status to contract with Adaptation Fund Board

■ Description of how entity meets capabilities required

Inventory of Current Organizational Environment	Document References

■ Examples of Supporting Documentation

Required Competency	Verification	Supporting documentation that may be provided
<i>Financial Management and Integrity</i>		

a.	Production of reliable financial statements that are prepared in accordance with internationally recognized accounting standards	Audited Financial Statements
b.	Production of annual external audited accounts that are consistent with recognized international auditing standards	i) Audit Committee's Terms of Reference and ii) External Auditor Reports (if possible)
c.	Production of detailed departmental accounts	Sample of departmental account
d.	Demonstration of use of accounting packages that are recognised and familiar to accounting procedures in developing countries	Description of accounting package used
e.	Demonstration of capability for functionally independent internal auditing in accordance with internationally recognized standards	Policy or other published document that outlines the entity's internal auditing function
f.	Demonstration of use of a control framework that is documented with clearly defined roles for management, internal auditors, the governing body, and other personnel	Policy or other published document that outlines the entity's control framework
g.	Production of financial projections demonstrating financial solvency	Business plan/corporate budgets for the next fiscal year
h.	Demonstration of proven payment/disbursement systems	Procedures describing the payment/disbursement system
i.	Evidence of preparation of corporate, project or departmental/ministry budgets	(same documentation as for g will provide the necessary verification)
j.	Demonstration of ability to spend against budgets	End of calendar year/fiscal year budget report
k.	Demonstration of necessary legal personality if not government department/institution	Documentation of legal status

	i. Demonstration of legal capacity/authority and the ability to directly receive funds	(same documentation as for k will provide the necessary verification)
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SECTION III: Requisite Institutional Capacity

Specific Capability Required

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

Description of how entity meets capabilities required

Inventory of Current Organizational Environment	Document References

Examples of Supporting Documentation

Required Competency	Verification	Supporting documentation that may be provided
<i>Requisite Institutional Capacity</i>		
a.	Evidence of procurement policies and procedures at the national level that are consistent with recognized international practice (including dispute resolution procedures)	: Procurement policy, procedures, or guidelines

b.	Demonstration of existing capacities for monitoring and independent evaluation that are consistent with the requirements of the Adaptation Fund	Policy or other published document that outlines monitoring and evaluation requirements
c.	Evidence of a process or system, such as a project-at-risk system, that is in place to flag when a project has developed problems that may interfere with the achievement of its objectives, and to respond to redress the problems	Procedures for project-at-risk system or similar process/system
d.	Demonstration of availability of/access to resources for and track records of conducting appraisal activities	Sample of appraisals undertaken
e.	Evidence of institutional system for balanced review of projects, particularly for quality-at-entry during design phase	Operational manual or written procedures for project review system
f.	Evidence of risk assessment procedures in place	Policy or other published document that outlines the risk assessment procedures
g.	Demonstration of an understanding of and capacity to oversee the technical, financial, economic, social, environmental, and legal aspects of projects and their implications	Sample of project documents and criteria used to monitor project implementation
h.	Demonstration of competence to execute or oversee execution of projects/programmes	Independent evaluation reports of completed projects/programmes

SECTION IV: Transparency, self-investigative powers, and anti-corruption measures

■ Specific Capability Required

a) Competence to deal with financial mis-management and other forms of malpractice

■ Description of how entity meets capabilities required

Inventory of Current Organizational Environment	Document References

■ **Examples of Supporting Documentation**

Required Competency	Verification	Supporting documentation that may be provided
<i>Requisite Institutional Capacity</i>		
a.	Demonstration of capacity and procedures to deal with financial mismanagement and other forms of malpractice	Documentation, if existing, supporting avenues for reporting compliance/other business conduct concerns
b.	Evidence of an objective investigation function for allegations of fraud and corruption	Procedures describing the role and authority of the ethics or related administrative support function



ADAPTATION FUND

Annex 2: Invitation Letter sent on October 6, 2009

1818 H Street, NW
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October 6, 2009

To the Permanent Representations to the UN of developing Countries Parties to the Kyoto Protocol

Sub: Starting up the Adaptation Fund - Invitation to nominate National Implementing Entities for accreditation to the Adaptation Fund Board

The Adaptation Fund Board (AFB) wishes to invite Kyoto Protocol Parties to nominate a potential National Implementing Entity (NIE) for accreditation with the AFB in order to directly access the Adaptation Fund's financial resources for undertaking adaptation projects or programmes at the national or regional level.

The Adaptation Fund (AF), established by the Parties to the Kyoto Protocol of the UN Framework Convention on Climate Change (UNFCCC), is mandated to finance concrete adaptation projects and programmes in developing countries that are Parties to the Kyoto Protocol and allow direct access to the Fund by those Parties.

The AFB has recently approved its Operational Policies and Guidelines that allow eligible Parties, seeking financial resources from the Adaptation Fund, to submit proposals *either* directly through their nominated NIE *or* using the services of Multilateral Implementing Entities (MIEs).¹

Groups of Parties may also nominate regional and subregional entities as implementing entities to function as their NIE. An accreditation process has been established and requires these NIEs to meet the Fund's fiduciary and management standards as contained in its Operational Policies and Guidelines, a copy of which is attached. These Guidelines are also available on the AFB's website (http://www.adaptation-fund.org/images/AFB.Operational_Policies_and_Guidelines.pdf).

It is expected that applications for accreditation of potential NIEs will be accompanied by documentary evidence on how such entities meet the Fund's fiduciary and management standards. The attached application includes examples of the types of supporting documentation that would provide evidence for these standards (Annex 2). The NIE will be accountable to the AFB for all funds received from the Fund for projects and programmes. The NIE may appoint executing entities to execute projects and programmes under its oversight.

¹ NIEs are national legal entities with the capacity to implement projects. MIEs are international organizations, including, among others, UN agencies, the World Bank and regional multilateral banks.



ADAPTATION FUND

The AFB requests that the application for accreditation, including supporting documents, be submitted and written in English.

Kindly address your applications to the AFB Secretariat, secretariat@adaptation-fund.org. If necessary, Parties can also request further information by phone at: +1 202 473-6390, fax, +1 202 522-3240.

Sincerely

A handwritten signature in blue ink, appearing to read 'Jan Cedergren', written over a light blue grid background.

Jan Cedergren
Chair, Adaptation Fund Board

A handwritten signature in black ink, appearing to read 'Farrukh I. Khan', written over a light gray grid background.

Farrukh I. Khan
Vice-Chair, Adaptation Fund Board

Cc: UNFCCC Focal Point