

ANNEX 2: FIDUCIARY RISK MANAGEMENT STANDARDS TO BE MET BY IMPLEMENTING ENTITIES

Competencies and Specific Capabilities

Required competency	Specific capability required	Illustrative means of verification
I Financial Management and Integrity	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	<ul style="list-style-type: none"> • Production of reliable financial statements prepared in accordance with internationally recognized accounting standards. • Annual external audited accounts that are consistent with recognized international auditing standards. • Production of detailed departmental accounts • Use of accounting packages that are recognised and familiar to accounting procedure in developing countries • Demonstrate capability for functionally independent internal auditing in accordance with internationally recognized standards.¹⁸
	Managing and disbursing funds efficiently and with safeguards to recipients on a timely basis;	<ul style="list-style-type: none"> • A control framework that is documented with clearly defined roles for management, internal auditors, the governing body, and other personnel. • Financial projections demonstrating financial solvency • Demonstration of proven payment / disbursement systems
	Produce forward-looking financial plans and budgets	<ul style="list-style-type: none"> • Evidence of preparation of corporate , project or departmental / ministry budgets • Demonstration of ability to spend against budgets
	Legal status to contract with the Adaptation Fund and third parties	<ul style="list-style-type: none"> • Demonstration of necessary legal personality in case it is not government department/institution. • Demonstrated legal capacity/authority and the ability to directly receive funds

¹⁸ Such as International Standards on Auditing (ISA).

Required competency	Specific capability required	Illustrative means of verification
II Requisite Institutional Capacity		
	Procurement procedures which provide for transparent practices, including competition	<ul style="list-style-type: none"> • Evidence of procurement policies and procedures at national levels consistent with recognized international practice (including dispute resolution procedures)
	Capacity to undertake monitoring and evaluation	<ul style="list-style-type: none"> ▪ Demonstration of existing capacities for monitoring and independent evaluation consistent with the requirements of the Adaptation Fund. ▪ Evidence that a process or system, such as project-at-risk system, is in place to flag when a project has developed problems that may interfere with the achievement of its objectives, and to respond accordingly to redress the problems.
	Ability to identify, develop and appraise project	<ul style="list-style-type: none"> • Availability of/ Access to resources and track records of conducting appraisal activities • Evidence of institutional system for balanced review of projects, particularly for quality-at-entry during design phase. • Risk assessment procedures are in place.
	Competency to manage or oversee the execution of the project/programme including ability to manage sub-recipients and to support project /programme delivery and implementation	<ul style="list-style-type: none"> • Understanding of and capacity to oversee the technical, financial, economic, social, environmental and legal aspects of the project and their implications • Demonstrated competence to execute or oversee execution of projects / programmes of the same nature as intended project or programme

Required competency	Specific capability required	Illustrative means of verification
III Transparency, self - investigative powers, and anti-corruption measures	Competence to deal with financial mis-management and other forms of malpractice	<ul style="list-style-type: none"> • Demonstration of capacity and procedures to deal with financial mismanagement and other forms of malpractice. • Evidence of an objective investigation function for allegations of fraud and corruption.