



ADAPTATION FUND

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Adaptation Fund Board

**REPORT OF THE NINETEENTH MEETING OF  
THE ACCREDITATION PANEL**

## WORK OF THE ACCREDITATION PANEL

1. The Accreditation Panel (the Panel) continued its work reviewing both new and existing applications. On 13-14 May 2015 the Panel held its nineteenth 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. One new completed application was received. In addition to the new application, the Panel reviewed three re-accreditation applications World Food Program (WFP), Asian Development bank (ADB), United Nations Environment Programme (UNEP). The Panel continued its review of the applications of eleven potential National Implementing Entities (NIEs), three potential Regional Implementing Entities (RIEs), and one potential Multilateral Implementing Entity (MIE) that were previously reviewed but required additional information for the Panel to make its recommendations.

3. By the time of the finalization of this report, the Panel concluded the review of two applications for accreditation:

- (i) The Environment Division of the Ministry of Health and the Environment – Government of Antigua and Barbuda (Environment Division), Antigua and Barbuda
- (ii) United Nations Human Settlements Programme (UN-Habitat)

4. For re-accreditation the Panel has completed its review of the Asian Development Bank (ADB) and United Nations Environment Programme (UNEP).

5. Twelve applications (nine for potential NIEs and three for potential RIEs), are currently 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 NIE044*
- 2) *National Implementing Entity NIE046*
- 3) *National Implementing Entity NIE049*
- 4) *National Implementing Entity NIE057*
- 5) *National Implementing Entity NIE061*
- 6) *National Implementing Entity NIE076*
- 7) *National Implementing Entity NIE075*
- 8) *National Implementing Entity NIE069*
- 9) *National Implementing Entity NIE066*
- 10) *Regional Implementing Entity RIE008*
- 11) *Regional Implementing Entity RIE010*
- 12) *Regional Implementing Entity RIE012*

## Completed Cases

### *The Environment Division of the Ministry of Health and the Environment – Government of Antigua and Barbuda (Environment Division)*

6. The application was received by the secretariat on 18 July 2014. After completing the initial screening, the secretariat found many missing elements and requested additional information on 5 August 2014. The complete application was re-submitted on 29 August 2014 and forwarded to the Panel on 2 September 2014. It was discussed at the 18th Panel meeting. The application included over a hundred documents. The request for additional information was issued in December 2014 and followed-up by intensive monthly discussions on Skype with each discussion covering different aspects of the Fiduciary Standards and the Environmental and Social Policy of the Adaptation Fund. The discussions enabled the Panel to understand the full potential and capability of the applicant and provided the applicant an opportunity to install systems, procedures and documentation relating to the areas where the accreditation requirements were not fully met. As part of this dialogue almost two hundred additional documents were examined by the Panel.

7. The applicant: The Environment Division was created in 1996 and its mission is to provide technical advice and implement projects on behalf of the Government. It executes this mandate with a professional staff of less than twenty and this number fluctuates depending on the number and size of the ongoing projects. Its annual expenditures are in the range of USD equivalent of 400,000 per year. The larger projects handled by the Environment Division can go up to several million dollars.

8. Based on the extensive dialogue and examination of documents the Accreditation Panel concludes that the Environment Division meets the requirements of the fiduciary standards and those of the Environmental and Social Policy of the Adaptation Fund. The Applicant has demonstrated how a government unit of a small island development state can effectively take the measures during an accreditation process to meet the requirements to be an implementing entity for the Adaptation Fund.

9. A summary of the Panel's conclusions can be found in Annex I.

### *United Nations Habitat and Human Settlements Foundation (UN-Habitat)*

10. UN-Habitat 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 January 2013.

11. The overarching and long-term goal of UN-Habitat is sustainable urbanization created by cities and regions that provides citizens with adequate services, security, and employment opportunities while limiting their ecological footprint. The mandate of UN-Habitat is to promote

socially and environmentally sustainable housing for all. It has also been entrusted with several other important mandates, in keeping with the Millennium Development Goals.

12. The Panel completed its initial assessment of the application in March 2013. While the applicant was found to have significant experience in handling projects and had some good systems in place, there were gaps in the information provided for certain capabilities of the fiduciary standards 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.

13. The Panel received all requested information shortly prior to its nineteenth Panel meeting (May 2015). After a review of the latest documentation received, the Panel has concluded that UN-Habitat has well defined policies and procedures covering all aspects of the fiduciary standards and the competencies and experience to implement its policies and procedures. The Panel therefore recommends that UN-Habitat be accredited as a MIE of the Adaptation Fund.

14. A summary of the Panel's conclusions can be found in Annex II.

#### **Other cases under review**

##### *National Implementing Entity NIE044*

15. The applicant submitted its application on 25 January 2013. Most of the supporting documentation was not provided in English. The Panel provided the applicant with a list of selected supporting documents for translation. This was aimed at reducing the workload and cost of translating all applicant documents. At the thirteenth meeting, the Panel briefly discussed the application and agreed to communicate the additional information required and the need for further clarification on several issues. Many additional documents were provided by the applicant.

16. At the fourteenth meeting the Panel agreed that the applicant may have the capacity to be an *executing entity*. However the best option would be to complete a review of the applicant's *implementation capacity* during a field visit prior to the fifteenth Accreditation Panel meeting. The field visit took place during the last week of January 2014. 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 needed to be put in place and these were discussed with the senior staff of the applicant to ensure they were well understood. The required actions included: the completion of two internal audits with management comments; establishing an audit committee; issuing an internal control statement; completing a basic risk analysis including the identification and taking of risk mitigation steps; supplementing the procedures manual for selection of projects and how procurement of executing entities would be verified; comparing budget statements to actual with explanations for variances; and, developing the required system, procedures and internal capacity to deal with financial mismanagement and other forms of malpractice.

17. Since the field visit was undertaken in January of 2014, the Executive Director of the applicant has changed. After the change of the Executive Director, the Panel received an email from the new Executive Director in February 2015. The Executive Director is interested in continuing with the application and addressing the gaps the Panel initially identified. The first few documents were received and the Panel followed-up with the applicant and requested information on plans to address gaps prior to the Panel's nineteenth meeting. It has also requested an update on the organization and its management to understand whether or not the change of Executive Director and possible other movements impact the ability of the applicant to meet the accreditation requirements. As of the date of this report, the applicant has not provided additional information.

*National Implementing Entity NIE046*

18. The application submitted on 31 December 2012 was forwarded to the Panel members on 10 January 2013. The entity provided a large amount of supporting documentation for the Panel review and analysis at its twelfth Panel meeting.

19. Several gaps were identified and the applicant was requested to provide answers to a list of additional questions relating mainly to the applicant's internal audit capacity; its track record in project appraisal, monitoring and evaluation; and its transparency and anti-corruption policy. 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.

20. The Panel found gaps still existed in a number of areas and requested additional information in August 2013. The applicant agreed to submit a response with additional supporting documentation prior to the fifteenth Panel meeting, scheduled for February 2014.

21. The applicant provided additional information in January 2014 and June 2014. The additional documentation was analyzed by the Panel and helped to close some of the open issues. However, several gaps remained and at the sixteenth meeting the Panel agreed that a field visit would be the best way to resolve the outstanding issues. The applicant was unable to host a field visit due to scheduling conflicts and workload issues.

22. The applicant was invited to the Fund seminar for NIE's held in Bangkok 10-12 September 2014 in partnership with UNEP. The applicant sent two representatives to the meeting who met with two members of the Panel. The meeting provided an opportunity to discuss the progress of the application. The key outstanding issues were highlighted and also the need for addressing the issues in a satisfactory manner before the Panel could consider recommending accreditation. The representatives assured the Panel members that they would discuss the issues with their colleagues and work towards closing all the existing gaps. In January 2015, the applicant provided information aimed at closing the existing gaps. However the information received did not address all the outstanding issues. The secretariat had a call with the DA to discuss the situation and agreed that the DA would confer a course of action with the applicant.

*National Implementing Entity NIE049*

23. The application was received by the secretariat on 14 April 2013. After completing the initial screening, the secretariat submitted the application to the Panel for consideration at its fourteenth meeting of September 2013.

24. The Panel discussed the merits of the application and sent a list of information requirements to applicant in October 2013. The Panel has been following up with applicant on the status of implementation of the agreed measures to address the identified gaps. Some of the agreed measures relate to: (a) improving the effectiveness of the Audit Committee, internal audit and the internal control framework; (b) revamping the procurement manual; (c) preparing adequate guidelines for project risk assessment, appraisal, monitoring and evaluation and closure; (d) implementing a project-at-risk system; (e) enhancing the applicant's website to facilitate the reporting of allegations of malpractice and corruption; and (f) issuing a policy on whistle-blower protection.

25. The applicant has been in regular communication with the Panel and has continued to provide the required information in installments. The Panel is in the process of assessing the complete information provided over the last several months. Based on the assessment the panel will decide on its recommendation/next course of action.

26. The applicant was invited to the Fund's Climate Finance Regional Workshop where the few outstanding items were discussed. The Panel is currently awaiting submission of the last outstanding documents from the applicant.

*National Implementing Entity NIE057*

27. The application was received by the secretariat in February 2014. After completion of the preliminary screening by the secretariat in April 2014, it was put forward for the Panel's consideration at its sixteenth meeting of May 2014.

28. After discussing the merits of application and fiduciary issues, on 6 June 2014, the Panel communicated to the applicant a list of questions and additional information requirements. While the applicant has demonstrated a solid experience in handling credit-financing activities, it has also recognized the existence of various gaps in meeting the requirements of the Fiduciary Standards. For example, some of these gaps surfaced in competences related to: (a) procurement; (b) project appraisal and risk assessment for non-credit projects/programmes; (c) project quality at entry; (d) project-at-risk system; (e) monitoring, evaluation and closure procedures for non-credit projects/programmes; (f) an effective anti-fraud/corruption system; and (g) the framework to deal with complaints on environmental and social issues.

29. The applicant has sought external assistance in the preparation and implementation of a policy framework for meeting the requirements of the Fiduciary Standards. The consultant(s)

provided an action plan for completing the work by May 2015. At the time of this report the Panel had not received any information from the applicant. The Panel will reach out to determine how much additional time is needed to enable it to set up the required policies/systems based on the consultant's work.

*National Implementing Entity NIE061*

30. The application was received by the secretariat on 14 July 2014 through the accreditation workflow. After screening the application for consistency and completeness, the secretariat forwarded the application to the Panel on 16 July 2014 for consideration at its seventeenth meeting. The initial review of the application by the expert members of the Accreditation Panel was completed in October 2014. After discussing the initial review findings, the Panel communicated to the applicant a list of questions and additional information requirements in November 2014. The applicant provided responses to the Panel's questions and requests for additional information in February 2015. Analysis of the responses showed there were still a number of information gaps that needed to be addressed. This was communicated to the applicant on April 19, 2015. There has been no response from the applicant since then.

*National Implementing Entity NIE076*

31. The application was received by the secretariat on 5 December 2014 through the accreditation workflow. After screening the application for consistency and completeness, the secretariat forwarded the application to the Panel on 15 December 2015.

32. The Panel completed its assessment of the application in February and found several areas in which the applicant did not demonstrate the requirements of the Fiduciary Standard, including compliance to the Fund E&S Policy.

The list of additional information required was sent to the applicant and subsequently a detailed Skype call was held when the Panel's observations and requirements were discussed and explained. The applicant has since provided a detailed response in April/May. The Panel is in the process of completing its analysis of the response. Based on the current assessment (which is in progress) further information would be required from the applicant.

*National Implementing Entity NIE075*

33. The application was received by the secretariat on 2 December 2014 through the accreditation workflow. The application was sent back to the applicant by the secretariat to request additional missing documentation. The applicant responded with additional documentation and the secretariat forwarded the application to the Panel on 15 December 2015. The Panel completed its assessment of the application in the beginning of March and found several areas in which the applicant did not meet the requirements of the fiduciary standards. In particular there are gaps in the area of financial management (including external and internal

audits), the internal control framework, and project management where the bulk of the policies and systems appear to be at a draft stage and yet to be approved or implemented.

34. The list of additional information required was sent to the applicant and subsequently a detailed Skype call was held in which the Panel's observations and requirements were discussed and explained. The applicant provided substantial additional information in April 2015 and also an action plan for working on the remaining issues. While the Panel has started assessing the information provided, the remaining information is still awaited from the applicant.

*National Implementing Entity NIE069*

35. The application was initially received by the secretariat on 5 December 2014 through the accreditation workflow. After screening the application for consistency and completeness, the secretariat forwarded the application to the Panel on 15 December 2015. The Panel has held several Skype discussions over the last few months aimed at resolving the identified gaps. The applicant has provided the first few additional documents for examination in early July 2015. Efforts to elaborate an operational manual have started as part of the accreditation process. Depending on the results of further information provided the Panel plans a visit to the applicant to get a complete overview of its project cycle capabilities including how it handles the environmental and social safeguards.

*National Implementing Entity NIE066*

36. The application was received by the secretariat on 1 April 2015 and after the initial screening returned to the applicant for additional information. The applicant re-submitted the application on 21 April 2015 and the application was forwarded to the Panel on 30 April 2015.

37. Upon initial screening, the Panel found that the applicant has major gaps and that in order to meet the Fund's fiduciary and environmental standards, the applicant may need to invest significant resources. The gaps have been communicated to the applicant via teleconference and the applicant is currently weighing its options for how to move forward.

*Regional Implementing Entity RIE008*

38. The application was received by the secretariat on 8 January 2014 through the accreditation workflow. After screening the application for consistency and completeness, the secretariat forwarded the application to the Panel on 9 January 2014 for consideration at its fifteenth meeting

39. 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 areas such as internal audit, internal control framework, and demonstrate the required capabilities in project management. The Panel's findings were communicated to the applicant in April 2014 along with requests for additional information and indications of areas where the applicant's capabilities need to be strengthened.

40. The applicant requested the Panel to undertake a field visit to resolve the issues raised. The Panel wrote to the applicant indicating that the procedures of the accreditation process required an applicant to respond to the questions posed and to first work toward closing some gaps prior to a field visit. Subsequently in December 2014, the applicant provided responses to the panel questions and requests for additional information. A reviews of the responses found several gaps in the information requested by the Panel. The gaps relate to 4 main areas: (i) internal and external audit, (ii) internal control framework, and (iii) project cycle management, including management of the procurement function and environmental and social risk assessment.

41. Results of the review were communicated to the applicant with a request to address all the gaps before accreditation can be considered.

*Regional Implementing Entity RIE010*

42. The application was received by the secretariat on 14 July 2014 through the accreditation workflow. After screening the application for consistency and completeness, the secretariat forwarded the application to the Panel on 16 July 2014 for consideration at its seventeenth meeting. During that meeting a telephone conference was held with the applicant and the Panel agreed to formulate the additional information needed to cover the gaps identified and this is being finalized. The application was discussed during the 17th Panel meeting and the request for additional information was issued at the end of September. This was followed up by a number of telephone calls and some 75 additional documents were submitted. The Panel has provided the applicant with an updated listing of the areas where the fiduciary standards and requirements related to the Environmental and Social Policy are still not fully demonstrated. A major area relates to implementing a complaints mechanism for allegations of fraud and mismanagement as well as for environmental and social harm resulting from projects and programmes.

*Regional Implementing Entity RIE012*

43. The application was received by the secretariat on 5 December 2014 through the accreditation workflow. After screening the application for consistency and completeness, the secretariat forwarded the application to the Panel on 15 December 2015. The application was discussed by the Panel at it 18th meeting and two of its members reviewed the content in detail. The applicant appears strong. The main area relates to implementing a complaints mechanism for allegations relating to violations under the Codes of Conduct and Ethics, to fraud mismanagement as well as for environmental and social harm resulting from projects and programmes and these areas were already being addressed at the time of the application.

## **Other Matters**

### *Twentieth Meeting of the Accreditation Panel*

44. The dates for the Panel's next meeting will be 6- 7 August 2015. The deadline for submissions of applications for accreditation for consideration at the nineteenth meeting of the Panel was 11 July 2015.

### *Re-Accreditation Applications*

45. The Panel reviewed its second set of re-accreditation applications, reviewing the applications of Asian Development Bank (ADB), United Nations Environment Programme (UNEP) and World Food Program (WFP). The Panel is recommending the re-accreditation of ADB and UNEP. A summary of the Panel's review is attached as Annex III and IV respectively.

46. Additional information from the World Food Programme (WFP) is pending for the Panel to complete its review.

47. In relation to the re-accreditation application, some thought was given to the fact that the Green Climate Fund (GCF) has fast-tracked several of the Fund's implementing entities and that the Fund might try to reciprocate through its own fast-track process. This could help increase the efficiency of the Panel and reduce duplication of work between the funds. The Board may therefore want to consider requesting the secretariat to carry out an assessment, including a gap analysis, of the Green Climate Fund's (GCF) fiduciary and environmental and social standards with recommendations on fast-tracking re-accreditation and potential accreditation applicants to the Adaptation Fund.

## RECOMMENDATION

*Accreditation of The Environment Division of the Ministry of Health and the Environment – Government of Antigua and Barbuda (Environment Division)*

48. After considering the conclusions and outcome of the review, the Panel recommends the accreditation of The Environment Division of the Ministry of Health and the Environment – Government of Antigua and Barbuda (Environment Division) as a National Implementing Entity (NIE)

(Recommendation FundB/AP.19/1)

*Accreditation of United Nations Human Settlements Programme (UN-Habitat)*

49. After considering the conclusions and outcome of the review, the Panel recommends the accreditation of United Nations Human Settlements Programme (UN-Habitat) as a Multilateral Implementing Entity (MIE)

(Recommendation FundB/AP.19/2)

*Re-accreditation Asian Development Bank (ADB) and United Nations Environment Programme (UNEP)*

50. After considering the conclusions and outcome of the review of the Asian Development Bank (ADB) and United Nations Environment Programme (UNEP), the Panel recommends the re-accreditation of:

- (a) ADB as an MIE of the Adaptation Fund
- (b) UNEP as an MIE of the Adaptation Fund

(Recommendation FundB/AP.19/3)

*Assessment of Green Climate Fund (GCF)'s Fiduciary and Environmental and Social Standards*

51. The Board may want to consider carrying out an assessment, including a gap analysis, of the Green Climate Fund's (GCF) fiduciary and environmental and social standards with recommendations on fast-tracking re-accreditation and potential accreditation applicants to the Adaptation Fund.

(Recommendation FundB/AP.19/4)

## **Annex I: Report of the Accreditation Panel on the Accreditation Application of The Environment Division of the Ministry of Health and the Environment Government of Antigua and Barbuda**

**The applicant:** The Environment Division was created in 1996 and its mission is to provide technical advice and implement projects on behalf of the Government. It executes this mandate with a professional staff of less than twenty and this number fluctuates depending on the number and size of the ongoing projects. Its annual expenditures are in the range of USD equivalent of 400,000 per year. The Environment Division serves a country population of close to 100,000 people with an average capita Gross Domestic Product of USD equivalent 20,000 per annum. The larger projects handled by the Environment Division can go up to several million dollars. The nation's people are mostly living on the two islands of Antigua and Barbuda and tourism accounts for half of the countries annual income. In the last few years the country is going through a stringent IMF led restructuring.

**The application:** The applicant uploaded its application including over a hundred documents into the Workflow and that was made available to the Accreditation Panel in September 2014. The request for additional information was issued in December 2014 and followed-up by intensive monthly discussions on Skype that enabled the Panel to understand the full potential and capability of the applicant and provided the applicant an opportunity to install systems, procedures and documentation relating to the areas where the accreditation requirements were not fully met. As part of this dialogue almost two hundred additional documents were examined by the Panel.

**Financial integrity:** Without giving a legal opinion the Environmental Division being part of a government has the legal personality in international public law to be a regional implementing entity. Its mission is consistent with the mandate of the Adaption Fund and it has been an implementer and executor of a number of environmentally related projects including those for the Global Environmental Facility.

Its **financial statements** which are incorporated into the annual accounts of the government were informal and were transmitted by a simple email. The government's annual accounts are transmitted to its external auditor (Director of Audit) but it is done after an interval of too many years. The Director of Audit in his latest report on the accounts of 2011 concluded that he

*“did not find that the audit evidence present fairly the financial position of the Government of Antigua and Barbuda for the financial year ending 31<sup>st</sup> December 2011”.*

The applicant therefore could not rely on the government system to demonstrate adherence to the fiduciary standards. To resolve the issue it arranged with the Director of Audit to do a separate audit of its accounts covering the financial year 2012, 2013 and 2014. This was done and it was agreed to do an annual audit each year thereafter. The audit for the three years concluded that:

*“In our opinion the statement of expenditure represents fairly, in all material respect the expenditure of the Environmental Division for the period January 1, 2012 to December 2014 in accordance with the Finance and Administration Act.”*

By including a copy of the statements in his report the Director of Audit identified clearly the statement of expenditure that had been informally submitted in each of the three years. Based on the action taken by the applicant the Panel is satisfied that the intent of the fiduciary standard related to the financial statements and the audit thereof are met.

The Environmental Division relied on the Ministry and government system for its **internal audit** activity but this resulted in no audit scrutiny. In agreement with the Panel, the external audit for the three years, that included management issues, was sufficient. For future years the applicant has contracted its *external audit consultant for project accounts* to expand its work to also cover the Environmental Division's operation. The Environmental Division has the required system to maintain **project accounts** and these are verified by an '*external audit consultant for project accounts*' on a quarterly basis. The initial reports examined by the Panel indicated a number of weaknesses in the Environment Division's record keeping and these were discussed with the applicant and the external audit consultant. As a result of the discussions the applicant is giving greater attention to the consultants' report and that includes taking corrective actions when required. The consultant has further confirmed to the Panel that the staff weaknesses have been resolved and no longer exist. With these action taken the Panel is satisfied that the intent of the fiduciary standards relating to internal audit and project record keeping over are met.

The applicant has an appropriate **internal control structure** and its payment and disbursement system involves checks within the Environment Division as well as within the Ministry and the Government Treasury. The Environmental Division maintains its own project bank accounts and has installed strong internal controls the accounts and the related disbursements. As part of the accreditation exercise the applicant created a high level **Audit Committee** with external financial expertise for the work related to the Environment Division including its project related work. The first meeting took place on 21 May 2015 and its discussions can be seen as following best practice. The applicant also created an **Internal Control Statement** and submitted this to its Minister, the Permanent Secretary of its ministry and the Financial Secretary of the Ministry of Finance and Corporate governance. In the statement the Chief Environmental Officer concluded that "*Based on the above mentioned information, as well as internal and external audit reports for this period, I hereby confirm that for the full year 2014 the Environmental Division had the internal control policies and procedures in place to govern its operations. These controls were operating effectively throughout the period ensuring a high transparency and accountability standard for the Division.*" The Panel concludes that the fiduciary standard relating to internal control are fully met.

The documents in the application provide an adequate demonstration of the ability to prepare **strategic plans** and to prepare **administrative budgets** and compare these to actual. The Division is a government entity and **financial solvency** is not an issue. There is the political support for the Environment Division to be the main vehicle related to climate, adaptation and environment issues.

**Project procurement:** The application includes a copy of the *Procurement and Contract Administration Act, 2011* and these provisions are the basis for project procurement. However, this legislation has not been enacted and neither have the control features of this legislation such as the creation of a central procurement unit to be headed by a Chief Procurement Officer, the appointment of a Procurement Board, procedures for a complaint mechanism and the passing of Regulations. The country is expecting funding from the European Union to strengthen the central government procurement system. In the absence of a strong central procurement system the applicant has adopted those procurement provisions that it expects will eventually be passed. These are included in its Accounting Procedures Manual. The Panel notes that, while the Environment Division, has minimal exposure to large procurements, it has the staff capability and procedures in place to ensure transparent and competitive procurement. The applicant recognizes the low level of procurement capability within the country and has therefore decided, in consultation with the Panel, that it will do the procurement of its executing entities rather than delegating this function. The Accreditation Panel is satisfied that the fiduciary standards for procurement are met.

**Project management:** From the initial application it was clear that the Environment Division had executed a number of projects over the last five years and others were in the project identification stage. However, the information thereon was scattered throughout the application and the abilities to execute projects was not demonstrated. Neither was there an effective project management manual to guide the Environmental Division. Through periodic Skype sessions and provision of additional information the applicant was able to demonstrate that it had the full project capability which relied extensively on the ability of its staff. It provided a commitment to develop an operational manual for this part of its operation and shared draft sections with the Panel for comments. The completed operational manual is expected to be available late summer.

**Project identification:** Specifically, the Environmental Division provided key strategic studies that identified priorities for environmental development projects required by the country. These were well done and benefited from consultation with stakeholders. The ability to do project appraisals and incorporate environmental and social considerations therein was demonstrated through the role that the applicant played when assisting donors in the project appraisal exercise and through examples of projects they put together that were funded by their own government.

**Project monitoring** is done on a continuous basis and systematically documented on a monthly basis. The monthly reports were provided to the Economic and Policy Unit of the Ministry of Finance. While the Ministry of Finance discontinued this requirement the procedure is maintained internally. Various committee structures to review projects are in place and operating and this includes a review of projects at risk. The Environment Division has minimal experience with project closure but it was able to demonstrate its ability with a project that is close to being finalized.

**Conclusion:** The Accreditation Panel concludes that the Environment Division meets the fiduciary standards relating to the project cycle and the Social and Environmental Policy requirements. It looks forward to the completion of the operational manual to document these procedures.

**Anti-Fraud:** The applicant has had little exposure to questions of fraud on its projects or with its staff. This reflects the size of the organization and its close scrutiny of transactions. One recent internal staff case under the Code of Conduct is being dealt with. Nevertheless, the applicant has placed on its website an antifraud policy including a zero tolerance attitude and an address for external parties to submit complaints.

**Grievance Mechanism for Environmental and Social harm:** The applicant has a role to investigate environmental complaints under national legislation. It has the experience and internal capability to react quickly to any complaint. At the time of the application this was not readily apparent. In consultation with the Panel the Environment developed a text for the website and more elaborate procedures for its operating manual.

[http://www.environmentdivision.info/submit\\_a\\_complaint\\_en\\_365cms.htm](http://www.environmentdivision.info/submit_a_complaint_en_365cms.htm)

**Overall Conclusion:** The Accreditation Panel concludes that the Environment Division meets the requirements of the fiduciary standards and those of the Environmental and Social Policy of the Adaptation Fund. The Applicant has demonstrated how a government unit of a small island development state can effectively take the measures to meet the requirements to be an implementing entity for the Adaptation Fund.

## **Annex II: Report of the Accreditation Panel on the Accreditation Application of UN-Habitat**

### **Background**

The Commission on Human Settlements and its secretariat, the United Nations Centre for Human Settlements (Habitat), including the United Nations Habitat and Human Settlements Foundation, were reconstituted into the United Nations Human Settlements Programme (UN-Habitat) as a subsidiary organ of the UN with effect from 1 January 2002,

The overarching and long-term goal of UN-Habitat is sustainable urbanization created by cities and regions that provides citizens with adequate services, security, and employment opportunities while limiting their ecological footprint. The mandate of UN-Habitat is to promote socially and environmentally sustainable housing for all. It has also been entrusted with several other important mandates, in keeping with the Millennium Development Goals.

UN-Habitat has stated in its application that it has specific expertise and experience to contribute to the Adaptation Fund Board's task of assisting local and national governments implement concrete actions to adapt to the effects of climate change, be it through assessing vulnerability of human settlements, more effective urban development planning, enhanced city governance and management, urban infrastructure development, or the management of utilities to ensure they consider the potential negative effects of climate change and take action to mitigate or adapt to those effects.

- (a) The management of the organisation consists of the following structure:
  - (i) The Governing Council which decides on urban strategic orientations and overall urban development goals
  - (ii) Committee of Permanent Representatives which represents the Council at UN-Habitat Secretariat
  - (iii) The Secretariat which manages the programmes and translates the Council's decisions into projects

The Secretariat is based in Nairobi and is headed by the Executive Director

### **The Fiduciary Standards**

#### **Legal Mandate**

The United Nations Habitat and Human Settlements Foundation (UNHHSF) was established in terms of General Assembly Resolution 3327 (XXIX) of 1974. Resolution 32/162 adopted by the General Assembly in 1977 provides for the various institutional arrangements for international cooperation in the field of human settlements through the UNHSSF. Resolution A/56/206 of 1st January 2002 is the UN General Assembly resolution transformed the United Nations Commission on Human Settlements (Habitat) into a full programme renamed as the United Nations Human Settlements Programme (UN-Habitat).

#### **Financial Management**

At the time of application UN-Habitat produced financial statements that were in compliance with the United Nations System Accounting Standards (UNSAS) in accordance with United Nations

and UN-Habitat Financial Regulations and Rules. However, UN-Habitat is now following the International Public Sector Accounting Standards (IPSAS) in line with all other UN organisations. UN-Habitat has very recently implemented OMOJA, the new UN SAP system.

As a UN Fund and Programme which operates in compliance with the UN Financial Regulations and Rules, UN-Habitat is subject to biennial external audits by the UN Board of Auditors, which operates independently of the Agency and reports to the UN General Assembly. External Audit reports for the last 3 biennium have been provided. While making some observations in the audit reports relating to accounting and internal control the reports contain an unqualified opinion. The reports include status of implementation of previous recommendations, the progress of which is regularly monitored.

In accordance with the United Nations Financial Regulation the Office of Internal Oversight Services (OIOS) is responsible for conducting independent internal audits in the UN system, including for UN-Habitat. The status of actions taken based on the recommendations/observations are regularly monitored and reported.

While UN-Habitat has in place most elements of an Internal Control System based on requirements as per UN Rules and Regulations, one of the audit reports had highlighted some weaknesses, including organisational risk management, relating to the system and its functioning. Necessary actions to address the weaknesses have since been initiated with some of those completely implemented.

UN-Habitat has policies and practices relating to preparation of medium term strategic plans, work plans and budgets and these documents are prepared and approved by the appropriate authorities. UN-Habitat also has a policy for evaluation (including external evaluation) of its plans.

## **Institutional Capability**

### **Procurement and Project Management**

While UN-Habitat follows the UN Rules and Regulations relating to procurement, the actual procurement for all UN-Habitat and other UN Agencies and Programmes based in Nairobi is undertaken by the UN office in Nairobi (UNON). The UN Board of Auditors had highlighted certain issues relating to procurement, which have since been resolved. A UN-Habitat Implementing Partners Management Policy has been developed earlier this year which lays down guidelines for oversight/review of project procurement by third party Executing Agencies.

### **Project Management**

UN-Habitat has wide experience in designing, approving and overseeing implementation of large projects across the globe.

The entity has a comprehensive framework for project identification, design and appraisal with appropriate templates. The applicant also has in place guidelines for Environmental Assessment and Project Risk Assessment at the appraisal stage including social, cultural and economic issues affecting project performance and results. It also has a system for undertaking Quality at entry reviews.

It has further stated that monthly/ quarterly budgetary updates of project implementation are not prepared for all projects “as a matter of policy”. However, these are provided if stipulated by the funding agency.

The Evaluation system in the all UN organisations/programmes is based on the standards prepared by the UN Evaluation Group in April, 2005. Apart from the UN standards, UN-Habitat is guided in its monitoring and evaluation exercise by the Monitoring and Evaluation Manual prepared in 2003 which was updated in July 2011. The UN Standards and the Monitoring and Evaluation Manual together provide very detailed and comprehensive guidelines for project monitoring. UN-Habitat also has a separate Evaluation Unit, which coordinates and conducts evaluation activity within the organization, encompassing both strategic and project-level evaluations. The applicant also uses the UN Integrated Monitoring and Document Information System (IMDIS).

An Implementation Reporting Template has been recently approved and will be used for reporting henceforth, thereby ensuring consistency in reporting. Some elements of a Project-at-Risk system have been defined.

UN-Habitat has policies and practices in place for undertaking detailed evaluation of projects on completion.

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

UN-Habitat’s Policies and Framework to deal with financial mismanagement and other forms of malpractices are based on UN Systems and Rules and Regulations including those relating to Staff Conduct. The policies and procedures are adequate and appropriately implemented and meet the requirements of the Fiduciary standard.

### **Environmental and Social Standards**

As the application was received prior to the implementation of the Fund E&S policy, the entity has been assessed accordingly.

### **Conclusion**

UN-Habitat handles large projects involving millions in funds across the globe. It has well defined policies and procedures covering all aspects of the Fiduciary Standard and the competencies and experience to implement its policies and procedures.

**It is accordingly recommended that UN-Habitat be accredited as a MIE of the Adaptation Fund.**

## **Annex III: Report of the Accreditation Panel on the Accreditation Application of the Asian Development Bank (ADB) – Re-accreditation**

### **Organisation**

The Asian Development Bank (ADB) was accredited as a Multilateral Implementing Entity (MIE) of the Adaptation Fund in 2010. Since accreditation, the Bank has not financed any Fund project. In the cover note of the application dated March 30, 2015, ADB states that it remains committed to serve as a multilateral implementing entity under the Fund. They also indicate that ADB also remains an MIE under the Global Environment Facility and was newly accredited to access financing from the Green Climate Fund.

#### *1. Assessment of whether ADB continues to meet the Adaptation Fund's Fiduciary Standards*

The applicant has indicated that there has been no adverse changes, since accreditation, in its institutional capabilities and as such, continues to meet the requirements of the Fund's Fiduciary Standards. On each category of the Fiduciary standards the application mentions many developments that further strengthen the fiduciary framework of the ADB. While the application was thorough providing significant amounts of documentation, some important information was not included and, if provided, would strengthen the application.

#### *2. Assessment of whether ADB meets the Adaptation Fund's environmental and social policies*

A review of the information provided shows that ADB has the capacity to assess environmental and social risks and integrate environmental and social risk management plans into project documents. The documentation provided meets or exceeds the standards.

#### *3. Assessment of whether the ADB meets the Adaptation Fund's requirements on transparency, self-investigative powers, anti-corruption measures and mechanism to address complaints about environmental or social harms caused by projects*

The applicant meets all the Fund's' requirements relating to transparency, self-investigative powers, anti-corruption measures and mechanisms to address complaints about environmental or social harms caused by projects. The applicant has demonstrated presence of transparent and accessible grievance mechanisms that would be used for receiving and addressing complaints about environmental and/or social harms caused by projects/programmes supported by the Fund. Based on the information provided and information on its webpages on anti-fraud/corruption initiatives, the applicant provided adequate evidence of a mechanism communicating the institution's policy of zero tolerance for fraud, financial mismanagement and other forms of malpractice.

### **Conclusion/Recommendation:**

The applicant meets all the requirements specified in re-accreditation application form. If the Accreditation Panel concurs, the ADB should be recommended for re-accreditation to the Adaptation Fund Board. A copy of a note to this effect is attached. It was judged useful to request additional information, but this information is not considered a prerequisite for re-accreditation

## **Annex IV: Report of the Accreditation Panel on the Accreditation Application of the United Nations Environment Programme (UNEP) – Re-accreditation**

### **Background**

The United Nations Environment Programme (UNEP) was first accredited in 2010 as a Multilateral Implementing Entity (MIE) of the Adaptation Fund. Since accreditation, the entity has financed 3 projects supported with Adaptation Fund grants totaling USD 15.06 million.

### **Assessment**

The United Nations Environment Programme (UNEP) has applied for re-accreditation. The application was reviewed on the basis of the following three parameters:

1. Assessment of whether UNEP continues to meet the Adaptation Fund's Fiduciary Standards:

The applicant has indicated that there has been no changes, since accreditation, in its institutional capabilities and as such, continues to meet the requirements of the Fund's Fiduciary Standards. A review of the information provided supports this assertion.

2. Assessment of whether UNEP meets the Adaptation Fund's Environmental and Social Policy

A review of the information provided shows that UNEP has capacity to assess environmental and social risks and integrate related plans into project documents. It was noted that the risk assessment process for the sample projects provided was based on UNEP Environmental and Social and Economic Sustainability (ESES) Framework. Nevertheless, the information provided demonstrates that UNEP has the capability to implement the Adaptation Fund's Environmental and Social Policy.

With regard to the required commitment of the applicant to apply the Fund's E&S policy, UNEP did not provide a specific statement from top management communicating its commitment to abide by the Fund's E&S policy. However, Paragraph 3.02 of the Grant Agreement between the Adaptation Fund Board and UNEP in respect of the Implementation of Concrete Adaptation Measures to Reduce Vulnerability of Livelihoods and Economy of Coastal Communities in Tanzania" Project states: "The Implementing Entity (UNEP) shall carry out all its obligations under this agreement in accordance with: (i) The Fund Operating Policies and Guidelines, and (ii) The Implementing Entity's standard practices and procedures.

The Fund Operating Policies and Guidelines that became effective in November 2013 include the Adaptation Fund's Environmental and Social Policy and its main principles. Therefore, each time UNEP agrees to carry out all its obligations under Fund agreements in accordance with the Fund Operating Policies and Guidelines, it formally commits itself to apply the Fund's Environmental and Social Policy for that Fund supported project.

3. Assessment of whether UNEP meets the Adaptation Fund's requirements on transparency, self-investigative powers, anti-corruption measures and mechanism to address complaints about environmental or social harms caused by projects.

The applicant meets the Funds' requirements relating to transparency, self-investigative powers, anti-corruption measures and mechanism to address complaints about environmental or social harms caused by projects. In addition to a Statement issued by the Secretary General of the United Nations that requires all UN agencies and employees to uphold the highest ethical standards in carrying out their work, and the United Nations Standards of Conduct of the International Civil Service which applies to all UN agencies, the UNEP has its own comprehensive anti-fraud/corruption policy. The policy has provisions for reporting suspected misconduct and for protection of whistleblowers. The applicant does not have its own structure for investigating suspected fraud/corruption and other forms of misconduct. Rather it relies on the United Nations Internal Oversight Services (UN OIOS) which is mandated to carry out investigations of misconduct in UN agencies. UNEP has taken actions based on OIOS's recommendations. The applicant also has a mechanism for addressing complaints about environmental or social harms caused by projects.

**Recommendation**

The Accreditation Panel recommends that the United Nations Environment Programme be re-accredited as an MIE of the Adaptation Fund.