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Agenda item 4

EFFECTIVENESS AND EFFICIENCY OF THE ACCREDITATION PROCESS: PROPOSED MODIFICATIONS

Proposal for Effectiveness and Efficiency of the Accreditation Process

Background

1. With five-years of experience reviewing applications and interacting with applicants, the Accreditation Process has matured to the point that further enhancement of its efficiency and effectiveness can now be considered. The Accreditation Panel has identified several areas of improvement in this regard. At its 25th meeting held on 9–10 April 2015 the Adaptation Fund Board (Board) requested the secretariat, in collaboration with the Panel, to develop a proposal to enhance the efficiency and effectiveness of the Fund's accreditation process. The proposal should integrate any relevant recommendations or observations from the Fund's overall evaluation (Decision B.25/5). The Panel continued its discussion on this matter at the 19th and 20th Accreditation Panel meetings, held respectively on 13–14 May 2015 and on 6–7 August 2015, with the aim of formulating proposals on this matter. The purpose of this document is to keep the Board informed of some of the proposals, which are currently being discussed and will be further developed at the 21st Accreditation Panel meeting in January 2016.

2. The Panel and secretariat conclude that, in general, the working methods are adequate, rigorous, ensure a high quality output, and meet the fiduciary standards and environmental and social standards adopted by the Board. However, the Panel recognizes that there are a number of areas where the working methods could be enhanced – both procedurally and substantively. The proposals under consideration are presented in the following paragraphs, for Board information purposes.

Overview of procedural enhancement to be considered

3. At the early stages of the Fund's accreditation process, it was deemed appropriate to rely on the guidance inherent in the application form and not to establish rules of procedure which could impose constraint on the Panel's flexibility in finding the best working procedures. After five years of operations, the Panel now finds it necessary to establish rules of procedure by documenting the existing practices. It intends to record those procedures that have proven effective and efficient and identify areas for improvement. Throughout, it intends to ensure its review methods will stay consistent for all applications going forward.

4. The rules of procedure could be developed by: (i) adopting working methods among the Panel members to prevent review duplication, where possible; (ii) establishing an accreditation process timeline to improve the timeliness of reviews - while allowing for flexibility when necessary.

5. The proposal to adopt working methods to prevent review duplication among the Panel is based on the fact that having each application reviewed simultaneously by all Panel members not only slows the review process, but also adds little value to the outcome. To this end, the Panel is taking the following steps to address the issues:

- With respect to the accreditation of applicants as Implementing Entities (IEs)—National Implementing Entities (NIEs), Regional Implementing Entities (RIEs), or Multilateral Implementing Entities (MIEs)—rather than all the Panel members, only two Panel members review each proposal in detail. Assigning two Panel Members to application review is beneficial because: (i) given the bulk of information and documents with each application, this working method reduces the chances of some information being missed

out in the assessment; (ii) this provides a second or different perspective to the assessment.

- In addition, with regards to reaccreditation of IEs, a single Panel Member is now assigned full re-accreditation review duties. S/he completes the review and circulates the findings to the full Panel. Finally, each completed review is presented to the full Panel at its biannual meeting. This approach ensures consistency and results in the full Panel proposing accreditation or re-accreditation to the Board.

6. The proposal to establish an Accreditation Process timeline introduces discipline to the accreditation review process. The Panel identified the key reasons for the current protracted review process: (i) the extended time the Applicant needs to prepare supplementary information or documents following the initial Panel review; (ii) arriving at a common understanding of the Panel needs and what the applicant is capable of delivering; (iii) the applicant setting and meeting realistic goals agreed with the Panel Reviewers; (iii) delayed responses from the applicant when asked for additional information. In this regard, the secretariat set up indicative timelines for Panel members using a tracking table. Establishing a timeline for the accreditation process would ensure proper coordination between the Lead Reviewer and the Co-Reviewer. This indicative timelines are agreed with Panel members and monitored each week by the secretariat. In addition, the secretariat continues to explore other ways to make the review process more efficient.

Overview of substantive enhancement to be considered

7. The Panel notes that the volume of documents submitted by the applicants, whether voluntarily or upon request, has risen substantially over time. In some cases applicants have sent between 150–200 documents resulting in thousands of pages requiring review, which in many cases are not relevant for the accreditation process. This places a considerable burden on both the applicant and the Panel members. Furthermore, the illustrations provided in Board Document (AFB/B.7/4 Annex 2) on how to meet the standards - are sometimes treated as a mandatory requirement. There are 22 illustrative means of verification indicated in the annex to the Board document, and over 150 documents (on average) are submitted in an attempt to meet satisfy the standard's requirements

8. The Panel proposed measures to address this issue as follows: (i) reduce, where proper and possible, submission of extensive detailed documentation and/or information, by the applicant, without compromising what is fundamentally needed to meet the (prerequisite) standards; (ii) identify and document agreed best practices that meet each fiduciary standard component; (iii) require that the secretariat review the Implementing Entity (IE) applicant's Legal Capacity - at the earlier screening stage – rather than by the Panel; (vi) agree whether and to what extent the document requirements could be simplified without undermining the integrity of the standards requirement; and (v) agree upon mitigating information or circumstances that could be considered by the Panel when some of the illustrative requirements to meet standards cannot be attained.

9. To facilitate Panel assessment consistency and coherence - and to provide guidance to applicants, the Panel is developing internal guidance good practices notes. Guidance notes are being drafted and considered for the following areas: (i) requirements to confirm legal personality, (ii) basic requirements to show evidence of a functioning audit committee; (ii) typical elements of an Internal control framework and an Internal control statement; (iii) typical elements of quality at entry; (iv) mechanisms that confirm a risk management process exists and works; (v) anti-fraud policies and procedures; and (vi) typical policies and procedures to receive and dispose of

environmental and social complaints. The Panel finds these working drafts helpful to improve consistency and coherence during the review process. Moreover, these documents motivate applicants to focus their efforts to meet standards requirements.

10. For the purposes of addressing applicant's legal capacity, the Panel believes that the secretariat is better suited to provide this due diligence, because of professional competence, rather than the Panel. Doing so will allow the Panel more time to focus on other substantive matters. The secretariat currently carries out the legal review at the screening stage when application completeness is done, and prepares a legal memorandum for Panel presentation. If this practice proves effective, it should continue.

Conclusion

11. The Panel and secretariat will continue its work to enhance the accreditation process in the interests of efficiency, effectiveness, and timeliness. This work includes integrating any relevant recommendations of the overall evaluation of the Fund. Based on this proposal, the Panel will discuss progress at its 21st AP meeting and publish the internal guidance notes on its website by the end of the calendar year 2015. The Panel will report back to the Ethics and Finance Committee at its next 18th meeting.