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# **Adaptation Fund's Fiduciary Standards and Accreditation Process**

**Regional Climate Finance Workshop**

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# Fiduciary Standards

# Fiduciary Standards



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- **Approved by the Adaptation Fund Board**
- **Specify the competencies/capabilities required from the implementing entities**
- **To be accredited implementing entities must meet the requirements of the Fiduciary Standards relating to four key areas:**
  - ☐ **Legal status**
  - ☐ **Financial Management and Integrity;**
  - ☐ **Institutional Capacity; and**
  - ☐ **Transparency, Self-investigative Powers and Anti-Corruption Measures and Policies and Mechanisms to monitor and address Complaints about Environmental or Social Harms Caused by Projects.**

## ☐ Legal Status

- **Demonstration of legal personality**
- **Ability to contract with AF and authority to directly receive funds**

## □ Financial Statements and Audit Requirements

- Production of reliable financial statements prepared in accordance with internationally recognised standards
- Production of annual externally audited accounts that are consistent with recognised international auditing standards
- Capability for functionally independent internal auditing in accordance with internationally recognized standards

## ☐ Internal Control Framework

- **Demonstration of use of a control framework that is documented with clearly defined roles for the governing body, management, internal auditors and other personnel**
- **Demonstration of proven payment and disbursement systems**

## ☐ Preparation of Business Plans and Budgets

- **Preparation of long-term strategic plans/financial projections and annual budgets to demonstrate solvency**

## ☐ Procurement

- Evidence of transparent and fair procurement policies and procedures that are consistent with recognized international practice (including dispute resolution procedures)
- Evidence of procurement oversight process

## □ Project Preparation and Appraisal

- Capability and experience in identification and design of projects (Experience of adaptation projects would be an added advantage)
- Availability of or access to resources and conducting appraisal activities
- Ability to examine and incorporate the likely impact of technical, financial, economic, social, environmental, and legal aspect of project at the appraisal stage
- Ability to undertake risk assessment, including assessment of environmental and social risks



## □ Project Implementation Planning

- Institutional system for planning implementation of projects with particular emphasis on quality-at-entry
- Preparation of project budgets

## □ Project Monitoring and Evaluation

- Capacity to undertake periodic independent monitoring and evaluation of the project
- External audit of project financial statements
- Project-at-risk system to identify and address problems that may interfere with the achievement of project objectives

## ❑ Project Closure and Final Evaluation

- **Demonstration of an understanding of and capacity to assess impact/implications of the technical, financial, economic, social, environmental, and legal aspects of projects on completion**
- **Demonstration of competence to execute or oversee execution of projects/programmes**

# Transparency, Self-investigative Powers, Anti-corruption measures and handling complaints about harmful Environmental or Social Impact of projects

- ❑ Policies and Framework to deal with fraud, corruption and other forms of malpractice
  - Statement from the top emphasising a policy of zero tolerance for fraud, corruption and financial mismanagement
  - Capacity and procedures to deal with fraud, financial mismanagement and other forms of malpractice
  - Investigation function for undertaking fair and objective investigations into allegations of fraud and corruption

# Transparency, Self-investigative Powers, Anti-corruption measures and handling complaints about harmful environmental or social impact of projects

- ❑ Commitment by the entity to apply the Fund's Environmental & Social safeguard policy
  - This covers 15 areas which are listed in the Policy
- ❑ Mechanism to deal with complaints on environmental and social harms caused by projects
  - The structure, procedures and the technical capacity within the entity to receive, investigate and deal with complaints related to Environmental and Social harms caused by projects



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# **Accreditation Process**

# Accreditation

## What is it?

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**Accreditation is a process through which a team of experts undertakes an independent review of an application and recommends accreditation once it determines that the applicant entity meets the Adaptation Fund's Fiduciary Standards**

### **Responsibilities:**

- **Carries out preliminary screening of the application to ensure that the application package is complete**
  - **Facilitates communication of the Accreditation Panel's recommendations to the Adaptation Fund Board**
  - **Facilitates communication of the Board's decision to the applicant entity**
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# **PARTIES INVOLVED**

## **Implementing Entities**



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### **Responsibilities:**

- **To submit their applications to the Secretariat together with the required supporting documentation that demonstrate how they meet the Fiduciary Standards**
- **To respond to the Accreditation Panel's information requests and clarify any pending issues and work with the Accreditation Panel to meet the Fiduciary Standards**

# PARTIES INVOLVED

## Implementing Entities



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- **Bear full responsibility** for the **overall management** of the projects and programmes approved by the AFB; and
- Carry out **financial management, monitoring and reporting responsibilities** for the project.

Should be able to demonstrate:

- the existence of appropriate policies, processes and procedures in the areas covered by the Fiduciary Standards; and
- that they are effectively working as designed.

# **PARTIES INVOLVED**

## **Accreditation Panel**



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### **Responsibilities:**

- **Carry out an independent and objective review and analysis of the application and supporting documents**
- **Deliberate on the findings and conclusions resulting from the analysis of the application and reach consensus**
- **Provide feedback to the applicant throughout the review process including request for additional information**
- **Make a recommendation to the AF Board as to whether or not the applicant entity should be accredited**

# Accreditation:

## How does the process work?



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- Step 1:** Having been endorsed by the Designated Authority, entity registers as a user with the AF Secretariat and obtains id and password for accessing the online Accreditation Workflow.
- Step 2:** Entity submits the application, attaching all supporting documents.
- Step 3:** AF Secretariat carries out a preliminary screening of the application package
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# Accreditation

## How does the process work?

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**Step 4:** Accreditation Panel reviews application

**Step 5:** Accreditation Panel deliberates on the results of the review

**Step 6:** Based on the initial review of applications the Accreditation the Panel may:

- Request additional information/clarification from applicant entity
- Undertake an on-site visit
- Suggest to the AF Board that applicant has potential and be given additional time to improve its capacity in order to attain accreditation
- Continuously provide support/advice to applicant through emails/teleconference calls

# Accreditation: How does the process work?



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***Step 7:*** The Panel makes recommendation to AF Board

***Step 8:*** AF Board makes final decision on the accreditation of entity and informs applicant

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# FREQUENTLY ASKED QUESTIONS



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## ☐ How many entities have been accredited?

<b>NIEs</b>	<b>20</b>
<b>RIEs</b>	<b>4</b>
<b>MIEs</b>	<b>12</b>

# FREQUENTLY ASKED QUESTIONS



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## **□ How Long Does the Accreditation Process Take?**

- **Six to 24 Months**
- **Lapsed time depends on how quickly applicant entity provides all the required information**
- **Delays in completing process due to:**
  - **Lack of in depth understanding of the Fiduciary Standards and their requirements**
  - **Limited competencies in some areas of the Fiduciary Standards**



# FREQUENTLY ASKED QUESTIONS



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- **Delays in completing process due to:**
  - **Applicant's experience limited to handling of small projects (hence systems and processes not adequate to meet AF Standards)**
  - **Applicant's underestimating the work involved in completing the accreditation process and not driving process actively.**

**Visits to applicants by reviewers may help overcome documentation gap.**

# FREQUENTLY ASKED QUESTIONS



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- ❑ What is the criteria for identifying an NIE that will increase chances of accreditation and access to financing?**
- Selection of an appropriate entity for accreditation is vital
  - Due diligence is required when reviewing existing institutional capacity of potential candidates for NIE
  - Entity's ability and willingness to devote time and resources to actively pursue and complete the accreditation process
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# FREQUENTLY ASKED QUESTIONS



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- ❑ What early preparatory support is recommended for entities wishing to go through the accreditation?**
- **Contact accredited entities (e.g. CSE) for advice and guidance**
  - **Obtain technical assistance from institutions such as UNEP, UNDP**
  - **Engage consultants to prepares required policy manuals/guidelines**
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# FREQUENTLY ASKED QUESTIONS



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## ☐ Any new development?

- In March 2014, the AF Board approved the use of a **Streamlined Approach** for accreditation of Small Entities that may not be able to meet the Fund's normal Fiduciary Standards because of their small size. In this case, the Fund delineates compensatory measures for each standard that align with the risk profile of small entities.

# FREQUENTLY ASKED QUESTIONS



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## **□ Any new developments?**

- **The Accreditation Panel has recently developed “Guidelines” to assist applicant entities get a better understanding of certain areas of the Fiduciary Standards:**
  - **Typical functions of an Audit Committee**
  - **Typical elements of an Internal Control Statement**
  - **Typical elements of Quality at Entry Review**
  - **Typical elements for Risk Assessment Framework**
  - **Typical Anti-fraud Policies and Procedures**
  - **Typical Policies and Procedures for Environmental and Social Complaints Mechanism**

**Thank You**

**Questions?**