



ADAPTATION FUND

26 February 2016

Adaptation Fund Board

Accreditation Panel recommendation on accreditation of the Ethiopian Ministry of Finance and Economic Development (MOFED) as National Implementing Entity

Having reviewed the accreditation applications of the Ethiopian Ministry of Finance and Economic Development (MOFED), the Accreditation Panel recommends that the MOFED be accredited as a National Implementing Entity (NIE) of the Adaptation Fund.

A summary of the review can be found in Annex I.

Accreditation Decision:

Having considered the recommendation of the Accreditation Panel, the Adaptation Fund Board decided to accredit the Ethiopian Ministry of Finance and Economic Development (MOFED) as a National Implementing Entity (NIE) of the Adaptation Fund for five years.

Decision B.26-27/24

ANNEX I: REPORT OF THE ACCREDITATION PANEL ON ITS ASSESMENT OF THE ETHIOPIA MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT (MOFED)

Background

The Ministry of Finance and Economic Development (MOFED) is a federal government institution established by law to discharge a number of functions, including: resource mobilization, allocation, management, and monitoring and evaluation of programs and projects implemented by government entities at the federal, regional and district levels. As a Federal Ministry, MOFED is treated as a legal person and is authorized to mobilize, negotiate and sign foreign development aid in the form of loans and grants.

While MOFED is the selected NIE applying for accreditation, the Climate Resilience Green Growth Facility (CRGE) would be primarily responsible for implementation of projects/programmes financed with the proceeds of the grant funding provided by the Adaptation Fund. The CRGE Facility was established by MOFED and the Ministry of Environment and Forestry in 2011 as a national fund for mobilizing national and international financial resources for the implementation and realization of Ethiopia's climate resilience building and low carbon strategies into Ethiopia's Growth and Transformation Plan (GTP).

The CRGE Facility's management structure comprises: (i) the CRGE Finance Team based in MOFED through which MOFED provides oversight and financial management support; and (ii) the CRGE Technical Team within the Ministry of Environment and Forestry (MEF), which provides technical support in the development and execution of climate change related projects.

To effectively carry out its designated role, the CRGE Facility has developed appropriate project management policies, procedures and guidelines. These provide specific criteria that proposed projects must meet to qualify as climate change projects (e.g., alignment with sector GTP and CRGE priorities, incorporation of social and environmental social safeguards, impacts on poverty reduction, food security, and employment generation, among other adaptation indicators). The CRGE Facility's operational policies and procedures supplement/complement those developed by the MOFED over the years.

The Fiduciary Standards

Legal Mandate

The powers and duties of MOFED are defined in Proclamation No. 691/2010 which sets out the powers and duties of the executive organs of the Federal Democratic Republic of Ethiopia. Article 10 of the Proclamation specifically states that as a Federal Ministry, MOFED is treated as a legal person and is authorized to mobilize, negotiate and sign foreign development aid in the form of loans and grants.

Financial Integrity

Through production of consolidated Budgetary Revenue and Expenditure reports for the Federal Government of Ethiopia (FGE), MOFED has demonstrated capability in the production of reliable financial statements that are prepared in accordance with internationally recognized accounting standards. MOFED's annual financial statements are audited by the Office of the Federal Auditor General (OFAG) in accordance with International Standards of Supreme Audit Institutions (ISSAI). To meet the Adaptation Fund's accreditation fiduciary standards, an Audit Committee was established in August 2015 and is now functional.

MOFED has an Internal Audit Directorate which is responsible for the internal audit function. The Directorate reports functionally to the recently established Audit Committee. In addition to the Internal Audit Directorate, MOFED has an Inspection Directorate which serves as the oversight body of internal audit functions in all public bodies.

MOFED has a sound internal control framework in place: (i) the roles of MOFED and CRGE Facility management, Audit Committee, internal audit, Inspection Directorate, external auditors and several committees are clearly defined; (ii) the ministry has a well-defined payment/disbursement system; and (iii) a risk assessment framework is in place to identify, assess and address risks in key financial management and operational areas.

Institutional Capability

Procurement

Procurement in MOFED, similar to all public bodies in Ethiopia, is governed by law established under the Ethiopian Federal Government Procurement and Property Administration Proclamation No. 649/2009. The Proclamation is detailed and serves as a manual to guide procurement in public bodies and includes detailed procurement procedures and the roles of key decision making committees. Similar to all public bodies, MOFED has a Procurement Unit which handles all procurement activities of the ministry and its agencies. The Public Procurement and Property Administration Agency (PPPAA), an autonomous Federal Government entity is responsible for oversight of procurement in all public bodies and activities financed with public funds. The agency is also empowered to investigate allegations of misconduct in the procurement process. To further enhance the integrity of procurement services, the Federal Government Procurement and Property Administration Proclamation No 649/2009 established the Federal Procurement Board, whose membership comprises representatives of the private sector, public institutions and government enterprises or parastatals. The Board's mandate is to review and decide on complaints lodged in regard to public procurement, and its decisions are final. There are several avenues for lodging procurement complaints.

Project Management

In its capacity as the development planning ministry, MOFED has long experience in the identification of public sector projects. The entity has comprehensive Guidelines for the Preparation of Public Sector Projects to guide project identification and preparation processes. The CRGE Facility which would be primarily responsible for implementation of AF financed projects/ programmes, has project preparation guidelines of its own which are contained in a comprehensive Operational Manual. The guidelines provide specific criteria that proposed projects must meet to qualify as climate change projects (e.g., alignment with sector GTP and CRGE priorities, incorporation of social and environmental social safeguards, impacts on poverty reduction, and food security, among other indicators).

Appraisal Guidelines for Public Sector Projects are in place to guide the appraisal of projects submitted to MOFED for funding. Guidelines/procedures for appraisal of projects funded under the CRGE Facility are laid out in the CRGE Operational Manual which provides an even more rigorous appraisal process.

The CRGE Facility's recently approved Environmental and Social Safeguard Framework (ESSF) includes provisions for identification of environmental and social risks, preparation of risk management plans and strategies. The Framework also includes provisions for monitoring the status of measures for avoiding, minimizing or mitigating environmental and social risks.

Transparency, Self-investigative powers and anti-corruption measures

Ethiopia has strong laws and regulations for combating corruption in public bodies. Proclamation 433/2003 serves as a Code of Conduct for staff of all public bodies including MOFED and its associated agencies. Protection of whistleblowers is provided under Proclamation No. 699/2010 to protect those who voluntarily provide information on suspected criminal practices including corruption cases. Avenues for reporting misconduct are in place. MOFED has a Complaint Handling Procedure through which clients are required to report unethical practices. The Federal Ethics and Anti-Corruption Commission (FEACC) is responsible for investigating allegations of fraud and corruption.

The applicant has demonstrated presence of a statement from the top emphasizing a policy of zero tolerance for fraud, financial mismanagement and other forms of malpractice and the statement is effectively communicated to MOFED/CRGE Facility staff and staff of project executing entities as well as all entities associated directly or indirectly with the projects and programmes funded by MOFED/CRGE.

Commitment by the entity to apply the Fund's environmental and social policy

MOFED has confirmed its commitment to abide by the Fund's E&S policy. The CGRE Facility has recently developed an Environmental and Social Safeguard Framework (ESSF) aimed at

ensuring that CGRE initiatives/projects do not generate adverse environmental and social impacts. The Framework has a comprehensive process for the regular monitoring of compliance with the safeguards. All projects/programmes supported/financed by the CRGE are required to comply with the Safeguards. Actions for addressing E&S risks are also outlined in Standard Operating Procedures to be applied to projects that would be financed by the Adaptation Fund

Mechanism to deal with complaints on environmental and social harms caused by projects/programs forms of malpractices

MOFED has a multi-pronged approach to receiving and handling of complaints about environmental and social harms caused by projects/programmes. The Ethiopian Institute of Ombudsman (EIO), which reports directly to parliament and is independent of government agencies, oversees the Ethiopian Grievance Redress Mechanism (EGRM) and receives and investigates, among others, complaints about environmental and social harms caused by projects. Grievance Point Persons (GPPs) have been appointed within MOFED and the Ministry of Environment and Forestry to be responsible for the initial screening of complaints received and working with EIO on resolution of the complaints. Members of the public are made aware of their right to launch complaints about environmental and social harms caused by projects/programmes through radio and television programmes which were launched to popularize the CRGE Facility. The CRGE Facility website encompasses information on safeguards aspects including the information on the public's right to complain and the avenues for making these complaints.

Recommendation

The Accreditation Panel recommends MOFED be accredited as an NIE of the Adaptation Fund.