



ADAPTATION FUND

26 February 2016

Adaptation Fund Board

Accreditation Panel recommendation on re-accreditation of the International Fund for Agricultural Development (IFAD) as Multilateral Implementing Entity

Having reviewed the re-accreditation applications of the International Fund for Agricultural Development (IFAD), the Accreditation Panel recommends that the IFAD be re-accredited as a Multilateral Implementing Entity (MIE) of the Adaptation Fund.

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

Re-accreditation Decision:

Having considered the recommendation of the Accreditation Panel, the Adaptation Fund Board decided to re-accredit the International Fund for Agricultural Development (IFAD) as a Multilateral Implementing Entity (MIE) of the Adaptation Fund for five years.

Decision B.26-27/25

ANNEX ONE: REPORT OF THE ACCREDITATION PANEL ON AN ASSESSMENT OF THE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT FOR RE-ACCREDITATION AS A MULTILATERAL IMPLEMENTING ENTITY (MIE) OF THE ADAPTATION FUND.

Background

The International Fund for Agricultural Development (IFAD), was first accredited in June 2010 as a Multilateral Implementing Entity (MIE) of the Adaptation Fund. Since accreditation, the entity has financed one project supported with Adaptation Fund grant totaling USD 7,860,825 million. Summary information on the project is provided in the table below:

Climate Smart Agriculture: Enhancing the Adaptive Capacity of Rural Committees in Lebanon (AgricCal) Project	Date Approved	Grant Amount Approved	Project Status	Implementation Rating
<p>Lebanon: The project aims to assist communities in adapting by improving water harvesting and irrigation technologies; setting up early warning systems and integrated production and protection of crops; introducing adapted crop varieties to future climate conditions; introducing risk-coping agriculture techniques; assessing the carrying capacity of rangeland in order to increase their resilience to climate change; improving the management of rangelands used by goat and sheep herders; initiating a pilot climate</p>	<p>28 June 2012</p>	<p>US\$7,860,825</p>	<p>20 % Project Funded (2012). 20% of the grant has been disbursed since 2012. IFAD explained that at the onset, it had political challenges in Lebanon but now have the full commitment of the government of Lebanon and. (letter of commitment – Lebanon and action plan- April 2013 to Nov 2017)</p>	<p>Not been rated because implementation has not commenced and consequently there is no project performance report- This project is 30 months behind anticipated project start date. IFAD have developed an action plan that will enable them to spend the rest of the grant by the end date of 2017.</p>

insurance index for the agricultural sector; and spreading awareness of (i) expertise, skills, and research results; (ii) facts and information, reports on project impacts and activities, and other data; (iii) awareness or familiarity gained by experience of a fact or situation acquired through the project.				
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Assessment

The International Fund for Agricultural Development (IFAD) has applied for re-accreditation. The application was reviewed on the basis of the following three parameters:

1. Assessment of whether IFAD continues to meet the Adaptation Fund’s Fiduciary Standards:

IFAD provided documentation to prove that it continues to meet Adaptation Fund’s Fiduciary IFAD projects Standards.

It continues to maintain legal status to contract with the fund and third parties.

As well, IFAD meets the financial integrity and management standards- the accountability arrangements have been analyzed at two levels - 1a) IFAD itself, 1b) IFAD-financed projects and a conclusion at 1c.

1a) IFAD itself:

IFAD accurately and regularly records transactions and balances in a manner that adheres to broadly accepted good practices, and IFAD is annually audited by an independent external audit firm (required to apply International Standards for Auditing). IFAD’s financial policies require use of to IFRS standards. Furthermore, IFAD prepares financial statements from projects and programs using internationally recognized and promulgated accounting principles. (Either private sector based (IFRS) or public sector based (IPSAS). The external audits are available online – along-with the audit opinions, showing compliance with international accounting standards. The external auditor, Deloitte and Touche also attested to IFAD’s functional internal control framework.

IFAD has a functional Board Audit committee, to which the Director of the Office of Audit and Oversight (AUO) report functionally. IFAD shared its sample Board Audit Committee meeting

reports to the Executive Board and internal audit reports with the Adaptation Fund team of Zahra Hassanali and Young Hee Lee during their visit of December 2015. These reports showed that the AUO executes its role satisfactorily and audit themes are well aligned with the Enterprise Risk Management Framework. Internal audits, conducted annually, spanned functions that transversed IFAD projects, e.g. procurement, sanctions process, risk management, as well as country specific audits focused on fiduciary risk. They also shared the latest quality assurance review of the audit function that showed it meets IIA standards. The AUO (Internal Audit) Director shared documents attesting to the functionality of their internal controls, risk management, budgets and financial planning processes. (letter of representation process and internal audit reports) IFAD's Independent Office of Evaluation routinely tracks operational controls such as program effectiveness, overall institutional efficiency, grant financing, etc.

Capacity was demonstrated through the existence of guidelines/ policies/ processes and their application in sample reports. For example, IFAD demonstrated its capacity to “manage and disburse funds efficiently, with safeguards to recipients on a timely basis” by sharing guidelines (its disbursement and payment guidelines/ manual, safeguards to suspend financing for non-compliant projects and additional M&E support for at-risk projects) as well as sample country audit reports and payment disbursement audits showing an effective system in place.

IFAD demonstrated it meets the Adaptation Fund's institutional capacity standards in procurement, grant management, project appraisal, M&E, risk assessment and mitigation by sharing guidelines/ policies/ processes and their application in sample reports. These documents met the Adaptation Fund's standards upon panelists' review. A review of country level procurement audits demonstrated that competition as well as other key aspects of the procurement process were given adequate attention. The AUO rated the Enterprise Risk Management Framework as satisfactory. (2014) External reviews by donors of key processes, country level procurement audits and a review of sample project reports over the last five years demonstrates application of these procedures. DFID's multilateral aid assessment rated IFAD as “good” value for money (2011). Monitoring and Evaluation (M&E) has been peer-reviewed and rated satisfactorily by the European Bank for Reconstruction and Development. IFAD has a rigorous monitoring and evaluation process contained in their Results manual, RIMS, which includes enforcement of a log frame integrating best practice environmental and social indicators. The environmental and social- related indicators are the extension of their updated Social, Environmental and Climate Assessment Procedures – SECAP (see details in #2)

1b. IFAD-financed projects: For project financial reporting and auditing requirements, IFAD requires borrowers or grantees to produce externally audited financial statements that are then examined by its AUO/ internal audit office. Where borrowers prepare financial statements on a cash basis, the IPSAS cash accounting standard or IPSAS is followed. Borrower systems capacity is assessed at the onset of a project by the AUO. Project financing is suspended if externally audited project accounts are not received or do not meet AUO's standards. Additionally, IFAD's keen focus on quality at entry and quality assurance throughout the project lifecycle were evident in the sample appraisal, supervision, completion and terminal evaluation reports reviewed which met AF standards. For example, review of terminal reports confirmed

IFAD's capacity to undertake closure and independent evaluation. They also demonstrated how risk had been addressed from screening through mitigation throughout the project lifecycle.

1c. Based on all the information provided, the review concludes that IFAD continues to meet the Adaptation Fund's Fiduciary Standards.

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

IFAD meets AF's Environmental and Social Principles (2014), embedded in SECAP and their statement on labor rights. The SECAP document sets out revised Social, Environmental and Climate Assessment Procedures as well as guidance for integrating these principles in checklists and guidance notes for the various stages of the project lifecycle (COSOP/ Country Assistance Strategy development, appraisal document, and log frame, supervision and completion reports. Through interviews with the Program Management and SECAP staff as well as report review, IFAD demonstrates the ability to undertake E&S risk assessment and mitigation through the project lifecycle. However, prior self-assessments (RIDE and ARRI) demonstrate that a consistent approach to environmental and social issues has been a weakness which they are addressing now through SECAP and systematic integration of E&S indicators in M&E framework. IFAD further demonstrated commitment to adhering to AF's E&S policy by conducting a thorough environmental and social audit for any future AF supported projects if they are re-accredited. (Interview, AUO Head, 2015) Each time IFAD agrees to carry out all its obligations under AF agreements in accordance with the AF Operating Policies and Guidelines, it formally commits itself to apply the AF's Environmental and Social Policy for that AF supported project.

Based on all the information provided, the review concludes that IFAD meets the Adaptation Fund's Environmental and Social Policy.

3. Assessment of whether IFAD 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.

IFAD requires that its own staff and the staff of Recipients/beneficiaries of IFAD financing, and all bidders, suppliers, contractors and consultants under IFAD-financed contracts, observe the highest standard of ethics and integrity during the execution of and procurement under such contracts. This position is clearly stated in the IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations, which applies to all the above. Emphasizing the position of zero tolerance for corruption, this policy was approved by IFAD's Executive Board in September 2005. IFAD's Program Management Department is responsible for investigating reported cases of misconduct and has a mechanism to deal with environmental and social harms caused by projects as well as other issues. The process to deal with environmental and social complaints is managed by SECAP, while the other process, managed by AUO, handles cases of fraud, corruption and other complaints. Although there have not been any formal complaints of environmental and social complaints by beneficiaries to date, it is hoped that the new SECAP processes will capture future complaints.

The review concludes that IFAD 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.

4. Conclusion/Recommendation:

The Accreditation Panel recommends the International Fund for Agriculture Development be re-accredited as an MIE of the Adaptation Fund.