



ADAPTATION FUND

AFB/B.27/4
8 March 2016

Adaptation Fund Board
Twenty-seventh meeting
Bonn, Germany, 17–18 March 2016

Agenda item 4

REPORT OF THE TWENTY-FIRST 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 26–27 January 2016 the Panel held its twenty-first meeting at the secretariat's offices in Washington, DC. A new Chair of the Accreditation Panel, Ms. Yuka Greiler, and vice-Chair Mr. Philip Weech presided over the meeting, and a new Operations Officer (Accreditation), Ms. Silvia Mancini, joined the meeting for the first time. The Panel meeting allowed for an opportunity to communicate the application status, discuss over pending issues, and provide direct guidance on any additional documentation required per application under review. The Panel also used the meeting to deliberate on how to further improve the accreditation process.

2. For the twenty-first Panel meeting, three new completed applications were received. In addition to the new applications, the Panel reviewed three re-accreditation applications (one MIE and two NIEs). The Panel continued its review of the applications of eleven potential National Implementing Entities (NIEs) and two potential Regional Implementing Entities (RIEs) that were previously reviewed but required additional information for the Panel to make its recommendations. The Panel recommended accreditation for the Ethiopia's Ministry of Finance and Economic Development (MOFED) as NIE and the Caribbean Development Bank (CDB) as RIE. Previously, the Board had approved the accreditations of the two entities through intersessional decisions B.26–27/24 and B.26–27/23 respectively on 26 February 2016. The respective summary of the reviews can be found in Annex I of the aforementioned decisions.

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

- (i) Partnership for Governance Reform in Indonesia (Kemitraan) – Indonesia National Implementing Entity NIE
- (ii) Dominica Institute of Integral Development (IDDI) – Dominican Republic National Implementing Entity NIE

4. Nine applications (eight for potential NIEs and one for potential RIE) 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 NIE075
- 6) National Implementing Entity NIE066
- 7) National Implementing Entity NIE080
- 8) National Implementing Entity NIE079
- 9) Regional Implementing Entity RIE008

Completed Cases

Partnership for Governance Reform in Indonesia (Kemitraan), Indonesia

5. The applicant Kemitraan is an organization of partners (<http://www.kemitraan.or.id/>) who have similar commitments to its Priority Programs covering: Democratic and State Governance; Reform and Public Service Governance; Human Rights, Justice and Anti-Corruption; Civil Society Empowerment (and Open Governance); Poverty Eradication and Economic Governance; Sustainable Environmental Governance; and Private Sector Governance.

6. Kemitraan was formed in late 1999 (In partnership with UNDP, the World Bank and Asian Development Bank). Many of its senior managers have experience working in donor-funded organizations (e.g., UNODC, UNDP) so have experience in the use of donor funds, project management, financial management, and good governance arrangements. With a Memorandum of Understanding (MOU) concluded between the UNDP and the GoI in 2001, two complementary mechanisms were put into effect, one of which is the Partnership/Kemitraan. The other is the Indonesia Governance Fund managed by the UNDP.

7. Kemitraan is governed by an Executive Board and its Partners. The Partners provide long-term strategic direction and the Executive Board monitors overall implementation. The Meeting of the Partners is the highest decisions-making body within the Partnership. The Partners comprise 19 individuals drawn from academia, government, the media, NGO's and faith-based organizations, elected officials, and the private sector. Funding comes from the international donor community (e.g., Governments of Australia, Norway, The Netherlands, the United States, the European Union and Denmark as well as the Global Climate Forum and Climate and Land Use Alliance and Ford Foundation) and uses these funds to finance projects to meet its core objectives. It also publishes studies that underscore the key messages it wishes to convey to its national, regional and local stakeholder communities. One example is the 2015 Publication: *Planning and Budgeting in Community-based Forest Management through Community Forestry and Village Forest Scheme*.

8. With regard to Climate Change initiatives, in 2013 Kemitraan developed a baseline on Climate Change readiness; increased the readiness of Indonesian stakeholders at the Global Climate Negotiations; supported a multi-stakeholder process for REDD pilot development; and supported the national Climate Change Council in public awareness activities. Among its activities and focus areas, Kemitraan is committed to aspects of social, environmental and climate-related issues e.g., helping the Government develop a grand strategy that ensures the supply of staple food products; promoting balanced economic development that is protective of the environment and oriented to the future; increasing the area of land under forest coverage; institutionalizing mechanisms to resolve conflicts over land tenure; and synchronizing government policies in responding to climate change.

9. Kemitraan also interests itself in better transparency and anti-corruption efforts and seeks to ensure that its own organizational arrangements and operation focus mirrors what it seeks to promote in Indonesian society more generally.

10. Kemitraan's application was received and screened by the secretariat in December 2014. The Panel completed its assessment of the application in February 2016, following a field visit that clarified remaining fiduciary standards issues. During the review process, the Panel and the applicant maintained active communications through which information gaps relating to certain capabilities of the fiduciary standards were closed.

11. The Panel concluded that Kemitraan, has well defined policies and procedures covering all aspects of the Fiduciary Standards including the Environmental and Social Policy requirements. The Panel, therefore, recommends that Kemitraan be accredited as an NIE. A summary of the Panel's conclusions can be found in Annex I.

Dominican Institute of Integral Development (IDDI), Dominican Republic

12. The applicant: IDDI is a non-governmental organization (NGO) created in 1984 and is working as a dealing with the poor segment of society that accounts for 40% of the population of the country. It works in sectors such as social, health, biodiversity, responses to emergencies, education, and climate change. IDDI attracts funding of US\$ equivalent 3 to 5 million per year from private, government and multi-lateral organizations. Of this amount a little over 10% is for administrative expenses. It has a staff of over 200 working at the main office in San Domingo and in eight field offices.

13. The applicant uploaded its application including some seventy documents into the workflow and that was made available to the Panel in February 2014. A request for additional information was issued in August 2014 and followed-up by periodic discussions on Skype that enabled the Panel to understand the full potential and capability of the applicant and provided the applicant an opportunity to document its procedures. In November 2015 the Panel conducted a field visit to IDDI so that it could fully appreciate the capabilities of IDDI including the application of new and updated manuals. As part of this dialogue another additional seventy documents were examined by the Panel.

14. The Panel concludes that IDDI meets the requirements of the fiduciary standards and those of the environmental and social policy. The Panel has based this conclusion on the extensive dialogue, the field visit and the examination of documents. More detailed analysis of this application is available in Annex II.

Applications under review

National Implementing Entity NIE044

15. The applicant submitted its application in January 2013. Most of the supporting documentation was not provided in English, but only in French. Upon request of the Panel a list of selected supporting documents was re-submitted in English. This was aimed at reducing the workload and cost of translating all applicant documents. At the 13th meeting in May 2013, the Panel briefly discussed the application and agreed to communicate to the applicant the additional information required and the need for further clarification on a number of issues. Additional documents were provided by the applicant afterwards.

16. At the fourteenth meeting in September 2013, the Panel agreed that, in order to complete the review of the applicant's implementation capacity, it was necessary to conduct a field visit prior to the 15th Panel meeting. The field visit took place in late January 2014. During the visit the applicant demonstrated that it has a number of the systems and procedures in place. - 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: i) the completion of two internal audits with management comments; ii) establishing an audit committee; issuing an internal control statement; iii) completing a basic risk analysis including the identification and taking of risk mitigation steps; iv) supplementing the procedures manual for selection of projects and how procurement of executing entities would be verified; v) comparing budget statements to actual with explanations for variances; and, vi) developing the required system, procedures and internal capacity to deal with financial mismanagement and other forms of malpractices.

17. At the fifteenth meeting in February 2014, the Panel agreed to wait for the applicant's additional information to be provided. However, at the sixteenth meeting in May 2014, the Panel pointed out that the applicant had not responded since the field visit in January 2014. At the seventeenth meeting in August 2014, the Panel reported that the Executive Director of the entity had changed, and that the entity has remained silent since the last field visit. Therefore, the Panel agreed to prepare a letter asking whether the entity is still interested in pursuing the application.

18. After the change of the Executive Director, the Panel heard from the new Executive Director in February 2015, who indicated the organization's interests in continuing with the application and addressing the gaps the Panel initially identified. The first few documents were received, and the Panel will follow-up with the applicant and request information on plans to address gaps prior to the Panel's nineteenth meeting. The Panel has also requested an update on the organization and its management to understand whether or not the change of Executive Director and possible other staff turnover impacted the ability of the applicant to meet the accreditation requirements.

19. The applicant typically handles individual projects and grants of less than US\$ 50,000. Only a few grants were in the range of US\$ 100,000. Accordingly, the adequacy of the applicant's

systems and processes for handling medium and large projects had to be demonstrated. The applicant also communicated that the size of the grants for the next several years (based on experience and the absorptive capacity of the majority of the project executing agencies), are likely to remain small. In June 2013, the applicant requested to be considered for accreditation thought the streamlined approach and indicated that that it would not request funding beyond a mutually agreed threshold that is within its capacity to manage.

20. At the nineteenth and twentieth meetings, the Panel indicated that the applicant had yet to respond to outstanding issues and that most of the documents submitted are outdated. At its twenty-first meeting the Panel indicated that no progress has been made since the secretariat contacted the DA. Following a request by the Panel, the secretariat sent a letter to the DA and the applicant asking whether they still want to pursue the accreditation process.

National Implementing Entity NIE046

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

22. 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 in June, 2013. The information was reviewed and analyzed between the thirteenth and fourteenth Panel meetings.

23. 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 in February 2014.

24. The applicant provided additional information in January 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 where the Panel agreed that a field visit would be the best way to resolve the outstanding issues. However, the applicant was unable to host a field visit due to scheduling conflicts and workload issues.

25. The applicant was invited to an NIE readiness seminar in 2014 where they met with two members of the Panel. The meeting provided an opportunity to discuss the progress of the application and communicate the key outstanding issues and the need for addressing the issues in a satisfactory manner. The representatives assured the Panel members that they would work towards closing all the existing gaps. In January 2015, the applicant provided additional information. However, the information received did not address all the outstanding issues. Given that the applicant has remained silent despite several requests by the Panel.

26. At the twenty-first meeting, the Panel indicated that there is no progress on the process. Following a request by the Panel, the secretariat sent a letter to the DA and the applicant asking whether they still want to pursue the accreditation process.

National Implementing Entity NIE049

27. 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.

28. 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.

29. The applicant has been in regular communication with the Panel and has continued to provide the required information in instalments. The applicant was invited to one of the Fund's Climate Finance Regional Workshop where the few outstanding items were discussed followed by a telephone conversation.

30. At the nineteenth and twentieth meetings, the Panel continued to discuss remaining issues. Subsequently, the Panel sent applicant a list of pending questions including internal audit and the Ethics Committee. The applicant sent the requested information in August 2015 and early January 2016 respectively. The Panel reviewed and analyzed the information before the twenty-first meeting.

31. At the twenty-first meeting, the Panel found that gaps still existed in number of areas including audit committee and internal control framework. The Panel will follow up with applicant on the pending issues and discuss how to move forward, possibly with a field visit.

National Implementing Entity NIE057

32. 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.

33. After discussing the merits of application and fiduciary issues, in 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.

34. 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. By the date of nineteenth meeting, the Panel had not received any information from the applicant. The Panel reached out to determine how much additional time was needed to enable it to set up the required policies/systems based on the consultant's work.

35. The applicant was invited to a Regional Climate Finance Workshop in 2015. The applicant sent one representative to the workshop who met with one Panel member. The meeting provided an opportunity to discuss the progress of the application. Later on the Panel conducted a field visit on 26–29 September 2015. The areas of gaps to be addressed during the field visit included: (a) internal audit; (b) audit of the procurement function; (c) appraisal structure for non-credit projects; (d) project-at-risk system; (e) an effective policies and framework for dealing with fraud, corruption, financial mismanagement and other forms of malpractice; (f) code of conduct/ethics; and (g) the commitment to environmental and social policy and grievance mechanism. During the field visit, despite the recognition of systems and procedures being in place, the Panel confirmed that not all of the information on gap areas, including the audit of the procurement function, were provided, and the applicant ensured that the pending action will take place within two months to bridge the gaps. Based on the findings of the field visit and discussions with the entity staff/management the Panel developed an outcome report.

36. At the twenty-first meeting, the Panel discussed the merits of application. The Panel found that despite its strong track record in credit operations, the applicant does not have demonstrated the required experience in non-credit project operations. In addition, although having developed and put in place the required policies and procedures for non-credit operations, the applicant has not demonstrated effective use of the policies and procedures, which are required to implement the Fund's projects. The Panel also agreed to provide suggestions for consideration by the applicant on how to demonstrate effective implementation and use of the newly developed non-credit policies and procedures. At the request of the Panel, the secretariat sent a letter to the applicant conveying the Panel findings and suggestions.

National Implementing Entity NIE075

37. 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 in December 2015.

38. The Panel completed its assessment of the application in early March 2015 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 a number of policies and systems appear to be at a draft stage and yet to be approved or implemented.

39. The list of additional information required was sent to the applicant followed by a telephone call in which the Panel's observations and requirements were discussed and explained. The applicant has provided a detailed response in April and May 2015, which was subsequently analyzed by the Panel. Based on the assessment, the Panel requested the applicant to submit further information. The applicant provided the requested information in October 2015, and the Panel reviewed and analyzed the information. In November 2015, at the request of the Panel, the secretariat sent a letter to applicant providing the Panel's assessment and explanation of the streamlined accreditation process. In response, the applicant requested more information about a possible fund limitation upon an accreditation through the streamlined accreditation process.

40. At the twenty-first meeting, the Panel found that there existed some gap areas including ESP capacity and institutional capacity, and it will further discuss with the applicant to explore a possible application of the streamlined accreditation process. Subsequently, in late February, 2016, the Panel's assessment and information on gap areas were communicated to the applicant, and a telephone call was held between the applicant, the Panel and the secretariat, which provided the opportunity to discuss on how to bridge the existing gaps.

National Implementing Entity NIE066

41. 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 on April 2015 and the application was forwarded to the Panel on 30 April 2015.

42. Upon initial screening, the Panel found that the applicant had major gaps and that in order to meet the fiduciary and environmental and social standards, it would need to invest significant resources. The gaps have been communicated to the applicant via teleconference and the application was returned to the applicant for resubmission in August. 2015 and resubmitted in September 2015. The Panel reviewed the application and communicated the assessment with the applicant requesting additionally information. The Panel and the applicant have so far maintained active communications. The applicant demonstrated its interests in pursuing the streamlined accreditation process in October 2015, and the secretariat and the Panel provided information on the procedure, advantages and possible limitation.

43. The applicant informed the secretariat in December 2015 that it wishes to apply for a south-south cooperation grant.

National Implementing Entity NIE080

44. The application was received by the secretariat on 30 April 2015. After completing the initial screening, the secretariat submitted the application to the Panel for review at its twentieth Accreditation Panel meeting of August 2015. At the twentieth meeting, the Panel discussed the merits of the application for the first time and held a conference call with the applicant. The Panel completed its initial assessment and delivered to the applicant the result of the initial review and a list of pending areas. In early November, the secretariat had a bilateral meeting with the applicant who visited the office for another occasion. This provided an opportunity to explain further on the list of pending areas. Upon the receipt of the Panel's updated list of additional

information required, the applicant has been responsive to provide the additional information requested by Panel from November 2015 to early January 2016. The Panel reviewed and assessed the additional information.

45. At the twenty-first meeting, the Panel continued discussions on the application. The Panel found a number of gap areas including the legal capacity issue, ESP capacity and grievance mechanism, anti-corruption policy and complaint handling mechanism. The Panel is currently following up with the applicant on additional information required.

National Implementing Entity NIE079

46. The application was received by the secretariat in August 2015. After completing the initial screening, the secretariat submitted the application to the Panel for review in late September 2015 while requesting the applicant to provide more information on areas including audit report and compliance with the Fund's E&S policy. The applicant provided the requested information at the end of December. The Panel is currently conducting its initial review of the application.

Regional Implementing Entity RIE008

47. 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 15th meeting.

48. The initial review of the application demonstrated a 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.

49. 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 the areas including: (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. Results of the review were communicated to the applicant with a request to address all the gaps before accreditation can be considered.

50. The Panel sent a list of outstanding questions in April, 2015 and has yet to receive any relevant information and documents. During the twentieth Panel Meeting, the gaps have been communicated to the applicant via teleconference and the applicant was requested to submit the responses by early September. A field visit was scheduled in October 2015, but was cancelled by the applicant. Since then, there has been no progress and the applicant has not provided any

additional information. In its response to the secretariat dated 22 January 2016, the applicant indicated its interests in pursuing the accreditation and willingness to provide the requested information.

Other Matters

51. *Twenty-second Meeting of the Accreditation Panel:* The 22nd Panel meeting is scheduled on 2–3 June 2016.

52. Re-accreditation applications: The Panel reviewed re-accreditation applications of: (i) the International Fund for Agricultural Development (IFAD); (ii) Planning Institute of Jamaica (PIOJ) (NIE); (iii) Agencia Nacional de Investigación e Innovación (ANII) (NIE). The Panel recommended accreditation for IFAD, and the Board approved re-accreditation the IFAD for a further five years through intersessional decision B.26–27/25 on 26 February 2016. A summary of the review can be found in Annex I to the decision document.

53. *Proposal to enhance efficiency and effectiveness of the accreditation process:* With five years of experiences 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. At the twenty-sixth meeting of the Adaptation Fund Board, in accordance with decision B. 25/5, the secretariat presented to the document AFB/EFC. 17/4 Effectiveness and Efficiency of the Accreditation Process: Proposed Modification which had been prepared in collaboration with the Accreditation Panel. At the twenty-sixth meeting of the Board, the Board decided to request the Accreditation Panel and the secretariat to consider the relevant findings of the Evaluation of the Fund (stage I) and finalize their work and present a draft for consideration by the EFC at its eighteenth meeting (Decision AFB/B. 26/31).

54. The secretariat in collaboration with the Panel prepared document AFB/EFC. 18/4, which is part of the EFC agenda.

RECOMMENDATION

Accreditation of the Partnership for Governance Reform (Kemitraan) in Indonesia

55. After considering the conclusions and outcome of the review, the Panel recommends the accreditation of the *Partnership for Governance Reform in Indonesia* as a National Implementing Entity (NIE) of the Adaptation Fund.

(Recommendation AFB/AP. 21-22/1)

Accreditation of the Dominican Institute of Integral Development (IDDI)

56. After considering the conclusions and outcome of the review, the Panel recommends the accreditation of the *Dominican Institute of Integral Development* as a National Implementing Entity (NIE) of the Adaptation Fund.

(Recommendation AFB/AP. 21-22/2)

ANNEX I: REPORT OF THE ACCREDITATION PANEL ON ITS ASSESSMENT OF THE PARTNERSHIP FOR GOVERNANCE REFORM (KEMITRAAN) AS A NATIONAL IMPLEMENTING ENTITY (NIE) OF THE ADAPTATION FUND

Background: Kemitraan is an organization of partners who have similar commitments to its Priority Programs covering:

- Democratic and State Governance
- Reform and Public Service Governance
- Human Rights, Justice, and Anti-Corruption
- Civil Society Empowerment (and Open Governance)
- Poverty Eradication and Economic Governance
- Sustainable Environmental Governance
- Private Sector Governance

Kemitraan was formed in late 1999 (In partnership with UNDP, the World Bank and Asian Development Bank). Many of its senior managers have experience working in donor-funded organizations (e.g. UNODC, UNDP) so have experience in programming donor funds, project management, financial management, and good governance arrangements.

Funding comes from the international donor community (e.g. Governments of Australia, Norway, The Netherlands, USA, EU and Denmark as well as the Global Climate Forum and Climate and Land Use Alliance and Ford Foundation) and uses these funds to finance projects to meet its core objectives.

With regard to Climate Change initiatives, in 2013 Kemitraan developed a baseline on Climate Change readiness; increased the readiness of Indonesian stakeholders at the Global Climate Negotiations; Supported a multi-stakeholder process for REDD pilot development; and supported the national Climate Change Council in public awareness activities.

Among its activities and focus areas, Kemitraan is committed to aspects of social, environmental and climate-related issues.

Kemitraan also works on enhancing transparency and anti-corruption efforts and seeks to ensure that its own organizational arrangements and operation focus mirrors what it seeks to promote in Indonesian society more generally.

The Fiduciary Standards

Legal Mandate: The powers and duties of the Partnership are defined under civil law as a legal entity and bearing the name 'Partnership for Governance Reform'. The Partnership wholly owns Kemitraan that is in a separate legal entity as a non-for-profit civil law association under Indonesian law. From 2010, Kemitraan has been authorized to mobilize resources on its own. Its Articles of Association are registered in Jakarta and have been amended in 2004 and 2014. Both changes were made to provide it with the legal authority to better support Government of Indonesia initiatives in governance reforms. Kemitraan is fully enabled to seek funding, which it has done with major multilateral organizations.

Governance: The Audit Committee, a sub-committee of the Executive Board, is properly mandated and is functioning. It has typical responsibilities for proper financial oversight and oversees the financial accounting and reporting process, external auditing scope of work and the

audit results, and function responsibility for internal auditing and risk management. In addition, the Audit Committee, as a whole, has an appropriate technical and professional profile.

Internal Control Framework: Kemitraan has a COSO-based internal control framework in place. The external auditor attests to its robustness. The Framework specifies the roles of management, the Audit Committee, internal audit, and the external auditors. The organization has a well-defined and audited payment/disbursement system and looks at its finances and operations through the lens of the Internal Auditor as well as this being embedded as a key control function across the board. Management was able to demonstrate how it responded to risk issues over time.

Financial Management and Integrity: Through production of annual financial accounts, Kemitraan demonstrates its capacity to produce reliable financial information that is prepared in accordance with accounting principles and reporting practices generally accepted in Indonesia such as the Statements of Financial Accounting Standards (SFAS) particularly SFAS No.45 “Financial reporting of Non Profit Organization”.

Kemitraan is reliant on donor funds. Over the recent past, funding has waned somewhat. There appear to be two main causes: donors who withheld project funding until the new President made clear what his the reform program would look like; and that some large, multiyear projects had been completed. With this reality, Kemitraan takes a conservative business/financial approach: it has a low permanent staff to technical specialist consultant ratio. So, built into its business model, Kemitraan is able to adapt to its resources.

External Audit: A Registered Public Accountant audits Kemitraan’s annual financial statements. It performs its work ‘in accordance with the Standards on Auditing established by the Indonesian Institute of Certified Public Accountants’. Their audit opinion for the last two years has been unqualified.

Internal Audit: Kemitraan has a small independent Internal Audit function that reports functionally to the Audit Committee of the Executive Board. The Audit Committee has approved a risk-based audit plan that covers headquarters and some project-level auditing. Although the function is small, there is a commitment on the part of the Audit Committee and the Executive Director to make available additional technical resources as the needs arise. Internal Audit is also responsible for investigations work and its role in this regard is well documented in the Internal Control Framework and the Anti-fraud and Corruption Policy.

Institutional Capability

Disbursement/Payment System: Kemitraan’s Policy and Procedures Manual includes details the Payment Policy and procedures. It is comprehensive and has been complied with for some years. This is enhanced by having a Table of Roles and Responsibilities and Authorities, with various levels of authority for the approval of payments both at both the organizational and project levels.

Procurement System: By means of the same Policy and Procedures Manual, the Procurement Policy and Procedures are well defined with defined levels of procurement authorization. Procurement for projects is forecast in a Procurement Plan – which is approved by senior Kemitraan management. Of interest is the fact that in 2013, an auditing firm was commissioned to review how this System functioned, not only at the HQ level but also at the project level. A

significant number of project transactions were tested in this assignment. The result was satisfactory with no serious issues noted.

Complaints Mechanism: The Website Home Page has a link to its complaints handling arrangements. In addition, Kemitraan has an Anti-Corruption Statement that shows its 'zero tolerance against fraud and corruption'. This Statement is sent to all prospective grant-funded partners. Complaints relate to Kemitraan's 'performance/services' thereby covering allegations of fraud and corruption as well as E&S matters. A Complaint Officer has been appointed and she handles all complaints with the Internal Auditor handling any investigations of fraud and corruption.

Project Management: Kemitraan has long experience in identifying, designing, and appraising projects that could be financed by the AF. Its 2015 List of 13 Current Projects shows that some of the topics could meet AF grant-conditionality (i.e. they include environmental and social elements); projects are being implemented up to a 4 years period; and, project size that averages at just under \$1M per project.

Kemitraan's Policy and Procedures Manual has an extensive section on Project Activities from identification through to final evaluation. It covers project oversight arrangements, data management, and reporting requirements as well.

A key element of project preparation and monitoring is through careful project budgeting and expense tracking. A condition of each grant is that each grantee adopts Kemitraan's project management software. This facilitates easier project monitoring at headquarters across the whole portfolio.

Kemitraan has a well-developed project appraisal and ongoing monitoring and evaluation methodology, including tracking project risks that are encountered, how they are being addressed and then monitored carefully throughout the project lifecycle.

All projects are subjected to external audits by Kemitraan's own external auditor, or by the donor as the need may be. The external auditor and donor auditors confirmed satisfactory audit results. All projects are routinely evaluated post implementation by Kemitraan's independent evaluation unit, the Programme Monitoring and Evaluation Unit. This unit is independent of line management and reports directly to the Executive Director. The Executive Board receives all PME evaluation reports.

Transparency, self-investigative powers and anti-corruption measures

There is a Complaints Handling link on Kemitraan's Home Page that includes its Anti-Corruption Statement showing a 'zero tolerance against fraud and corruption'. This Statement is part of a package that is sent to prospective partners including its Anti-Fraud and Anti-Corruption Measures. The package is comprehensive and covers codes of conduct for vendors and grantees. In addition, all partners undergo training to reinforce Kemitraan's core principles and its zero tolerance policy for fraud and corruption. Finally, Kemitraan's external and internal auditors do spot checks at the project level to identify evidence that might indicate fraud and corruption.

The website also informs on the Complaints process should allegations be communicated to Kemitraan, and have appointed a Complaints Officer. As needed, Internal Audit investigates allegations. Finally, should the allegations involve senior management, the Complaints Officer/Internal Audit have the right to report directly to the Audit Committee/Executive Board.

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

Although environmental and social issues have been an element of Kemitraan's work for some time, the Executive Board recently approved a new Environmental and Social Policy and its separate Gender Policy. Kemitraan has established Standard Operating Procedures that address E&S risks that are already applied to all projects - and that would be applied to any future Adaptation Fund grants. To further show its intent, Kemitraan has provided a Letter of Commitment that it would abide by the Adaptation Fund's E&S Policy.

Overall Conclusion: The Accreditation Panel concludes that Kemitraan meets the requirements of the fiduciary standards and those of the Environmental and Social Policy of the Adaptation Fund.

ANNEX II: REPORT OF THE ACCREDITATION PANEL ON ITS ASSESSMENT OF THE NOT-FOR-PROFIT ORGANIZATION INSTITUTO DOMINICANO DE DESARROLLO INTEGRAL, INC. (DOMINICAN INSTITUTE OF INTEGRAL DEVELOPMENT (IDDI) AS A NATIONAL IMPLEMENTING ENTITY (NIE) OF THE ADAPTATION FUND

The applicant: IDDI is a non-governmental organization (NGO) created in 1984 and is working as a national development association dealing with the poor segment of society. It works in sectors such as social, health, biodiversity, responses to emergencies, education, and climate change. It is financed by donors, through fund raising activities and from specific commercial activities. It works with the Dominican Government, local government, collaborates with business and has a series of business ventures. IDDI attracts funding of US\$ equivalent 3 to 5 million per year from private, government and multi-lateral organizations. Of this amount a little over 10% is for administrative expenses. It has a staff of over 200 working at the main office in San Domingo and in eight field offices. The Dominican Republic which has close to 11 million people has a high growth compared to the region, averaging near 5% per annum. The gross domestic product (GDP) per capita is USD 16,000 but there is a great income inequality with over 40% of the population below the poverty line. Much of GDP comes from tourism, mining and agriculture. The country is Spanish speaking and it is located on the Island of La Española which it shares with Haiti.

The application: The applicant uploaded its application including close to 70 documents into the Workflow which was made available to the Accreditation Panel in February 2014. A request for additional information was issued in August 2014 and followed up by periodic monthly discussions on Skype that enabled the Panel to understand the applicant and provided the applicant an opportunity to document its procedures. In November 2015 IDDI was visited by one Panel expert and one representative of the secretariat so that the Panel could fully appreciate the full potential and capabilities of IDDI, including the application of new and updated manuals. During the accreditation period a similar number of additional documents were examined by the Panel.

Financial Management and Integrity

Legal Status: Without giving a legal opinion, IDDI is established as a NGO and has the legal personality in international public law to be a national 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 environmental and social related projects including those for the Global Environmental Facility and USAID. IDDI was established 1984 and its Bylaws were last revised in 2014. It is registered as a non-for-profit organization. The Bylaws give it the right to hold assets; have bank accounts; have employees; enter into contracts; institute legal proceedings; receive funds directly including from international organizations; and prepare and execute projects.

Financial statements and project accounts: The audited financial statements for the years 2011 through 2014 were provided. The Bylaws require an annual audit and the auditors are PKF, a local firm of accountants. The auditors provided an unqualified opinion on the financial statements for each of the years and stated that they were in accordance with international Financial Reporting Standards (IFRS). There were no significant issues in the management audit letters. The project accounts are included in the financial statements using fund accounting. In addition, there are separate project accounts that list disbursements by objective. These are produced by the accounting system and are in the form of spread sheets.

Internal Audit and Audit Committee: IDDI has an internal audit function of 1½ person year with one person being a staff member and the remainder completed by a consultant. The audit activity consists mostly of the pre-audit of disbursements but there are also compliance audits of procurements, projects, disbursements and bank reconciliations. There is follow-up of audit recommendations. There is an annual internal audit plan that is followed. There is also an ambitious audit manual that envisages a greater role in the internal audit coverage than is currently the case. The Panel identified a need for training of the internal audit staff.

The Audit Committee was established during the accreditation period. It has three qualified members and has had two introductory meetings so far. In addition to reviewing the traditional areas applicable for such a Committee, it intends to review the systems and controls over project management and the consistency of the various manuals of IDDI.

Internal Control Framework: IDDI has formulated an annual Internal Control statement that meets the fiduciary standards. For 2015 it is to be signed by the Executive Director, and by two Board Members; the President and the Treasurer. The Audit Committee has agreed to review the content and the basis of the Internal Control statement before it is signed. Some important areas of internal control are the extensive oversight by the Board, the internal and external audit activity, and the existence of manuals for all key areas including project management. Project disbursement is well controlled and there is a long standing manual to describe the process. Disbursement procedures are described in a manual and a strong and capable finance section ensures adherence thereto. This is demonstrated by external and internal project audits that are all positive and have very few critical comments. There is a new risk management manual that integrates the assessment and management of risks into the project cycle. Risk management is already practiced for project identification and design and can now be fully integrated into the full project cycle.

Business plans and budgeting: IDDI has a four-year rolling budgeting cycle adjusted annually and reported on quarterly. It links into a four-year strategy covering 2013-2016. The strategy expresses the mission and vision of IDDI and covers the significant areas of work / projects. There is moderate control over the administrative expenses but IDDI is always within budget. Ongoing donors' commitments and assets of US\$ 15.5 million

ensure financial solvency. Project budgets exist separate from the project files and while they could be more integrated and better reported upon they are closely monitored by project staff.

Requisite Institutional Capacity

Project cycle: Projects are accounted for separately and consolidated into the financial statements. A number of projects are under US\$ one hundred thousand and project expenditure seldom comes over US\$ one million. One of their biggest project is through USAID which is a long-time donor. The presence of such a long time donor guarantees a good level of project management in terms of monitoring and reporting. During the field mission, the IDDI staff demonstrated to the Panel their competence to implement projects effectively. This was confirmed to the Panel by donors and by external evaluations and project audits. As a general rule, IDDI follows the requirements of donors and during the accreditation process it has created its own manuals that apply to any project such as potential projects from the Adaptation Fund. These manuals would need to be further integrated and revised once they have been in use for a certain period. The Audit Committee has agreed to monitor the updating of manuals during its meetings.

Project procurement: Basic corporate procurement rules exist and are in the Administration and Financial manual. Project procurement rules are in the Purchasing and Contracting Manual issued July 2015. Those meets the fiduciary standards including those for providing oversight over executing entities. The application of the project procurement rules was satisfactorily demonstrated during the field visit meeting donors' needs and those of the Adaptation Fund. Internal and project audits confirm adequate procurement practices including the subsequent disbursements.

Project identification, preparation and approval and Quality at entry: Project preparation is guided by several manuals prepared during the summer of 2015. These include a manual of the planning department, a manual for executing entities and a risk manual. Collectively these manuals meet the fiduciary standards. A due diligence of executing entities is completed before IDDI engages with them. It looks at a number of aspects that are similar to the fiduciary standards, including procurement and ability to manage projects.

Project preparation, community consultation and the quality of the projects is assured in the first instance by managerial staff and subsequently by the control of a Coordinating Committee and eventually the approval by the Board. Capability, experience and track record for project preparation was demonstrated by IDDI during the field visit. The files were extensive and visits to projects demonstrated good results and sustainability. The donors who were interviewed during the field visit confirmed the quality of project documents. The preparation of projects gives attention to the environmental and social risks.

Project monitoring: A monitoring and evaluation manual including templates to be used by IDDI staff and executing entities was issued August 2015. It provides good guidance but the coverage of the environmental and social aspects. Monitoring is done through the eight field offices who are involved with the projects on a daily basis and have weekly monitoring meetings while monthly and quarterly monitoring is the responsibility of Headquarter office in San Domingo. Annual, and in some cases more frequent, project progress reports are submitted to donors. The Panel examined the various monitoring reports and the follow-up on risk elements during its field. Examples of interim evaluations and project audits demonstrated positive project execution.

Project closure and final evaluation: Project closure reports examined during the accreditation were based on donors' requirements. These meet the fiduciary standards. IDDI's own procedures related to project closure were incorporated into its recently developed manuals and the actual project closures meet the fiduciary standards. The financial accountability is currently done separately from the closure reports and this could be integrated. All open projects are reported upon in the annual financial statements and this listing demonstrates that projects are closed out in a timely manner. A sufficient number of final evaluations were provided and they demonstrate good project management and the achievement of positive results

Adherence to the Environmental and Social Policy (ESP): IDDI has issued a policy wherein it gives a commitment to operate within the ESP of the Adaptation Fund. The social aspects are natural for them, given that IDDI works with the poor in the country. The examples reviewed by the Panel demonstrate that environmental aspects and risks are evaluated to the extent requested by donors. The Planning Manual adopted in July 2015 has a checklist of the Funds ESP principles that must be considered during the project identification and design. Integrating the environmental risks that were identified is done during the project execution phase and this can be expected to be strengthened as IDDI gains experience with the Fund's environmental and social principles and incorporates them further into their manuals.

Conclusion: The Accreditation Panel concludes that IDDI meets the fiduciary standards relating to the project cycle and the ESP requirements. It appreciates the efforts of IDDI to develop a set of manuals to guide these activities and recognizes that these manuals are evolving with further experience and that the Audit Committee will provide oversight over the updating of the manuals.

Transparency, self-investigative powers, anti- corruption measures and grievance mechanism for environmental and social issues

Anti-Fraud and investigation: At the time of application there was a Code of Conduct and ad-hoc investigations were guided by an Ethics Committee of three senior staff members. The Committee ensured that allegations involving staff were investigated and dealt with. During the accreditation IDDI did the following: updated the Code of Ethics and the Conflict of interest manual; completed a Beneficiaries Attention Manual to deal with fraud and corruption within executing entities; and created a website that announced that IDDI is an organization with integrity, honesty, transparency and equality. During the field visit the Panel Member provided several guidance sessions to staff overseeing the process and on that basis IDDI developed a draft overview procedure for reception, investigation and decision making on allegations including environmental and social complaints.

Based on observation and handling of past cases the Panel concluded that the mechanism in place to report (via public website) and follow up of complaints (through investigations) meet the standards. Complaints are investigated under control of Ethics Committee under the oversight of the Audit Committee. Furthermore, the entity is continuing to enhance and fine tuning the current procedures.

Complaint mechanism for environmental and social issues: The mechanism to report and follow up on environmental and social complaints is the same as the one used to report and follow up on complaints relating to allegations of corruption and ethical breaches. For this area, the Panel also concluded that the entity meets the standards. At the time of the application there was a Code of Conduct and hoc investigations were guided by an Ethics Committee of three senior staff members

Overall Conclusion: The Accreditation Panel concludes that IDDI meets the requirements of the fiduciary standards and those of the Environmental and Social Policy of the Adaptation Fund.