



## ADAPTATION FUND

14 April 2016

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Adaptation Fund Board

***Accreditation Panel recommendation on re-accreditation of the Planning Institute of Jamaica (PIOJ) as National Implementing Entity***

Having reviewed the re-accreditation application of the Planning Institute of Jamaica (PIOJ), the Accreditation Panel recommends that the PIOJ be re-accredited as a National Implementing Entity (NIE) 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 Planning Institute of Jamaica (PIOJ) as a National Implementing Entity (NIE) of the Adaptation Fund for five years, as per paragraph 38 of the operational policies and guidelines for Parties to access resources from the Adaptation fund (OPGs). The re-accreditation expiration date is 14 April 2021.

**Decision B.27-28/3**

## **ANNEX ONE: REPORT OF THE ACCREDITATION PANEL ON ITS ASSESSMENT OF THE PLANNING INSTITUTE OF JAMAICA (PIOJ) FOR RE-ACCREDITATION AS A NATIONAL IMPLEMENTING ENTITY (NIE) OF THE ADAPTATION FUND.**

### **Background**

PIOJ is the foremost planning agency of the government, with functions that include:

- Initiating and coordinating the development of policies, plans and programs for the economic, financial, social, cultural and physical development of Jamaica.
- Advising the government on major issues relating to economic, environmental and social policy.
- Undertaking research on national development issues.
- Providing technical and research support to the Cabinet.
- Collecting, compiling, analyzing and monitoring social status and economic performance data.
- Managing external cooperation agreements and programs.
- Collaborating with external funding agencies in the identification and implementation of development projects.

PIOJ's responsibilities require it to:

- Coordinate national, regional and sectoral development planning to facilitate the consistent and efficient implementation of projects and programs.
- Determine the economic, financial and technical feasibility of new development projects, and coordinating the implementation of ongoing projects.
- Help to conceptualize investment projects for national development.

From an Adaptation Fund perspective, PIOJ:

- Is the foremost planning agency of the Government of Jamaica (GoJ). It manages external cooperation agreements and programs and collaborates with external funding agencies in the identification and implementation of development projects. Within this context, PIOJ has engaged with the Adaptation since initial accreditation in 2012.
- Engages with the international donor community including the World Bank, UNEP, the EU, and the IADB.
- Has executed multiple donor-funded climate adaptation projects over the last 5 years.
- As the accredited NIE for Jamaica, in 2013 it received an Adaptation Fund grant of US 9,995,000. Implementation has been slower than expected resulting in it lodging a project extension application earlier in 2016.

From a re-accreditation perspective, PIOJ:

- Has put in place mechanisms to ensure that it holds itself accountable to the Fund's standards for environmental and social performance, and zero tolerance for fraud and corruption both for itself and its wider stakeholder community.
- Has been involved in addressing complaints from an affected community about the Adaptation Fund-financed project. These complaints were lodged with the Public Defender rather than PIOJ itself, but show that complaints information has flowed and PIOJ is actively engaged in addressing the issues. PIOJ also initiated a mediation process with the complainant community.

**Accreditation and Initial Grant:** In July 2012, PIOJ was accredited to Adaptation Fund as an NIE. In 2013, a grant of US\$9,995,000 was approved to finance a single project covering 2013 through 2015.

**Project Name:** *Enhancing the Resilience of the Agricultural Sector and Coastal Areas to Protect Livelihoods and Improve Food Security*

**Disbursed to October 15, 2015:** US\$5,980,360

**Spent to October 15, 2015:** US\$1,858,791

**Project Challenges:**

<p><b>Implementation Rate</b></p>	<ul style="list-style-type: none"> <li>• The Fund’s own monitoring says this has been Marginally Satisfactory for each of 2013, 2014, and 2015. To some extent this is due to the complaint by community stakeholders. PIOJ confirms that, with better project design, greater collaboration with partners and a better understanding of partner capacity constraints, some of the issues could have been averted at a much earlier stage.</li> <li>• PIOJ says it is monitoring the project to ensure that realistic projects targets are agreed among partners. To this end, PIOJ confirms that it is (1) taking multiple steps to achieve planned output; (2) providing direct procurement support; and (3) helping with capacity-building efforts.</li> <li>• PIOJ applied to the Fund for a grant extension as recently as 18 January 2016.</li> </ul>
<p><b>Project Design and Risk assessment</b></p>	<ul style="list-style-type: none"> <li>• According to PIOJ, the issues arose at project design where, with hindsight, extent of collaboration with partners and partner capacity constraints were not well-enough considered at the time.</li> <li>• To address this, PIOJ: <ul style="list-style-type: none"> <li>○ Has engaged short term support to reduce implementation delays and achieve planned outputs.</li> <li>○ Is doing direct procurement support and hold regular meetings to make sure this gets back on track.</li> <li>○ Is doing capacity-building in procurement, risk management, and gender matters.</li> </ul> </li> </ul>
<p><b>E&amp;S Complaint</b></p>	<p>A complaint has been lodged by one of the affected communities against the Adaptation Fund-funded project. PIOJ has confirmed that the complaint is restricted to one of the project components. Nonetheless, this complaint has held up progress on project completion, as can be seen in the slower-than-expected disbursement flow. The issue is discussed in the body of the Report.</p>

## **The Fiduciary Standards**

### **Legal Mandate**

The Planning Institute of Jamaica (PIOJ) Act (1984) established the PIOJ as a statutory body with the legal authority and responsibility to initiate and coordinate comprehensive development plans that emphasize integrated and participatory planning for better plan formulation and implementation.

### **Governance**

The Finance and Audit Committee, a sub-committee of the Board of Directors, 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 Finance and Audit Committee members together have appropriate technical and professional profiles.

### **Internal Control Framework**

The Corporate Governance Framework for Public Bodies in Jamaica (6699) dated September 2011, and revised in October 2012, requires that PIOJ follow its internal control framework provisions that also cover the roles and responsibilities from the Board level through executive management – as well as the independent assurer functions (external audit and internal audit). As PIOJ is required to adhere to the Framework, this is PIOJ's ICF.

Management has made representations annually that the internal controls over financial reporting work and the external auditor has confirmed this to be true.

### **Financial Management and Integrity**

Through production of annual financial accounts, PIOJ demonstrates its capacity to produce reliable financial information that is prepared in accordance International Financial Reporting Standards (IFRS).

PIOJ receives all its funds from the GoJ who also act as conduit for donor funds – particularly for climate adaptation purposes. As a standalone Institute, PIOJ has shown itself to be financially resilient over time and takes a conservative business/financial approach to its work.

### **External Audit**

Ernst and Young, a big four registered public accounting firm audits PIOJ's annual financial statements. It performs its work in accordance with the International Standards on Auditing. For the past two years, since appointment, PIOJ has received unqualified opinions from the external auditor.

## **Internal Audit**

PIOJ has a small independent Internal Audit function that reports functionally to the Finance and Audit Committee of the Board. The Finance and Audit Committee has approved a risk-based audit plan that covers headquarters and some project-level auditing. Although the function is small and PIOJ's span of operations is great, the Finance and Audit Committee has committed to increase the internal audit staffing soon and make available additional technical resources as the needs arise. Internal Audit does not undertake investigations as these would be conducted by other government bodies under GoJ laws and regulations.

## **Institutional Capability**

### **Disbursement/Payment System**

PIOJ has a well-articulated disbursement and payment system in place – as described in the BPM. This system and the internal controls in it have been audited by PIOJ's Internal Auditor as well as its external auditor – and it has been the subject of audits done by the donor community over time. These audits have not highlighted significant concerns.

### **Procurement System**

By means of the same BPM, the Procurement Policy and Procedures are well defined. This system understandably receives audit coverage by both PIOJ's Internal Auditor as well as auditors from the donor community. The scope of the audits have included PIOJ's own procurement as well as project procurement with results that have been largely satisfactory.

### **Complaints Mechanism**

PIOJ has complaints handling arrangements in place. On its extranet it now communicates two key issues that typically are the source of complaints: (1) its policy on 'zero tolerance for fraud and corruption', and (2) its requirement to comply with AF E&S Policy.

Internal PIOJ complaints are handled internally and follow laid-down procedures that also provide opportunities for appeal and list possible sanctions. Other complaints, in the PIOJ context, can also be taken up with other bodies: the Public Defender, the Auditor General, or the Contractor-General. Specifically relating to complaints regarding and Adaptation Fund project, a complaint was lodged with the Public Defender, who is conducting the investigation. The issue is not yet resolved but does show that the complaint mechanism works.

### **Project Management**

PIOJ has long experience in identifying, designing, and appraising projects. Projects that it implements range widely – but include a number of adaptation-related projects that are multi-year, multi-donor, technically complex, and big-ticket projects.

PIOJ's Business Process Manual (BPM) 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.

PIOJ has a well-developed project appraisal and ongoing monitoring and evaluation methodology, including risk tracking that tracks what risks have been encountered, how they are being addressed and then monitored carefully throughout the project lifecycle. It does this on a project by project basis –as well as at the portfolio level.

All projects are subjected to external audit. Audit reports at the project level confirmed satisfactory audit results. All project audit results are reviewed by the Finance and Audit Committee of the Board.

All projects are evaluated post implementation by PIOJ's External Cooperation Management Division (ECMD). This division is independent of line management and reports on all aspects of the projects – including its impact. The Board receives all evaluation reports.

### **Transparency, self-investigative powers and anti-corruption measures**

There now is a link on PIOJ's Home Page to a Policy Statement showing PIOJ's stance as 'zero tolerance against fraud and corruption'. The Internal Auditor does look at the risk of fraud and corruption and the same risk is looked at a project level.

The mechanisms in the GoJ context are that fraud and corruption in procurement are the responsibility of the Contractor-General to investigate. This function independently reports to the Governor-General of Jamaica. As part of the Contractor-General's requirements, PIOJ submits a statement each quarter detailing all procurement over a stated threshold.

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

PIOJ uses a comprehensive Business Process Manual that covers all its financial and operational activities in detail. This BPM also clearly sets out the procedures to be followed. That said, it does not yet set articulate environmental and social policies and practices, as the AF would like to see in place. Nonetheless, PIOJ is revising the BPM in 2016 to fully cover E&S issues and has, for some years, taken on board the E&S Policies that the AF – and other donors – insist on PIOJ compliance at the transactional level.

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

See earlier commentary.

## **Conclusion**

**Based on the above it is recommended that PIOJ be re-accredited as an NIE of the Adaptation Fund.**