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

**Regional Climate Finance Workshop**

**Casablanca**

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**Presentation Bert Emiel Keuppens**

# Fiduciary Standards



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- **Approved by the Adaptation Fund Board**
  - **Specify requirements for implementing entities**
  - **Implementing entities must meet the requirements in four key areas:**
    - Legal status**
    - Financial Management and Integrity;**
    - Institutional Capacity; and**
    - Transparency, Self-investigative Powers and Anti-Corruption Measures and Polices and Mechanisms to monitor and address Complaints about Environmental or Social Harms Caused by Projects.**
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# Legal Status



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## Legal Status

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

# Financial Management and Integrity

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## □ Financial Statements and Audit Requirements

- **reliable financial statements ( in accordance with internationally recognised accounting standards)**
- **annual audit of financials statements consistent with international auditing standards**
- **internal audit process in accordance with internationally recognized standards**

# Financial Management and Integrity



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## Internal Control Framework

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

## Preparation of Business Plans and Budgets

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

# Institutional Capacity

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## □ Procurement

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

# Institutional Capacity

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## □ Project Preparation and Appraisal

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

# Institutional Capacity

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## Project Implementation Planning

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



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## □ Project Monitoring and Evaluation

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

## □ Project Closure and Final Evaluation

- **Demonstration of capacity to assess impact/implications of the technical, financial, economic, social, environmental, and legal aspects of projects on completion**
- **Demonstration of competence to execute or oversee execution of projects/programmes**
- **Examples ( at least 2 to be provided)**

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

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

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

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



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# Accreditation Process

# Accreditation

## What is it?

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

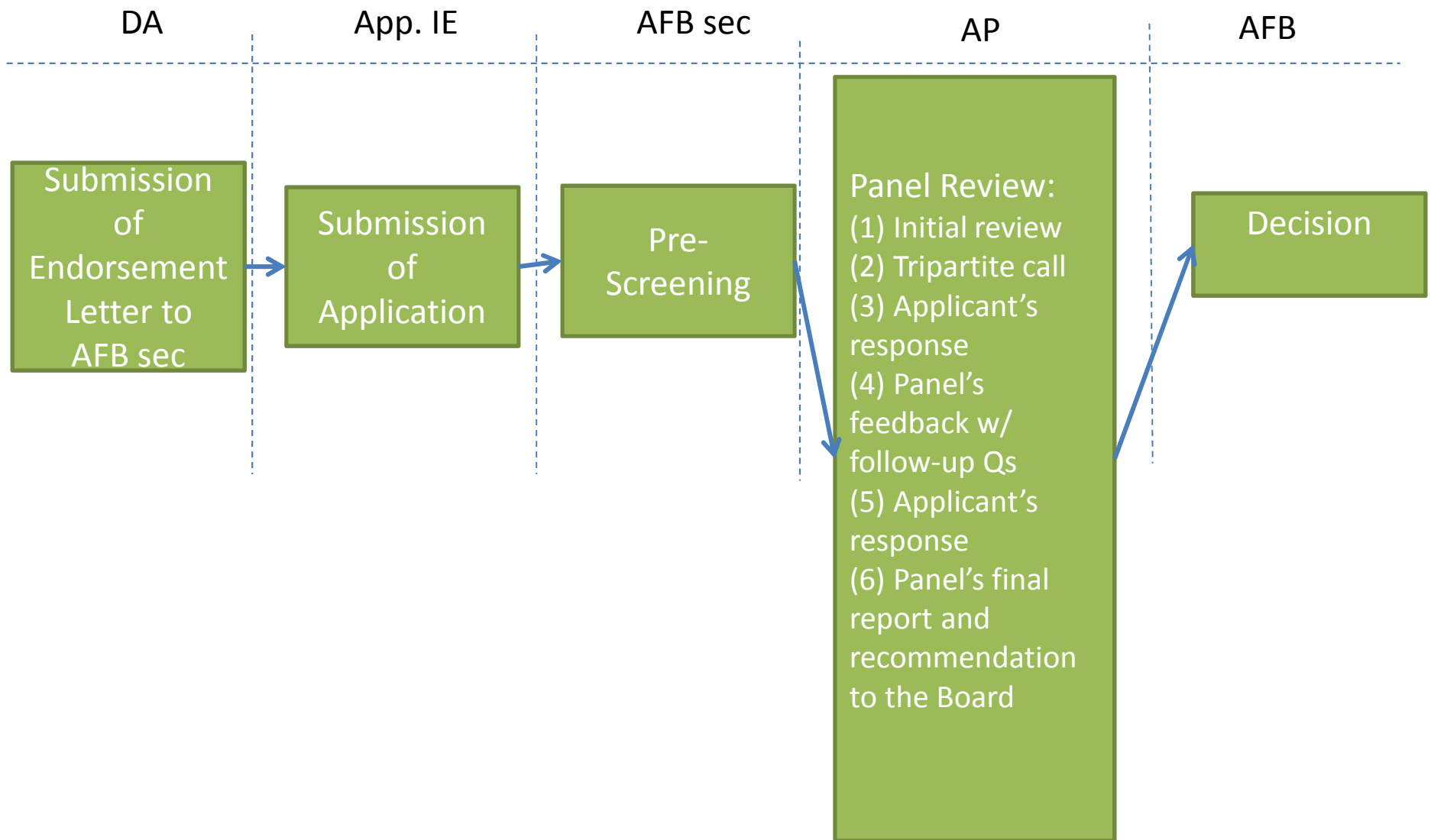
# Phases of the AF Accreditation Process

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- ✓ **Phase I** Nomination of Designated authority for accreditation application; submission of Endorsement Letter to the AFB Sec; Online Application.
- ✓ **Phase II** AFB Sec performs pre-screening and completeness of documentation check; Accreditation review by the Accreditation Panel Members; Accreditation Panel Meeting to finalize recommendations to the Board.
- ✓ **Phase III:** Submission of the recommendation to the AF Board for final decision (via intersessional –non objection- or at the Board) and communication of the Board decision to the applicant



# Accreditation Parties





# PARTIES INVOLVED

## AF Secretariat



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### Responsibilities:

- screens the application for completeness
  - communicates with Adaptation Fund Board
  - communicates with applicant
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# PARTIES INVOLVED

## Implementing Entities

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### Responsibilities:

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

## Implementing Entities



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

Should be able to demonstrate:

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

## Accreditation Panel

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### Responsibilities:

- **independent review of the application**
  - **deliberate on the findings and conclusions and reach consensus**
  - **provide feedback to the applicant**
  - **make a recommendation to the AF Board**
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# FREQUENTLY ASKED QUESTIONS



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**□ How many entities have been accredited?**

<b>NIEs</b>	<b>23</b>
<b>RIEs</b>	<b>6</b>
<b>MIEs</b>	<b>12</b>



# Timing

Steps	Timeline	(start & end) Date	Mark	Finalized in (n.of days)
1. Submission of application (by applicant)				
2. Screening by secretariat (check completeness) and send complete application to Panel	3 weeks			
3. Initial Review by Panel (report with list of questions & additional required information are sent to applicant) * legal capacity review conducted by sec.	4 weeks			
4. First call with Applicant	1 week (after delivering initial review)			
5. Applicant's response to Panel's Qs	4 weeks (after receiving the initial review)			
6. Panel's subsequent follow-up Qs, if necessary	2 weeks (after receiving Applicant's response)			
7. Second call with applicant, if necessary	1 week (after delivering follow up Qs)			
8. Applicant's response to Panel's Qs	3 weeks (after receiving Panel's Qs)			
9. Panel's Final Report	3 weeks (after receiving all requested info)			
10. Panel's Recommendation on accreditation (at AP meeting or intersessionally)	2 weeks (after Panels' review on recommendation for 2 weeks)			
11. AFB decision on accreditation (at AFB meeting or intersessionally)	2 weeks, if intersessionally			



# FREQUENTLY ASKED QUESTIONS



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

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



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

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

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# FREQUENTLY ASKED QUESTIONS



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## Any new development?

- In March 2014, the AF Board approved the use of a **Streamlined Approach** for accreditation of Small Entities that may not be able to meet the Fund's normal Fiduciary Standards because of their small size. In this case, the Fund accepts mitigating measures for each standard but still requires that all standards are met.
  - Appropriate for smaller entities
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# FREQUENTLY ASKED QUESTIONS



## Any new developments?

- **The Accreditation Panel recently developed “Guidelines” to assist applicants ( see website AFB/EFC. 18/4):**
  - Typical functions of an Audit Committee
  - Typical elements of an Internal Control Statement
  - Typical elements of Quality at Entry Review
  - Typical elements for Risk Assessment Framework
  - Typical Anti-fraud Policies and Procedures
  - Typical Policies and Procedures for Environmental and Social Complaints Mechanism

# FREQUENTLY ASKED QUESTIONS



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

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- ❑ What early preparatory support is recommended for entities wishing to go through the accreditation?**
    - **Contact accredited entities for advice and guidance**
    - **Obtain technical assistance from institutions**
    - **Engage consultants to prepares required policy manuals/guidelines**
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**Thank You**

**Questions?**