



ADAPTATION FUND

June 20 2016

Adaptation Fund Board

Accreditation Panel recommendation on re-accreditation of the West African Development Bank (BOAD) as Regional Implementing Entity

Having reviewed the re-accreditation application of the West African Development Bank (BOAD), the Accreditation Panel recommends that BOAD be re-accredited as a Regional Implementing Entity (RIE) 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 West African Development Bank (BOAD) as a Regional Implementing Entity (RIE) 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 19 June 2021.

Decision B.27-28/12

ANNEX ONE:

REPORT OF THE ACCREDITATION PANEL ON AN ASSESSMENT OF THE WEST AFRICAN DEVELOPMENT BANK (BOAD) FOR RE-ACCREDITATION AS A REGIONAL IMPLEMENTING ENTITY (RIE) OF THE ADAPTATION FUND.

Background

The West African Development Bank (BOAD) was conditionally accredited in June 2011 during the 14th AFB meeting. The reaccreditation application demonstrates that BOAD has since met these two conditions: to provide an internal control statement as part of the audited financial statements and to have an investigative function in place that reflects its needs. (Decision 14.4) Currently, it has submitted one project for the Adaptation Fund's consideration of US\$ 9,911,000 to strengthen the resilience of agriculture to climate change to support food security in Niger, through the promotion of modern irrigation techniques.

Assessment

The West African Development Bank (BOAD) has applied for re-accreditation. The application was reviewed on the basis of the following three parameters:

1. **Assessment of whether BOAD continues to meet the Adaptation Fund's Fiduciary Standards:**

BOAD provided documentation to prove that it continues to meet Adaptation Fund's Fiduciary Standards.

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

BOAD meets the financial integrity and management standards as well. The accountability arrangements have been analyzed at two levels: - 1a) BOAD itself, and 1b) BOAD-financed projects. The conclusion can be found at 1c.

1a) BOAD itself: BOAD accurately and regularly records transactions and balances in a manner that adheres to broadly accepted good practices, and BOAD is annually audited by KPMG, an independent external audit firm (required to apply International Standards for Auditing). BOAD's financial policies require use of to IFRS standards. Furthermore, BOAD prepares financial statements from projects and programs using internationally recognized and promulgated accounting principles (IFRS). Recent external audits submitted – along-with the audit opinions, showing compliance with international accounting standards. The external auditor, KPMG, also attested to BOAD's functional internal control framework.

BOAD has a functional Internal Audit Division, which report functionally to BOAD's Board of Directors. BOAD shared its sample Board Audit Committee meeting reports and internal audit reports showing that the Internal Audit Division executes its role satisfactorily and audit themes are well aligned with corporate risk analysis. Project audit types range from validation

to system strengthening, depending on the risk category. Internal audits, spanned processes such as financing, projects as well as well as country specific audits focused on fiduciary risk. These audit reports and budget-related documents attesting to the functionality of their internal controls, risk management, budgets and financial planning processes. (Attestation from External Auditors) BOAD's Independent Office of Evaluation routinely tracks operational controls such as program effectiveness, overall institutional efficiency, procurement, compliance to E&S, etc.

Capacity was demonstrated through the existence of guidelines/ policies/ processes and their application in sample reports. For example, BOAD 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), as well as sample audit reports showing an effective system in place.

BOAD demonstrated that 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. BOAD has a rigorous monitoring and evaluation process contained in their M&E manual, which includes a log frame integrating best practice environmental and social indicators. As well, BOAD compiles project performance audits (including technical, economic, social, financial, E&S aspects) over a three year period to inform future project design. These documents met the Adaptation Fund's standards upon panelist review.

1b) BOAD-financed projects: For project financial reporting and auditing requirements, BOAD requires borrowers or grantees to produce externally audited financial statements that are then examined by its internal audit office. Borrower systems capacity, especially for procurement, is assessed at the onset of a project by the Internal Audit Division. Project financing is suspended if externally audited project accounts are not received or do not meet BOAD's standards.

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

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

BOAD meets AF's Environmental and Social Principles (2014) and Gender Policy requirements, embedded in letters to the AF from the President, their policies and procedures. For instance, they have separate checklists for integrating gender into projects and dedicated operational procedures manual for E&S projects. Through a review of the M&E framework, project reports and pre-project environmental & social audits, BOAD demonstrates the ability to undertake E&S risk assessment and mitigation through the project lifecycle. For instance, identified E&S risks and corresponding mitigation measures are tracked throughout the project lifecycle as evidenced by E&S dedicated sections in the completion and independent evaluation reports. Based on all the information provided, the review concludes that BOAD meets the Adaptation Fund's Environmental and Social Policy.

3. Assessment of whether BOAD 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

BOAD requires that its own staff and the staff of Recipients/beneficiaries of BOAD financing, and all bidders, suppliers, contractors and consultants under BOAD-financed contracts, observe the highest standard of ethics and integrity during the execution of and procurement under such contracts. Applicable to the above, this position is clearly stated in the BOAD fraud and anti-corruption policy (available online). BOAD's policy on preventing fraud and corruption in its Statutes, as well as Code of Ethics and Manual for policies and procedures governing anti-corruption. These manuals are governed by BOAD regulations adopted by the Board (i) Regulation No. 2013-011 of December 5, 2013, (REG_01 Lutte corruption et fraude, see page 2, article 2) They have one complaints mechanism for all types of complaints, including E&S harms. The process is managed by the Division of Integrity and the Fight against Corruption (DCR) and the Directorate of Legal Affairs. All complaints are then reported to the Office of the President. They submitted information about complaints on fraud and corruption, but the same system/process captures E&S complaints.

The review concludes that BOAD 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

Taken together, the applicant meets all the re-accreditation requirements and is recommended for re-accreditation to the Adaptation Fund Board. This was unanimously agreed upon by the all panelists during the recent Accreditation Panel meeting of 2 to 3 June, 2016.

Recommendation

Based on the above it is recommended that BOAD be re-accredited as an RIE of the Adaptation Fund.