



ADAPTATION FUND

Adaptation Fund's Fiduciary Standards and Accreditation Process

**Latin American and Caribbean Regional
Workshop**

Tegucigalpa, Honduras

June 7-9, 2016



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Accreditation Process

Accreditation

What is it?

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

Phases

☐ Phase I

- **Nomination of Designated authority for accreditation application;**
- **DA's submission of IE Endorsement Letter to the AFB Sec;**
- **Online Application.**

☐ Phase II

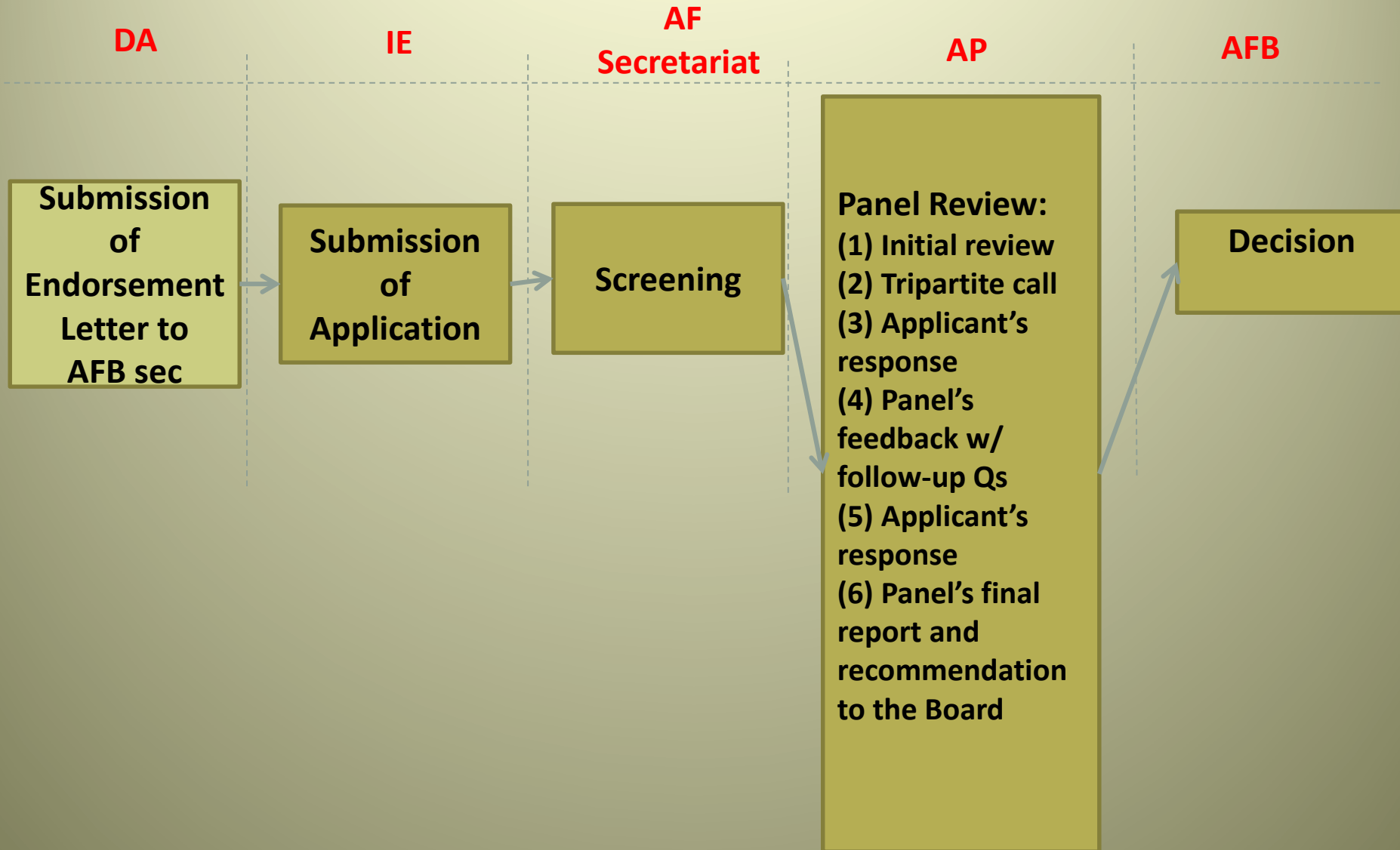
- **AFB Sec performs screening and checks completeness of documentation;**
- **Accreditation application review by the Accreditation Panel;**
- **Accreditation Panel Meeting to finalize recommendations to the Board.**

☐ Phase III:

- **Submission of the recommendation to the AF Board for final decision (intersessionally on non objection basis or at the Board meeting);**
- **Communication of the Board decision to the applicant**



Parties Involved



PARTIES INVOLVED

AF Secretariat



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Responsibilities:

- **Screens the application for completeness**
- **Communicates with applicant and the Accreditation Panel member**
- **Communicates with Adaptation Fund Board**

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**

PARTIES INVOLVED

Accreditation Panel

Responsibilities:

- Independent and objective review and analysis of the application and supporting documents
- Deliberate on the findings and conclusions resulting from the analysis of the application and reach consensus
- Provide feedback to the applicant throughout the review process
- Make a recommendation to the AF Board

FREQUENTLY ASKED QUESTIONS

Q How many entities have been accredited?

NIEs 23

RIEs 6

MIEs 12

Re-accredited IEs 8

(as of May 2016)

FREQUENTLY ASKED QUESTIONS

Q Any new development?

□ Initiatives for Efficiency and Effectiveness of the Accreditation Process

- **Thorough and reasonable accreditation requirements with new enhancements underway as follows:**

- 1. Secretariat's review of the legal capacity of the applicant at screening stage in advance.**
- 2. Assignment of two main Panel reviewers for each new application, with the presentation of final assessment to the Panel as a whole for consideration and recommendation.**
- 3. Accreditation timeline checklist.**

Timeline CHECKLIST



| Steps | Timeline | (start & end) Date | Mark | Finalized in (no. 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 | | | |



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Re-Accreditation Process

RE-ACCREDITATION PROCESS

- (Sec)** *Notification letter* to accredited IEs **15 months prior** to the dated of accreditation expiration
- (IE)** *A Letter of an Expression of Interest* indicating its intention to pursue re-accreditation acknowledging that materials be submitted **9 month prior** to the accreditation expiration
- (IE)** *Submission of re-accreditation* application and supporting documents online (Workflow)

FOCUSES of PANEL'S RE-ACCREDITATION REVIEW

- ❑ ***Continued compliance with Fund's fiduciary standards***
- ❑ **Ability to comply with the Fund's *environmental and social policy* and *Gender* policy**
- ❑ **The results of the assessment of IE's performance regarding quality at entry and project/programme implementation**



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Fiduciary Standards



Direct Access & Implementing Entities

- **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.

Key Areas

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

Legal Status

□ Legal Status

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

Financial Management and Integrity

□ 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

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

□ 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

□ 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, *gender* and legal *aspects* of the project at the appraisal stage**
- **Ability to undertake risk assessment including assessment of environmental, social and *gender related* risks**

Institutional Capacity

□ Project Implementation Planning

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

Institutional Capacity

□ 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

Institutional Capacity

□ Project Closure and Final Evaluation

- **Demonstration of an understanding of and capacity to assess impact/implications of the technical, financial, economic, social, environmental, gender and legal aspects of projects on completion**
- **Demonstration of competence to execute or oversee execution of projects/programmes**

(examples of at least 2 should be provided)

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

- ❑ **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, **gender** and social impact of projects



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- Commitment by the entity to apply the Fund's Environmental & Social Safeguard and **Gender** policies**
- Mechanism to deal with complaints and grievances**
 - **The structure, procedures and the technical capacity within the entity to receive, investigate and deal with environmental, social and **gender** related complaints and grievances caused by projects**

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



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Gender Policy (Approved in March 2016)

- Already accredited IEs will apply the gender policy requirements to the project/programme submitted for funding
- For new IEs, the AP will be assess their capacity and commitment to implement the Fund gender policy, as described throughout this presentation.

FREQUENTLY ASKED QUESTIONS

Q Any new development ?

- In March 2014, the AF Board approved the use of a **Streamlined Approach** for accreditation of Small Entities that may have limited capacities 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

FREQUENTLY ASKED QUESTIONS

Any new developments?

Guidance for accreditation process:

- Requirements for Legal Personality
- Guidance on Typical Functions of an Audit Committee
- Guidance on an Internal Control Framework
- Typical elements of an Annual Internal Control Statement
- Typical Elements of Quality-at-Entry Review
- Guidance on a Project Risk Assessment
- Typical Elements of an Anti-Fraud Policy and Procedures

FREQUENTLY ASKED QUESTIONS

Q How Long Does the Accreditation Process Take?

- Six to 24 Months - *Elapsed time to be reduced*
- Elapsed time depends on how quickly applicant entity provides all the required information

FREQUENTLY ASKED QUESTIONS

- **Delays in completing process due to:**
 - **Lack of in-depth understanding of the Fiduciary Standards and requirements**
 - **Limited competencies in some areas of the Fiduciary Standards**
 - **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.

FREQUENTLY ASKED QUESTIONS

Q What early preparatory support is recommended for entities wishing to go through the accreditation?

- Contact accredited entities (e.g. CSE, BOAD) for advice and guidance
- Obtain technical assistance from institutions such as CDKN, UNEP, UNDP, GIZ
- Engage consultants to prepares required policy manuals/guidelines

FREQUENTLY ASKED QUESTIONS

Q What is 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, *including commitment from the top.*



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Thank You

Questions?