



ADAPTATION FUND

Accreditation Process

Mumbai, August 2016



Adaptation Fund and the Direct Access Modality

- **Objectives:**

- ✓ Direct Access, whereby a country can access funds directly from the AF and other funds adopting similar modality to manage adaptation/mitigation projects, requires an accredited National Implementing Entity meeting the funds' fiduciary standards, environmental and social safeguards and gender policy

- **Assessment Criteria:**

- ✓ Approved by the Adaptation Fund Board
- ✓ 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 Policies and Mechanisms to monitor and address Complaints about Environmental or Social Harms Caused by Projects.



Focus on Capacity Building

■ Legal status

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

■ Financial Management and Integrity

- Effective financial management:
 - Use of Internal Control Framework
 - Preparation of business plans and budgets
 - Monitoring financial performance
- Financial accountability:
 - High quality Annual Financial Statements
 - Clean external audit opinion and commentary to management
 - Effective internal audit assurance
- Effective oversight arrangements in place:
 - Formal oversight/audit committee arrangements are in place
 - Proper use of internal and external audit work and assurances – including follow-up
 - Management held to account

Focus on Capacity Building

■ Institutional Capacity

- Effective Procurement arrangements – including audits
- Project management:
 - Project Preparation and Appraisal
 - Project Implementation Planning
 - Project budgeting, financial performance monitoring and auditing
 - Project Monitoring and Evaluation
 - Project Closure
 - Post-closure Evaluation

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

- Policies and Framework and capacity to deal with fraud, corruption and other forms of malpractice
- Commitment by the entity to apply the Fund's Environmental & Social and Gender policy
- Mechanism to deal with complaints on environmental and social harms caused by projects

Common Capacity-building gaps and AF examples of mitigating factors

➤ Legal

- **Gap:** Difficulties on identifying the responsible Entity (Ability to contract with AF and authority to directly receive funds) within the Ministry;
- **Mitigating factors:**
 - *AF allows Ministry to be the Designated Implementing Entity and to identify an Executive Entities that reports to the Ministry.*
 - *Review of the legal capacity of the applicant at screening stage*

➤ Financial Management and Integrity

- **Gap:** Difficulties on identifying appropriate internal control framework.
- **Mitigating factors:** *In addition to referring to the COSO framework, the Panel strongly encourages the issuance of an annual public statement signed by Chief Executive Officer and the Chief Accountant of the IE, which confirms that the internal control framework is operating satisfactorily. This representation should be supported by periodic review of the effectiveness of these internal control elements, i.e., internal control reviews satisfactorily carried out by management or by the internal and external auditors*

Common Capacity-building gaps and AF examples of mitigating factors

➤ Institutional Capacity

➤ At Quality at entry

Gap: Weakness of a supervisory review of the project quality during the design, appraisal, and pre-implementation stages with respect to the key areas of the project;

Mitigating factor: *support the Entity on identifying areas that are missing or need improvement and define role and responsibilities and the appropriate course and type of corrective action required; and Review the corrective actions taken.*

➤ Project Risk Assessment

Gap: Capacity of the entity to assess the risk as systematic process for identifying, evaluating, and managing potential events that could occur and adversely affect the achievement of an IE's project or objectives or result in unintended or undesirable negative consequences.

Mitigating factor:

Undertake assessment of project/programme risks including:

- *Financial, economic, political risks, and*
- *Environmental and social risks, and integrate mitigating strategies and environmental and social risk management plans into the project document.*

Common Capacity-building gaps and AF examples of mitigating factors

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

Gap: Non-transparent mechanisms for handling complaints about harmful Environmental or Social Impact of projects and/or fraud and corruption complaints

Mitigating factors:

- *A public statement setting the tone from senior management;*
- *A code of conduct and ethics applicable to the staff of the entity, consultants, and other parties directly or indirectly associated with the projects financed through the applicant entity;*
- *An anti-fraud policy and investigative procedures;*
- *An effective and working anti-fraud policy, process, and procedures that guide the receipt, investigation and disposition of complaints/allegations of wrongdoing including non-compliance, fraud, violation, misconduct and business conduct concerns including how business related to its activities and projects is conducted or instances where there is a non-appropriate conflict of interest*
- *Capacity to perform effective investigations of complaints*

Accredited Implementing Entities

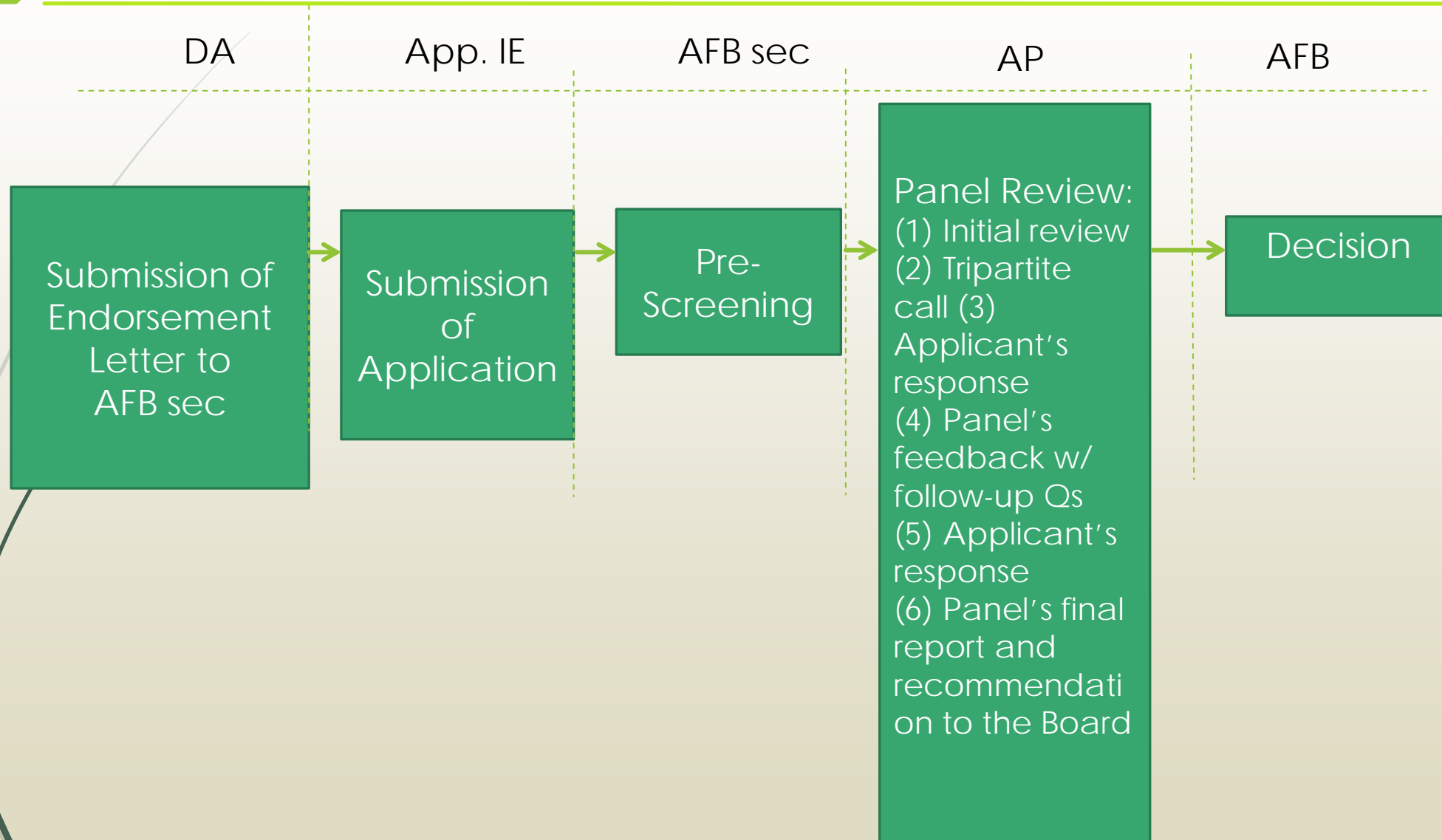
- As of today, **24 NIEs** have been accredited
 - Four of them are in **LDCs** (Senegal, Rwanda, Benin and Ethiopia)
 - Six NIEs are in **SIDSs** (Antigua and Barbuda, Belize, Dominican Republic, Jamaica, and Micronesia, Cook Island)



Phases of the AF Accreditation Process

- ✓ **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

A Country Driven Process: Accreditation Parties





AF Secretariat

- screens the application for completeness
 - communicates with Adaptation Fund Board
 - communicates with applicant
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Implementing Entities

- submit their applications to the Secretariat with the required supporting documentation to demonstrate how they meet the Fiduciary, E &S Standards and Gender
 - respond to the Accreditation Panel's information requests and clarify any pending issues
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Accreditation Panel

- 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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Accreditation cycle

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			





Timing

- The Accreditation Process can take up from Six to 24 Months
 - Lapsed time depends on how quickly applicant entity provides all the required information
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Possible causes of delays

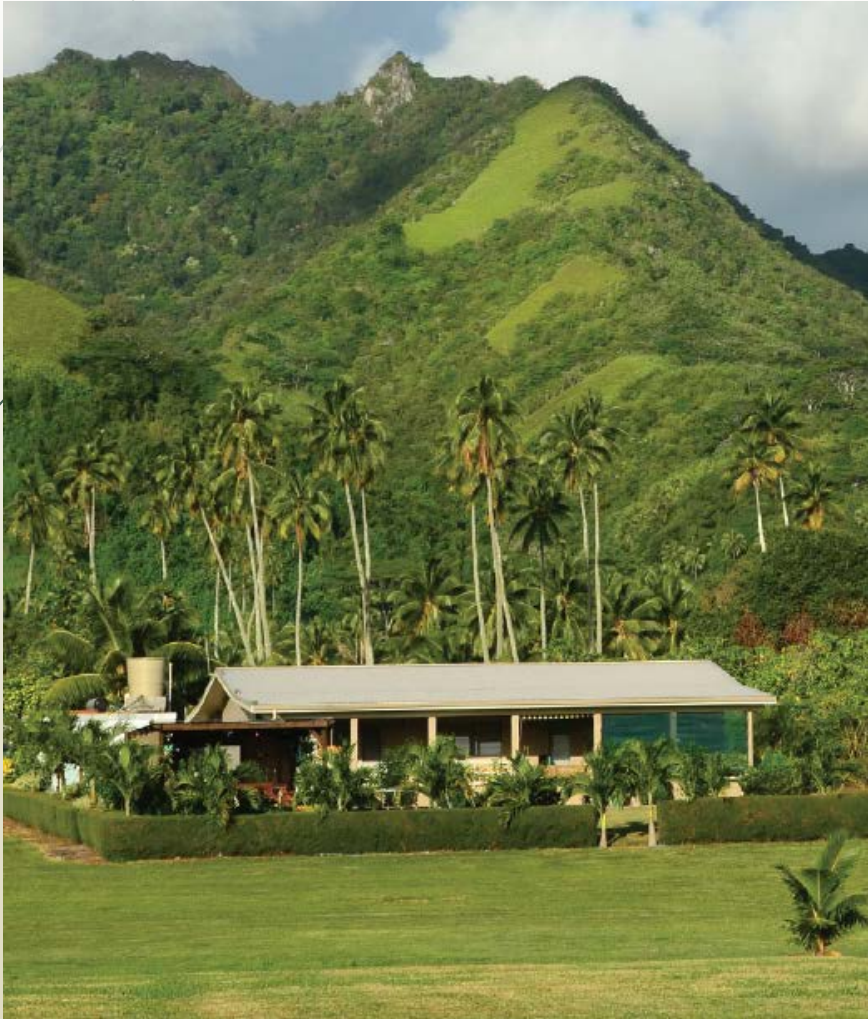
- Applicant's experience limited to handling of small projects (hence systems and processes not adequate to meet AF Standards)
 - Applicant's underestimating the work involved in completing the accreditation process and not driving process actively.
 - Lack of in depth understanding of the Accreditation Criteria and their requirements
 - Limited competencies in some areas of the Fiduciary Standards
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The right choice

- 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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Streamlined accreditation process (smaller entities)



- Approved in April 2015
- In some countries, may be difficult to find suitable NIE candidates that are able to access up to USD 10 million
- Streamlined process:
 - Same accreditation standards
 - Flexibility in means of verification
 - Reduced time, effort
 - Conditionality that can be revoked

Policy: Environmental and Social (November 2013) and Gender Policy (March 2016)

Environmental and Social Policy now rolled out to operations and Gender policy approved in March 2016

At accreditation stage:

- In addition to overall risk management capacity: systems to assess, mitigate and manage environmental and social risk and the commitment to gender equality

At project proposal stage:

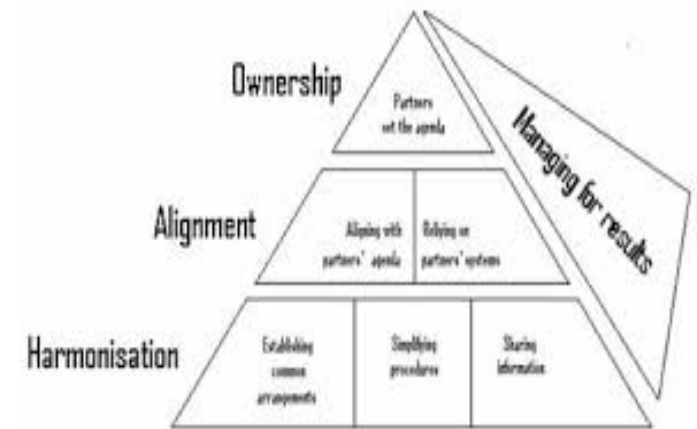
- Screening against 15 principles of the ESP
- Categorization of proposed project
- Grievance mechanism



An Important Framework

Paris Declaration in 2005 and Accra Agenda for Action (AAA) in 2008

- ✓ *Ownership*: Developing countries set their own strategies for poverty reduction, improve their institutions and tackle corruption: encouraging local ownership
- ✓ *Alignment*: Donor countries align behind these objectives and use local systems: alignment of development programmes around recipient country's development strategy
- ✓ *Harmonisation*: Donor countries coordinate, simplify procedures and share information to avoid duplication: harmonization of practices to reduce transaction costs
- ✓ *Results*: Developing countries and donors shift focus to development results and results get measured: creation of results frameworks for development objectives
- ✓ *Mutual accountability*: Donors and partners are accountable for development results: ensuring mutual accountability.



The High Level Fora on Aid Effectiveness in 2011 further strengthened the five principles and embraced South-South and triangular development co-operation that include CSOs and private sector in addition to the traditional donors.



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