



## ADAPTATION FUND

4 November 2016

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Adaptation Fund Board

***Accreditation Panel recommendation on accreditation of Environmental Project Implementation Unit (EPIU) of the Ministry of Nature Protection of Armenia under the streamlined accreditation process***

Having reviewed the accreditation application of the Environmental Project Implementation Unit (EPIU) of the Ministry of Nature Protection of Armenia, the Accreditation Panel recommended that:

- (a) The Environmental Project Implementation Unit (EPIU) be accredited as a National Implementing Entity (NIE) of the Adaptation Fund; and
- (b) The EPIU is eligible to submit project and programme proposals to the Adaptation Fund for up to US\$ 4 million.

A summary of the review can be found in Annex I.

***Accreditation Decision:***

Having considered the recommendation of the Accreditation Panel, the Adaptation Fund Board decided:

- (a) To accredit the Environmental Project Implementation Unit (EPIU) of the Ministry of Nature Protection of Armenia, as a National Implementing Entity (NIE) of the Adaptation Fund under the streamlined accreditation process for a period of five years (the accreditation expiration date is 3 November 2021); and
- (b) To entitle the EPIU to submit project and programme proposals to the Adaptation Fund for up to US\$ 4 million.

**Decision B.28-29/1**

## **ANNEX I**

### **REPORT OF THE ACCREDITATION PANEL ON ITS ASSESSMENT OF THE ENVIRONMENTAL PROJECT IMPLEMENTATION UNIT (EPIU) OF THE MINISTRY OF NATURE PROTECTION OF ARMENIA FOR ACCREDITATION AS A NATIONAL IMPLEMENTING ENTITY (NIE) OF THE ADAPTATION FUND UNDER THE STREAMLINED ACCREDITATION PROCESS**

#### **Organization**

All environmental projects, whether State-financed or donor-financed, are channeled through the Environmental Project Implementation Unit (EPIU) of the Ministry of Nature Protection of Armenia which administers/coordinates the projects.

#### **Background**

This application was received in April 2015, with the initial review completed in November 2015.

Based on the initial assessment the Panel identified gap-areas, and these were communicated to the applicant in a number of communications through letter, email and conference calls. The applicant started working promptly by taking measures to address these gaps and providing additional supporting documents requested by the Panel.

Given its size and limited number of staff (the number of staff of the NIE is approximately 18 in total) and an operational budget well below the threshold of \$1 million the EPIU requested to be considered under the Streamlined Approach which was approved by the Board in April 2015. Furthermore, the country, while relatively large in area, has a population of less than 3.5 million people and can be considered as a small country. The DA of Armenia sent the secretariat an official letter of agreement to pursue the streamlined accreditation process in October 2016. The applicant understood and agreed that the size of its project to be funded by the Fund would be limited and tailored to its capacity.

Under the streamlined accreditation process all the standards must be met, but the approach takes into consideration compensating measures, controls, and practices normally found in smaller entities, without exposing the Fund to significant risk (AFB/EFC.16/17/rev1).

#### **The Fiduciary Standards**

##### **Legal Status and capacity/authority to directly receive funds**

The applicant is an independent legal entity with the capacity to enter into contracts with international organizations, directly receive and administer funds from donors. It also demonstrated that EPIU has the capacity to take actions before a Court of Law. The EPIU is a state Institution of the Republic of Armenia (RA) which is the successor to “The Natural Resources Management and Privation Mitigation EPIU” and the “Environmental Project Implementation Unit

SNCO.” The main activities include implementing state sector projects and state orders on management of natural resources and environmental conservation. The EPIU is governed by its Charter which defines its mandate and regulates its activities as well as the Armenian laws including the Civil Code.

EPIU has statutory reporting requirements according to RA legislation. According to the Statute of EPIU it is under the supervision of the Ministry of Nature Protection on behalf of the Government of Armenia and directly managed by the Director.

Through several exchanges of communications, EPIU has demonstrated its legal capacity required for accreditation.

### **Financial Integrity**

All environmental projects, whether state financed or donor financed, are managed by the EPIU. Both the Ministry and the EPIU produce accounts that are incorporated in State accounts of the RA. Both the Ministry and the EPIU are audited either by the Control Chamber (i.e., the auditor general’s office) or by the Internal Audit of the Ministry .Furthermore, the project proceeds funded by donors are deposited in separate bank accounts and are periodically reported on and audited. The accounts are prepared following the guidelines of the cash basis of accounting which are in conformity with International Public Sector Accounting Standards (IPSAS) and the Governmental accounting rules and regulations of RA.

Assurances were provided that the audit of the EPIU is included in the annual planning cycle of the internal audit of the Ministry. In addition, details were provided of an oversight committee: this is not fully equivalent to an audit committee but the committee exercises ad hoc oversight over the execution of projects.

The applicant states that financial statements are prepared by the Accounting Department of EPIU on monthly, quarterly and yearly basis according to the National Accounting Standards of RA and other related legislative acts. Furthermore, quarterly financial reports are prepared for the Ministry of Nature Protection, and annual financial reports are prepared for Public Fiscal Accounts

Examples of Internal audits cover governmental financial statements prepared on a cash basis of accounting, procurement procedures, and project accounting. These reports have an unqualified opinion. In addition, comprehensive reports of the Control Chamber have been provided, which indicate follow-up of recommendations.

The EPIU relied initially on the operational manual of the World Bank and other required procedures by other donors. However, in 2016, the EPIU finalized its own procedures and operational manual, which are comprehensive in regard of project planning, accounting management, and evaluation and cover internal controls, ethics and Environmental and Social Policy Standards

Budgets are produced within the government cycle of Budget preparation and are available for the EPIU as well as for the Ministry. Main funding is received from the State budget as per Annual

Budget plan. This ensures the continuing and sustainable work of EPIU and the implementation of governmental actions in relation to nature protection. The other source of funding consist of grants received from donors for implementation of specific projects. EPIU received funding from the UN agencies, World Bank, Global Fund, etc.

### **Procurement and Project Management**

Adequate procurement procedures and manuals are in place. Procurement procedures are imposed by a well-defined legal framework and follow detailed procedures requiring competitive bidding processes (for items in excess of the equivalent of an agreed threshold) and a dispute resolution systems. Project completion reports indicate that there were no problems in this area. The very legal decree in Armenia dictates the procurement procedures, which is some 50 pages long.

The project evaluation reports indicates that no serious problems were encountered with procurement. The applicant has generally provided sufficient information to demonstrate the capability and experience in project identification, design, monitoring and execution.

The EPIU has a strong track record as a coordinating agency, but there remained questions as to the capacity to act as an independent implementation agency for their own projects. The examples provided of projects that are run by the EPIU itself are limited in size, but capacity at the staffing level and experience is increasing. Furthermore, the EPIU has gained confidence of donors who have recently increased their grants amounts

A comprehensive project management methodology has been recently developed and incorporated into an operations manual while examples were provided to illustrate the use of the project management procedures covering all aspects of project management, including project at risk methodology, quality at entry formulation, the capacity to undertake monitoring and evaluation (sometimes outsourced) the ability to identify, develop and appraise projects, and the competency to manage or oversee the execution of projects.

### **Transparency, Self-investigative powers, and Anti-corruption Measures**

Guidelines are available for the ethical conduct of staff and zero tolerance of fraud:

Reference is made to the decision (N 844-N of Civil Service Council of Armenia dated September 26, 2012) in regard of the Civil employee Ethics committees, defining their functions and operation procedures and to a decree (N 312-dated November 26, 2012 of the Minister of Nature Protection) to establish an ethics committee for civil servants. Under this framework, rules of ethics are formulated, ethical issues are examined, and investigations are conducted.

As an entity of the Ministry the EPIU can also rely on the mechanism of the Ministry and developed its own procedures for handling complaints and review allegations. Furthermore, the EPIU established a whistleblowing hotline, is developing its own complaints handing mechanism and relies upon a taskforce of government officials mandated to investigate complaints of malpractice.

## **Environmental and Social Policy**

The 3 Cs (Commitment, Capacity, and Complaint mechanisms) were reviewed and the applicant was found to comply with them in all substantive respects. Furthermore this capacity will be increased and further developed by a grant obtained in 2016 to strengthen this capacity.

### ***Conclusion: Accreditation Panel recommendation on accreditation of Environmental Project Implementation Unit (EPIU)***

Having reviewed the accreditation application of the Environmental Project Implementation Unit (EPIU) of the Ministry of Nature Protection of Armenia, the Accreditation Panel recommends that:

- a) The Environmental Project Implementation Unit (EPIU) be accredited as a National Implementing Entity (NIE) of the Adaptation Fund; and
- b) The EPIU is eligible to submit project/programme proposals to the Adaptation Fund for up to US\$ 4 million.