



ADAPTATION FUND

AFB/B.31-32/6

11 July 2018

Adaptation Fund Board

**REORGANIZATION OF THE NATIONAL IMPLEMENTING
ENTITY FOR RWANDA AND THE IMPLEMENTATION
ARRANGEMENT FOR THE ONGOING RWANDA PROJECT**

Background

1. The Adaptation Fund Board (the Board), at its sixteenth meeting held in February 2012, decided to accredit the Ministry of Natural Resources of Rwanda (“MINIRENA”) as the National Implementing Entity for Rwanda (Decision B.16/1).
2. The Board, at its twentieth meeting held in October 2013, decided to approve the funding of US\$ 9,969,619 for the “Reducing vulnerability to climate change in North West Rwanda through community based adaptation” project for Rwanda to be implemented by MINIRENA (Decision B.22/11).
3. The Board and MINIRENA concluded the project agreement in November 2013, which states that the Trustee shall transfer the project Grant funds on the written instructions of the Board.
4. The project launched on 2 June 2014 (the inception date). At the requests of the Adaptation Fund Board Secretariat (the secretariat), the trustee executed cash transfers from the first to the fourth (final) tranches. The transferred amounts and dates are as shown in the table below. The project funds transferred as part of the fourth tranche (US\$ 824,464) were returned to the trustee shortly.

Tranche	Funding type	Transferred amount	Transfer date	Returned amount due to the closure of the MINIRENA account
1 st tranche (upon signature)	Project	3,099,260	11/15/2013	
	IE fee	150,660	11/15/2013	
2 nd tranche (upon 1 st PPR clearance)	Project	3,473,834	07/21/2015	
	IE fee	150,659	07/21/2015	
3 rd tranche (upon 2 nd PPR clearance)	Project	1,969,424	12/08/2016	
	IE fee	150,659	12/09/2016	
4 th (Final) tranche (upon 3 rd PPR clearance)	Project	824,464	10/19/2017	824,464
	IE fee	150,659	10/19/2017	
Total		9,969,619		824,464

5. The secretariat received a letter from the Ministry of Environment of Rwanda dated 19 September 2017 (Annex I), which informed that MINIRENA had been reorganized, being divided into the Ministry of Environment (MOE) and the Ministry of Lands and Forests (MINILAF), that the reorganization did not modify the administration set-up, human resources capacity and procurement policy, rules and procedures, and that the ongoing Adaptation Fund project would be implemented by the MOE. Another letter from the MOE dated 22 September 2017 (Annex II) informed the secretariat that a series of the bank accounts previously owned by the MINIRENA were to be held by the MOE.¹ The secretariat also received a letter from the Minister of Finance and Economic Planning to the Minister of the MOE dated 24 October 2017 (Annex III), which indicates that the MOE is overseeing the environmental protection and climate change as cross-cutting area. Another letter from MOE dated

¹ However, the subsequent letters indicated that the bank account held by MINIRENA were closed and new bank account to be held by the MOE were opened.

6 November 2017 (Annex IV) stated that the MOE would succeed MINIRENA's role as NIE for the Adaptation Fund.

6. A subsequent letter from the MOE dated 14 November 2017 (Annex V) requested the secretariat to transfer the outstanding project funds to the new designated bank account owned by the MOE due to the closure of the designated MINIRENA's account which happened in earlier months.

7. The Operational Policies and Guidelines (OPG) for Parties to Access Resources from the Adaptation Fund (the Fund), adopted by the Adaptation Fund Board, state in paragraph 28:

“National Implementing Entities (NIE) are those national legal entities nominated by Parties that are recognized by the Board as meeting the fiduciary standards and demonstrating ability to comply, as a minimum, with the environmental and social policy and the gender policy approved by the Board. The NIEs will bear the full responsibility for the overall management of the projects and programmes financed by the Adaptation Fund, and will bear all financial, monitoring and reporting responsibilities.”

8. Given that MINIRENA, until its dissolution and division into the two successor ministries, was the only accredited NIE of the Fund for Rwanda, the Fund is in principle not able to transfer project funds to any other entities such as to the MOE which has not been accredited. On the other hand, the Fund has already transferred most of the approved funds to MINIRENA and the outstanding amount is relatively small (less than 10 percent of the total approved amount). According to the MOE, not being able to receive the returned funds of last tranche has already hampered the operations of the project, and the MOE has sought to find a solution to the situation in an expedited manner.

9. The secretariat has consulted with the MOE and learned that the MOE would be in a position to complete the implementation of the project, if the remaining funds be transferred to it. In addition, the secretariat has looked into the possibility to amend the project agreement between September and December 2017, in order to transfer the implementation role to the MOE, on an exceptional and ad hoc basis, if conditions are met to ensure that such transfer of role would not jeopardize funds already transferred to MINIRENA and those to be transferred to the MOE, and that the continuation of the project and related liabilities is ensured. It should be noted that the MOE is in the process of applying for re-accreditation with the Fund. However, that process may take significantly longer than what would be feasible for the continuation of the project, and therefore an ad hoc decision to be made on an exceptional basis would minimize further delay for the project.

10. The conditions to be met by the MOE are as follows:

a) An MOE's official statement confirming:

(i) That the MOE has the same standards and systems that MINIRENA demonstrated to meet the criteria for accreditation and necessary systems to manage the implementation of the ongoing project funded by the Adaptation Fund; and

- (ii) That the MOE shall assume all the responsibilities, obligations and liabilities assumed by MINIRENA in relation to the project funded by the Adaptation Fund and grants received from the Adaptation Fund; and
- b) That MOE provide an audited financial statement of the previous MINIRENA account, and a statement of the new account.

11. The secretariat has subsequently consulted with the Chair and Vice-Chair of the Board between December 2017 and January 2018 and received their endorsement on the proposed course of action of seeking the above-mentioned statements and supporting documents from the MOE, in order to present a draft decision to the Board for its consideration. The secretariat has also consulted with the trustee, who indicated that a decision from the Board authorizing the MOE to implement the final period of project on behalf of MINIRENA, on an exceptional basis (effectively stepping in as the implementing entity), would satisfy the requirement that funds transferred only to accredited entities. The Funds Transfer Request would also refer to this Board authorization.

12. The secretariat has received a commitment letter from the MOE dated 26 January 2018 (*Annex VI*), which guarantees that the MOE has the same standards and systems that MINIRENA demonstrated to meet the criteria for accreditation and necessary systems to manage the implementation of the ongoing project funded by the Adaptation Fund, and that the MOE shall take all the responsibilities, obligations and liability assumed by MINIRENA in relation to the project funded by the Fund and grants received from the Fund. The letter provided by the MOE look adequate to meet the condition a) i) and ii) stated in paragraph 10.

13. The secretariat has also received the audited financial statements in relation to the previous MINIRENA account for a period from 9 November 2013 to 31 December 2017 and its associated management letter dated 11 May 2018². The statements contain lists of cash in-flows and out-flows recorded in the previous MINIRENA account from 20 November 2013 to 16 December 2017 in a chronological order, and it indicates that all the project funding received from the Fund has been transferred to the Implementing Entity and the Executing Entity for the project implementing purposes until the account was closed with a nil balance. In the auditor's report, the independent auditor expressed his opinion that the accompanying financial statements of the project are prepared in all material respects in accordance with the accounting policies and the financial reporting provisions of the protocol agreement between the Fund and the MINIRENA dated 9 November 2013. The MOE has also submitted a newly opened bank account information to the secretariat for the remaining cash transfer for the project. The information provided by the MOE looks adequate to meet the condition (b) stated in paragraph 10.

14. The secretariat is submitting the recommendation below for consideration and decision by the Board in an intersessional process in order to minimize the delay to the implementation of the project.

² AFB/B.31-32/6/Add.1 Reorganization of the National Implementing Entity for Rwanda and the implementation arrangement for the ongoing Rwanda project: Audited Financial statements (Confidential)

Recommendation

15. Considering the information contained in document AFB/B.31-32/6 and its confidential addendum (the audited financial statement), the Board may want to consider and decide:

- a) To authorize the Ministry of Environment of Rwanda (MOE) to assume, on an exceptional basis and with a goal of minimizing further delay to the implementation of the project “Reducing vulnerability to climate change in North West Rwanda through community based adaptation”, the implementation role for the project for the final period of implementation which had been held by the Ministry of Natural Resources of Rwanda (MINIRENA) that has ceased to exist, including all related responsibilities, obligations and liabilities;
- b) To request the secretariat to draft a succession agreement between the Board and the MOE, to supersede the agreement previously made between the Board and MINIRENA, to reflect the changes made under subparagraph (a) above;
- c) To approve the one-time cash transfer of the outstanding funds (US\$ 824,464) to the designated bank account under the ownership of the MOE for the continuation and completion of the project; and
- d) To request the secretariat to inform the MOE that the ad hoc authorization to the MOE to implement the final period of the project shall not in any way prejudice the on-going re-accreditation process of the MOE.