



ADAPTATION FUND

Accreditation Standards
and
Strengthening Capacity to
access financial resources in
developing country
institutions

Accra 18 March, 2019



Accreditation Standards

► 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

Accreditation Standards

▶ Institutional Capacity

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

▶ Compliance with AF ESP and Gender Policy ('3Cs')

- 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
- Policies, Framework and capacity to deal with fraud, corruption and other forms of malpractice

- **Commitment** to complying with the Fund's Environmental & Social and Gender policy
- **Capacity**
- **Complaints** Handling Mechanism to deal with complaints on environmental and social, and Gender harms caused by projects

Accreditation Standards

At its 32nd Meeting (2018) the AF Board Approved Examples of Additional Supporting Documentation to provide evidence of Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT).

- **Related to 3 Criteria (Accreditation Application Form Revised):**

- Internal Control Framework (Criterion 3a)
- Procurement (Criterion 5), and
- Framework to deal with financial mismanagement (Criterion 10b)

- **Documentation to include:**

- Policies and procedures related to AML/CFT
- Screening system which documents all individuals and/or entities before the agency transfers money to them; and
- Decision-making process that the agency follows when it identifies risks related to any individual and/or entity.

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 factor:**
 - *AF allows Ministry to be the Designated Implementing Entity and to identify an Executive Entiti 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 factor:** *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*

Accreditation Related Documents

- Guidance on Accreditation Standards
 - Accreditation Application Form
 - NIE Accreditation Toolkit
 - Guidelines for Designated Authorities to Select an NIE (*to be updated*)
 - Available at <https://www.adaptation-fund.org/apply-funding/accreditation/accreditation-application/>
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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: (a) financial, economic, political risks, and (b) 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 factor:

- a) *A public statement setting the tone from senior management;*
- b) *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;*
- c) *An anti-fraud policy and investigative procedures;*
- d) *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*
- c) *Capacity to perform effective investigations of complaints*

Common Capacity-building gaps and AF examples of mitigating factors

- ▶ In April 2015, the AF Board approved the use of a **Streamlined Approach** for accreditation of Small Entities that may not be able 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



Scope

- " (a) To *reflect* on the accreditation experience of the Adaptation Fund; and (b) To *prepare*, in collaboration with the Accreditation Panel, a *report* on the experience gained and lessons learned, including an overview of guidance on accreditation, for consideration by the Board at its thirty-first meeting. " (Decision B.30/2)



Feedback sessions

- Agreement with the conclusion that the accreditation process is strong reliable, and of high quality .
- Important to note that the **process has helped strengthen capacity**: the word **transformational** was used in external studies.
- What are the issues/opportunities that came up during feedback
 1. Place a time limit to finalize the application process.
 2. Improve communication process with DA/focal point/NIE, including the development/update of a specific guideline/checklist for the DA to select best NIE with the key critical
 3. Provide assistance to the NIE- separate accreditation process and TA



Feedback-Continued

4. Direct applicant NIE's lacking capacity to work with MIE to execute project jointly with clear demarcation of accountability and budgets, and build capacity.
5. Panel to further fine tune/discuss review: (i) reliance on donors: (ii) review/discuss "minimum" standards (iii) review which standards are checked in project cycle; (iv) AML/CFT review
6. Improve "marketing" of AF- communicate with DA/ work on communication strategy with WB/ rely on Board to get the word out.
7. Compile best or workable practice examples for use by NIE's
- 8 . Synergies GCF and reverse " fast tracking"



1. Policy changes

- 1 . Implement a “fast-track” process of GCF accredited entities **(retained);**
2. **Develop timeline to let application lapse;**
3. Develop capacity and execute projects jointly with a candidate NIE and a partner MIE **with accountability and budget safeguards (retained);**
- 4 . **More resources for assistance to NIE?**

2. Secretariat

- ▶ Encourage participation in the Adaptation Fund through continued communication .
- ▶ Draft/**update** specific guidance to the DA on selecting a NIE to avoid potential delays later (**included**)- **for instance, by listing 3 or 4 key requirements.**
- ▶ Provide assistance to a NIE at an earlier stage: **for instance (i) by shifting the in-country visit to the entities to an earlier stage; (ii) by focusing assistance on preparing application and providing TA separately from accreditation review;**
- ▶ **Develop timeline after which applications expires.**

3. Streamline review process

- (i) Focus/further simplify the accreditation review process where possible. These measure could include :
 - (a) focus review more on key requirements; **(included)**
 - (b) accept more documents in the original language **(to be qualified)**
 - (c) **Formalize**/place more reliance on the view and experience of donors in regard of project performance and capacity **during the review (included)**
 - (d) improve planning of available external expert **and applicant** time. **(included in time line)**



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