



## ADAPTATION FUND

23 May 2019

---

Adaptation Fund Board

***Accreditation Panel Recommendation on the Re-accreditation of Chilean Agency for International Cooperation for Development (AGCID) as National Implementing Entity for Chile***

Having reviewed the re-accreditation application of Chilean Agency for International Cooperation for Development (AGCID), the Accreditation Panel recommended that AGCID be re-accredited as a National Implementing Entity (NIE) of the Adaptation Fund.

A summary of the review can be found in Annex I

***Re-accreditation Decision:***

Having considered the recommendation of the Accreditation Panel, the Adaptation Fund Board decided to re-accredit Chilean Agency for International Cooperation for Development (AGCID) of Chile as a National Implementing Entity (NIE) of the Adaptation Fund for five years, as per paragraph 38 of the operational policies and guidelines for Parties to access resources from the Adaptation Fund. The re-accreditation expiration date is 22 May 2024.

**Decision B.33-34/7**

## **ANNEX I: REPORT OF THE ACCREDITATION PANEL ON AN ASSESSMENT OF THE CHILEAN AGENCY FOR INTERNATIONAL COOPERATION FOR DEVELOPMENT (AGCID) FOR RE-ACCREDITATION AS A NATIONAL IMPLEMENTING ENTITY (NIE) OF THE ADAPTATION FUND.**

### **BACKGROUND**

The Chilean Agency for International Cooperation for Development (In Spanish – La Agencia de Cooperación Internacional para el Desarrollo or AGCID), an autonomous entity within the portfolio of the Ministry of Foreign Affairs of Chile, applied for re-accreditation in February 2018. The applicant is an autonomous entity of the Government that is subject to Government fiduciary policies and frameworks. It provided over 200 distinct documents over the course of its re-accreditation application during the Adaptation Fund (AF) Secretariat's screening process and the review by the Panel. The review also considered other information in AGCID, other Chilean Government and multilateral agency websites.

In considering the Government-wide laws, policies and systems which are relevant to AGCID's application, the Panel noted the very favorable reports by International Financial Institutions and Transparency International and other governance indexes, with regard to anti-corruption measures, the use of international standards and good practices in public financial management, institutional capacity and the appropriateness of relying on relevant parts of the Country's own fiduciary measures for project management.

### **THE APPLICANT – AGCID**

The Agency was created for the purpose of supporting the plans, programs, projects and development activities promoted by the government, through the collection, provision and administration of international cooperation resources. It carries out functions that reflect Chile as both a recipient and provider of international development cooperation assistance.

Its most recent (2017) published annual report notes that it was overseeing 15 national development projects funded from international bilateral and multilateral donors, 10 of which it had direct or indirect financial responsibility, for which total disbursements that year was about USD 8.2 million. AGCID also managed a program of South-South / Triangular support to developing countries, mainly in Latin America and the Caribbean of about USD 7.7 million. It had approximately USD 12.6 million in revenues and expenditures in 2017.

Following its initial accreditation, AGCID was approved in 2015 for an AF grant of USD 9,960,000 for the 4-year project "Enhancing Resilience of Climate Change of the Small Agriculture in Chilean Region of O'Higgins". The executing entities are the Ministry of Agriculture and Ministry of Environment. As of March 2019, just under USD 5, 9 million is reported as disbursed to AGCID.

## **ASSESSMENT FOR RE-ACCREDITATION**

The Panel conducted its re-accreditation review in accordance with Board Decision B.31/1 (applying the “regular” re-accreditation process), and Decision B.32/36 updating the application form in respect of policies and procedure related to anti-money-laundering/countering the financing of the terrorism. The Panel considered the following aspects:

- Continued compliance with the AF’s fiduciary standards
- Compliance with the AF’s environmental and social policy and gender policy
- The results of the assessment of the implementing entity’s performance regarding quality at entry and project/programme implementation in the AF project in progress

With regard to the fiduciary standards and compliance with the Fund’s environmental and social policy and gender policy, the Panel noted that AGCID had further strengthened its policies, procedures and capacity in many of the areas subject to review. These are noted where relevant in the analysis that follows. The review is structured according to the revised application form at Annex 2 of AFB/EFC.23/4, adopted by the Board as part of Decision B.32/36.

### **Financial Management and Fiduciary Standards**

#### ***Legal Status***

The applicant continues to meet this criterion. There have been no substantive changes to its legal status. In accordance with its own establishment law and other Chilean laws provided to the Panel, AGCID has its own legal personality, and may enter into agreements with other entities including international organizations, receive funds directly and may sue or be sued. A 2018 name change from AGCI to AGCID to add reference to “for development” and other amendments to its establishment law have not affected the legal status.

#### ***Financial statements including Project Accounts and Provisions for Internal and External Audits***

The applicant continues to meet the criteria in a form previously found acceptable by the AF and specific to Chile’s arrangements, including for the production of national financial accounts through a system overseen by the Comptroller General’s Office (CGR) in which CGR undertakes a dual role as Government accountant and external auditor as the Supreme Audit Institution. The audit and accounting functions of CGR are organizationally separate. This dual arrangement has been accepted by multilateral financial institutions as well as previously by the Adaptation Fund. CGR is a member of the International Organization of Supreme Audit Institutions (INTOSAI) and adopts the INTOSAI international auditing standards. A 2014 peer review against these standards was positive and noted that CGR enjoyed a high level of organizational, functional and administrative independence. Chile is currently in transition to full alignment of its financial reporting with International Public Sector Accounting Standards (IPSAS).

In line with the Government’s current system, AGCID produces monthly financial reports through the standard Government financial system, which are used for the Agency’s financial

management and subject to verification by CGR. The Government-wide financial system was developed with assistance from multilateral financial institutions as part of the overall strengthening of public financial administration and meets their requirements for financial control and reporting. These support project financial reporting as well. CGR produces the Government's consolidated financial statements, based on its validation work but does not provide an attestation audit opinion on these statements. However, CGR in its audit role undertakes audits of internal control as well as legal compliance, protection of assets and administrative integrity. The Ministry of Finance publishes annual financial information on AGCID's budget execution.

AGCID follows Chile's arrangements for internal audit in the public sector, which have been strengthened since initial accreditation. These arrangements have been accepted by multilateral financial institutions. The function within AGCID has a small staff but has appropriate organizational independence and follows standards and guidelines for audit planning, execution, reporting and follow up based on international as well as national standards. Its plans and reports are monitored by a central control and internal audit function within the Government, the Council of General Internal Auditors of the Government (CAIGG). AGCID provided examples of recent plans and reports evidencing its effective functioning

Following legislative changes in 2018 which resulted in the replacement of the AGCI Council with an Advisory Council to the Minister of Foreign Affairs, AGCID is subject to the general oversight arrangements of the CIAGG, the CGR, the Ministry of Finance and in limited respects its supervising Ministry. These institutions provide oversight in their mandated areas over the internal controls, budgeting, financial reporting, auditing and performance reporting of AGCID. On this basis, the applicant is considered to meet this criterion.

### ***Internal Control Framework with Particular Reference to Controls over Disbursements and Payments***

The applicant continues to meet the criteria. While there is no overarching document setting out an internal control framework, this is documented in various internal and Government documents covering the management of the Agency, internal and external audit, accounting and financial reporting, disbursement, procurement, project management cycle, anti-fraud and anti-money laundering/terrorist financing measures, and project cycle policies, which are examined under other accreditation criteria. It has begun implementing risk management and a process of annual assessments by internal audit of the internal control system under the COSO Framework, in accordance with standards set by the CIAGG. AGCID has submitted detailed procedural instructions which provide for adequate controls over payments/disbursements, including those relating AML-CFT.

### ***Preparation of Business Plans and Budgets and Ability to Monitor Expenditure in Line with Budgets***

The applicant continues to meet this criterion. It has prepared a long-term vision and a medium-term strategy that guide its operations. As an integral part of the Chilean central government, the long-term financial viability of AGCID is inseparably linked to the overall finances of the Government. The Agency is subject to the Government's annual budgetary approval process

and the annual budget is enacted into law as part of the overall public sector budget. The interface between the Government's budget and financial systems permits real time monitoring of budget execution and AGCID is subject to regular monitoring by the Government's central budget agency.

### **Requisite Institutional Capacity**

#### ***Procurement***

The applicant continues to meet this criterion. AGCID is subject to Chilean Government procurement policies and systems which promote transparency, competition and ethical conduct. There is adequate provision for procurement protests. Multilateral agencies have accepted public sector arrangements for national procurement. Recommendations from a 2016 AGCID internal audit aimed at improved compliance in certain aspects have been implemented. AGCID has also implemented AML-CFT systems including due diligence checks prior to purchasing or contracting with outside entities, to meet the requirements of national AML-CFT laws.

#### ***Project Preparation and Appraisal including impact (environment, socio- economic, political, gender etc.) assessment study with risk assessment and mitigation plans***

The applicant continues to meet the criteria. It has extensive experience in project identification and formulation and provided recent examples of its involvement in this phase of the project cycle. Since initial accreditation, AGCID has formalized its project identification and formulation procedures to ensure a minimum standard is applied to all approved projects regardless of type or funding source, although completed examples using the formats of the new requirements are not yet available, AGCID provided examples that collectively show capability and experience in applying the principles. The Agency also has experience in conducting appraisals of projects submitted by proponents for funding. Since initial accreditation, AGCID has formalized an internal committee to review South-South and bilateral project proposals. The Agency has experience considering the technical, financial, economic, social, environmental, gender and legal aspects of proposed projects. Requirements for documentation vary depending on project funding modality. The 2015 AF project is the most comprehensive example provided. Experience with project-level risk assessment is developing. Project proposal templates for non-AF funded projects provide for carrying out risk assessment and preparation of risk management plans at project level. While many projects are for institutional capacity building and hence do not require more complex risk analysis, when it is required AGCID relies on the expertise of the technical counterparts in other Ministries and Agencies as was the case with the 2015 AF-funded Project.

#### ***Project Implementation Planning and Quality-at-entry Review***

The applicant continues to meet the criteria. The 2017 Project Design guidelines established a minimum set of requirements to ensure quality at entry, which are supplemented by other requirements for specific South-South or Triangular Cooperation Funds or from donors. Internal review committees set up for specific programs assess compliance with these guidelines. The applicant has extensive experience in the preparation or assessment of project budgets. It provided examples of its ability to prepare project budgets including the detailed example of the current AF project.

### ***Project Monitoring and Evaluation During Implementation***

The applicant continues to meet the criteria. Since its initial accreditation, AGCID has published a set of principles for monitoring and evaluation to be applied as a minimum requirement for its project portfolio, although recent examples of application are not yet available. At present there is no dedicated monitoring and evaluation unit in AGCID, the Agency preferring to focus on capacity building on project monitoring and evaluation across its project staff to promote the M&E principles. It provided examples of different forms of project monitoring carried out on a number of programs.

At an institutional level it tracks budgetary performance on projects through a project monitoring system which provides a detailed database on the project portfolio. The system tracks the broad status in the project cycle (opening, negotiation, implementation, closing), the budget, travel and procurement (goods, services, workshops etc.) workflows, and project document repository. The level of execution of the projects and their activities can be calculated. Monthly management reports submitted to the AGCID Director are based on information from the SIC and from the Administration and Finance Department. These reports track the overall portfolio by category in terms of budget performance.

AGCID provided examples of satisfactory external audits of projects which it is administering as an implementing agency, with execution by other entities, and for which AGCID coordinates financial reporting to donors and external audits where required by donors. The Agency currently uses a project monitoring system to flag projects which have problems in terms of budget or implementation performance supplemented by periodic reviews of the project portfolio by funding partner. These are reviewed at senior management level.

### ***Project Closure and Final Evaluation***

The applicant continues to meet the criteria. AGCID has extensive experience in managing (either coordinating, overseeing or executing) a large portfolio of bilateral, South-South and Triangular cooperation projects. Sample evaluation reports provided were generally positive with recommendations focusing on enhancing results-orientation e.g. greater precision in defining results and improving tracking. The current AF project has received satisfactory and, in some cases, highly satisfactory ratings. It provided examples of projects which show how AGCID is able to marshal the necessary expertise (internal or external to the Agency) that would be required to evaluate all required aspects of the project. It has incorporated evaluation principles into its policy toolkit following a review of its M&E systems. It does not have an in-house Evaluation unit but provided examples of final evaluations carried out by independent evaluators commissioned by AGCID.

### **Transparency, self-investigative powers, and anti-corruption measures**

#### ***Policies and Framework for Dealing with Financial Mismanagement and Other Forms of Malpractices***

The applicant continues to meet the criteria. While the term “zero tolerance” does not appear in any AGCID or Chilean government policies or websites in connection with fraud or other financial malpractice, the various published measures on the websites effectively establish the tone of zero tolerance through the requirement for administrative and criminal sanctioning for such behavior.

AGCID is subject to extensive Government systems relating to the prevention and detection of fraud, corruption and other forms of financial mismanagement and to taking appropriate responses. These systems cover the probity of public officials generally; transparency; disclosure of assets and interests and managing conflicts of interest; procurement anti-corruption measures; provisions for anti-money laundering and countering the financing of terrorism; code of ethics and ethics committees; sanctioning of misconduct by public officials; complaint hotlines and handling of complaints; and whistleblower protection.

To support its compliance with Government requirements, AGCID has implemented its own policies and procedures including internal AML-CFT policies, Code of Ethics and Ethics Committee, fraud deterrence and detection measures and central focal point responsible for monitoring for fraud and other offenses, and sanctioning procedures.

It is subject to Government rules and procedures concerning the investigation of allegations against public officials, which have been strengthened since initial accreditation. In December 2016, AGCID adopted its own new manual for investigating and taking disciplinary measures against misconduct committed by its personnel. The investigation and sanctioning process with regard to third parties (grantees, suppliers, bidders) is handled by the Public Procurement Department of the Ministry of Finance or, in the case of AML-CFT violations, the Financial Analysis Unit (UAF) of the Ministry of Finance.

AGCID advised that to date, no complaints relating to fraud or financial mismanagement in respect of the Agency or its projects and programs have been received either directly or through other Government communication channels.

#### ***Commitment by the entity to apply the Fund’s Environmental and Social (E&S) Policy and Gender Policies***

The applicant continues to meet this criterion in respect of E&S safeguards and meets the requirements introduced since first accreditation in respect of gender. AGCID has established an Environmental and Social Safeguards Action Plan, published on their website, to ensure that, throughout the project cycle, not only relevant national requirements (the Environmental Impact Evaluation System) are met but also those of external funders. This takes account of AF and GCF policies and the 2015 Implementation Manual for the IFC Environmental and Social Management System.

AGCID has also included a gender mainstreaming mandate in its 2015-2018 Cooperation Policy and this is reflected in 2017 Project Identification and Design Guidelines. It has also published in its website a Gender Action Plan. Letters of Commitment published on its website also confirm that AGCID will address environmental, social and gender risks in accordance with AF policies.

***Mechanism to Deal with complaints on Environmental and Social Harms and Gender Harms Caused by Projects/Programs***

The applicant continues to meet this criterion. The general online platform for requesting information, making suggestions and lodging complaints, which all Government agencies are required to maintain, has been identified as the one for making complaints on environmental, social and gender harms. AGCID advised that to date, no such types of complaints have been received but has established policies on how E&S /gender related complaints will be handled. It has committed to further enhancing the complaint mechanisms and central registration in its published E&S and Gender Action Plans. In its current AF-funded project it has established project-level mechanisms meeting the Fund's requirements

***Assessment of the implementing entity's performance regarding quality at entry and project/programme implementation***

The other aspect of focus for re-accreditation under Board Decision B.31/1 is the results of the assessment of the implementing entity's performance regarding quality at entry and project/programme implementation. The current AGCID-implemented project approved by the AF Board in October 2015 is currently in progress, having started implementation in August 2017. The first Project Performance Report in 2018 had an overall rating of satisfactory and in a number of areas highly satisfactory.

**CONCLUSION**

The Accreditation Panel concludes that the Agency for International Cooperation for Development (AGCID) has continued to comply with the AF's fiduciary standards, complies with the AF's environment and social policy and gender policy, and has demonstrated satisfactory performance regarding quality at entry and project/programme implementation. It therefore recommends that AGCID be reaccredited as the National Implementing Entity of the Adaptation Fund for Chile.