



ADAPTATION FUND

1 July 2019

Adaptation Fund Board

Accreditation Panel Recommendation on the accreditation of Environmental Management Agency (EMA) as National Implementing Entity for Zimbabwe

Having reviewed the accreditation application of the Environmental Management Agency the Accreditation Panel recommended that EMA be accredited as a National Implementing Entity (NIE) of the Adaptation Fund.

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 to accredit Environmental Management Agency (EMA) of Zimbabwe 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 accreditation expiration date is 30 June 2024.

Decision B.33-34/10

ANNEX I: REPORT OF THE ACCREDITATION PANEL ON AN ASSESSMENT OF THE ENVIRONMENTAL MANAGEMENT AGENCY (EMA) OF ZIMBABWE FOR ACCREDITATION AS A NATIONAL IMPLEMENTING ENTITY (NIE) OF THE ADAPTATION FUND.

BACKGROUND

The Environmental Management Agency (EMA), an autonomous entity of the Government within the portfolio of the Ministry of Environment, Tourism and Hospitality Industry of Zimbabwe, was nominated by the Designated Authority and submitted its application for accreditation with the Adaptation Fund (AF) in late November 2016.

The EMA provided over 400 distinct documents over the course of its accreditation application during the AF Secretariat's screening process and the review by the Panel. The review also considered other information in EMA websites and those of other entities including the Zimbabwean Government and multilateral agencies.

THE APPLICANT – EMA

The applicant was established in 2002 under a specific legislative Act and became operational in 2006. It is subject to many of the Government of Zimbabwe's fiduciary policies and frameworks. The EMA has standard setting, regulatory and developmental functions. It is responsible under its legislation for ensuring the sustainable management of natural resources and protection of the environment, the prevention of pollution and environmental degradation, and the preparation of Environmental Plans for the management and protection of the environment. In the Government's development strategies, EMA supports the goal in the Food Security and Nutrition Cluster by implementing/executing projects at three scales – small and medium-sized community environmental projects: which are funded by the Agency itself; and large or “flagship” projects with funds from external development partners. Headquartered in the capital, it also delivers its activities through a large network of provincial offices across the country.

EMA is governed by the Environment Management Board appointed by the supervising Minister, of which the majority of members shall be experts in scientific domains specified under the Act as relevant to the work of the Agency. A Director-General appointed by the Board exercises day-to-day executive management of the Agency.

ASSESSMENT FOR ACCREDITATION

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. The Panel noted that EMA had significantly strengthened its policies, procedures and capacity in many of the areas subject to review over the course of the application. It has done so in the context of a challenging political and economic environment in Zimbabwe in recent years during which it has established its reputation as an effective institution and well-regarded partner of international funders. As a public sector entity,

it has aligned its planning processes with the current Government's 2018-2020 Transitional Stabilisation Programme which sets out the immediate goals of the Government to address the country's economic challenges and deepen reforms of the public sector.

Financial Management and Fiduciary Standards

Legal Status

The EMA has been lawfully established by an Act of Parliament, capable of suing and being sued in its own name and, subject to the Act, of performing all acts that bodies corporate may by law perform including directly receiving funds. The Agency has the legal capacity to enter into contract, agreement or instrument with international organization if those are approved by the EMA Board. It provided copies of two examples of contracts signed directly with other entities including international organizations. The 2018 restructuring of the supervising Ministry within the Government has not affected EMA's legal status.

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

EMA has, in conformance with its Act, been preparing annual financial statements. It provided copies of the five most recent audited financial statements. The external auditor has provided unqualified opinions against the International Financial Reporting Standards.

The external auditor is the Auditor-General of Zimbabwe (OAG) whose audits of EMA are conducted in accordance with the International Standards on Auditing and the International Standards for Supreme Audit Institutions. The OAG audits all financial transactions conducted by EMA including those for projects that are funded internally by EMA. A 2015 Country Fiduciary Re-engagement Assessment by a major donor recommended the use of OAG to audit donor projects notwithstanding some areas where it needs strengthening. OAG capacity development is being supported under donor-financed projects, currently the Public Financial Management Enhancement Project. As part of its annual financial statement audit, OAG provides detailed management letters highlighting significant control issues for management attention. OAG recommendations are subject to follow up by management and in the subsequent annual audit. EMA has begun using SAP for its enterprise-wide financial accounting and reporting, having completed a challenging implementation, with the 2016 and later financial statements being prepared using the new system. EMA has updated its Accounting Manual for this and has adequate IT support. The SAP system encompasses all EMA locations, subject to periodic connectivity constraints.

Over the period of the application, EMA completed the implementation of SAP (an enterprise resource management system package). It shared audit and risk reports indicating how issues have been addressed and resolved. It has been using SAP for the production of its financial statements since 2016, and has updated its Accounting Manual accordingly. The SAP system encompasses all EMA locations, subject to periodic connectivity constraints. SAP is used for

project as well as enterprise accounting, budgeting and reporting. EMA has three IT staff to support SAP and other systems.

The internal audit function was established at the time of EMA's inception in 2007 in accordance with Government-wide requirements. To establish its internal independence, Internal Audit reports operationally to the Chair of the Risk and Audit Committee of the Executive Board and administratively to the Director General. Sample Committee minutes of meetings confirm the active engagement of the Committee in its roles with regard to internal audit. From December 2017 its permanent staffing complement increased to three, all of whom have relevant qualifications and experience. A separate staff member has been recruited in mid-2018 to assist with risk management, reporting to the Risk and Audit Manager. There has been recent strengthening of the framework under which internal audit operates: in 2016 an Internal Audit Charter and Manual were approved by the Risk and Audit Committee, and the Charter has been subsequently updated most recently late 2018. Through these documents the IIA International Standards have been adopted and incorporated into the function's activities. The function is at an early stage in implementing a quality assessment process as required by the international standards. Audit reports provided from 2016 and 2018 indicate reasonable capacity to conduct compliance audits and to analyze risks and controls from a systemic viewpoint.

As required by relevant public sector legislation, EMA has an engaged Board and sub-committees. The Audit Committee (known as the Risk and Audit Committee) under recent changes in legislation will become fully comprised of non-executive members. The scope of the committee, in line with its TOR, covers internal audit, external audit, annual financial statements, risk management internal control and investigation. The Committee meets quarterly. EMA provided copies of the minutes of recent meetings in which oversight policies, plans and reports were reviewed and approved, and recommendations made to management on a range of issues. The Committee has demonstrated leadership in oversight and risk management. There is a separate Finance Committee of the Board which oversees budgets and financial performance and EMA provided an example of quarterly minutes. The October 2018 Panel site visit observed the Board's style and practices and considers that the AF can be assured that the projects it funds will be overseen routinely and closely by the Board.

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

There is no stand-alone internal control framework document. However, the EMA Act, the Constitution of the Environment Fund (established under Part VIII of the Act), the Board Finance and Risk & Audit Committee terms of references, the Internal Audit Charter, the EMA Accounting Manual, EMS Standard Operating Procedures Booklet and Community Environmental Management Projects Implementation Guide, and the Risk Management Framework and Policy provide the essential elements of an internal control system which establish defined roles and policy guidance. As indicated under other criteria, these are currently up-to-date and they are under implementation. There is still some way to go in EMA to fully establish the risk management function at both the corporate and provincial levels. However, there is enough evidence to show EMA's commitment to having effective risk management at the corporate and project levels;

EMA's capacity to implement and address the commitment 'challenge'; and evidence that the commitment is being carried out in the right direction.

The standard controls over payments and disbursements embodied in the Accounting Policies and Procedures Manual are appropriate. With the 2017 implementation of SAP, programmed controls over disbursements have been introduced. Measures are in place in conjunction with EMA's bank to ensure payments are compliant with Zimbabwe's regulations to prevent money laundering and terrorism financing. A 2018 internal audit identified compliance issues with disbursements but no significant systemic issues.

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

EMA has prepared strategic plans, the current one ending 2020, and has been preparing annual budgets based on updated financial income projections. Its revenue base is less than anticipated in its legislation as it has not been receiving carbon tax proceeds and EMA has received less from Government sources (grants and fees for services due from Government entities), offset by in-kind contributions. It has been relying for its cash flow on fees earned from services from the private sector. However, in 2019 the Government has appropriated funds from Consolidated Revenue to replenish the Environment Fund upon a needs-based application from EMA, and this process is expected to be replicated in future,

EMA has appropriate policies on annual budget planning and monthly reporting and uses SAP for budget management. The Board through its Finance Committee monitors performance against budgets on a quarterly basis. Audited financial statements and budget documents indicate that the Agency has maintained expenditure within revenues received. Budgets have been scaled in accordance with revenue received so that EMA has managed within its financial means and has built up sound financial reserves.

Requisite Institutional Capacity

Procurement

EMA is subject to government procurement laws and regulations, which have undergone changes in late 2017, and which set out the framework for procurement according to good practices. These changes shift more responsibilities from a centralized procurement entity to Ministries and Agencies. Procurement handled directly by the Agency is subject to the Procurement section of the EMA Accounting Policies and Procedures Manual. Measures are in place in conjunction with the Government's central procurement oversight entity to ensure procurement actions are compliant with Zimbabwe's regulations to prevent money laundering and terrorism financing. A 2016 assessment undertaken for a donor concluded satisfactorily as to the scope of EMA's procurement policy and procedure and the Agency's compliance. A 2018 internal audit did not identify any major systemic issues.

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

EMA implements community and research projects from its own budget, as well as projects funded by international donors. With respect to the former, it has developed internal guidance on stakeholder-based needs assessment, project design and project proposal development. EMA provided two examples of small – medium size community development projects demonstrating application. It also has co-prepared with international development agencies larger projects following these agencies' requirements, where its role has been in problem identification, the stakeholder consultative process and engagement of higher-level authorities. The agency participates in determining the implementation modalities and reviewing the capacity of the potential executing partners at all levels. Based on project documents provided so far, EMA seems to be most advanced in considering the environmental and financial and aspects and is building experience in incorporating social and gender aspects. It provided examples which indicate building its capacity to meet the AF requirements.

EMA's corporate risk management policies indicate that risk assessment and mitigation strategies are "essential elements" for major projects, and there is reference to risk management in project proposal development in the Agency project cycle guide, the Agency's documentation provides little detail on what this involves and there has been no documented systematic risk assessment in the EMA-own project preparation or appraisal. EMA is currently working on applying the concepts to new projects. A risk framework has been developed which is awaiting the consideration, expected in Q3 2019, of the new Board appointed in May 2019, and a risk form is under development which will cover key elements of the Adaptation Fund requirements that includes legal issues; compliance with the laws; and gender, environment and social safeguards. Pending Board approval of the documents, EMA has undertaken focused capacity building on project risk management among its staff and has piloted documented approaches on new projects.

Project Implementation Planning and Quality-at-entry Review

EMA has documented requirements to ensure quality at entry of planned projects. Example of EMA-funded project documentation provided showed some elements, and EMA has contributed to more systematic international donor project planning documents. The October 2018 Panel site visit identified that EMA was applying quality-at-entry concepts for its own projects albeit not using standard documentation, and through participatory planning methods involving affected communities. Examples provided of small projects funded by EMA show capacity to prepare project budgets linked to project work plans and EMA has systems in use to monitor expenditures against budgets.

Project Monitoring and Evaluation During Implementation

EMA has been progressively strengthening its monitoring capabilities, particularly in relation to larger value projects in its portfolio. It is using a project management software to monitor these projects on an individual basis and guide management attention. Examples were provided to demonstrate reporting to and monitoring by management and the Board.

EMA has a project cycle policy framework in place that supports its M&E efforts, in compliance with the National Monitoring and Evaluation Policy, and has tools and system developed to implement monitoring. There is a draft EMA M&E Manual (2017) but its use so far appears to be limited. Following a consultant review of M&E in late 2018 EMA has begun steps in 2019 to establish a new unit to coordinate M&E activities across the Agency, appropriately segregated from its regulatory department.

EMA provided evidence of its experience with project oversight processes and the Panel site visit to a project observed the effectiveness in practice of EMA's Provincial management team monitoring of its implementation as well as how well it has been overseen by the Board itself.

The SAP system supports production of detailed project accounts. EMA confirmed that there are no examples of externally audited projects where EMA has full financial fiduciary responsibility but OAG confirmed during the site visit that it does include project transactions in its annual audits of EMA financial statements.

Project Closure and Final Evaluation

EMA has provided evidence and the Panel site visit confirmed with donors EMA's capacity to execute or oversee execution of projects/programs, based on its experience with EMA-funded and donor-funded projects. EMA also provided evidence of its capacity for project closure, considering a range of impacts, while acknowledging that capacity on assessing social and gender safeguards is the main area for further strengthening. It has the policy framework for evaluation in place, exposure to requirements from working with donors, and is taking steps to strengthen its internal capacity through training and the establishment of a central M&E unit. With regard to final evaluations, it has the capacity to oversee externally contracted evaluators.

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

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

EMA is subject to Government-wide regulations in dealing with financial mismanagement and other forms of malpractice including anti-money laundering and counter-terrorist financing, and a Government-wide code of conduct. In support of this, EMA has incorporated a statement of zero tolerance and measures to implement this in its latest whistleblower protection and anti-corruption policy, applying to staff and other stakeholders, and posted the policy on its public website. Zero tolerance and reporting information has been posted prominently in the Agency's website, on its social media presence, and in its provincial and district offices.

In addition to being subject to Government-wide regulations and code of conduct, EMA has put in place its own anti-corruption and whistleblower protection policy and communications channels. The Agency has been working on its own internal Code of Conduct and Grievance Handling Procedure for staff to supplement the government-wide Code. Furthermore under the 2018 Public

Entities Corporate Governance Act, EMA will be required to elaborate a Board Charter and Code of Ethics encompassing conduct by Board members as well as management and staff. It is also required to comply with the recently amended Money Laundering and Proceeds of Crime Act that covers AML and Counter Terrorist Financing in line with AF requirements.

Internal Audit has the role within the Agency to investigate allegations of fraud and corruption received by EMA, and it manages the anti-fraud and corruption hotline. Examples of IA-led investigations and resultant penalty action taken were provided. The capacity of this relatively small unit is limited and may be supplemented by external capacity from the line Department, external forensic auditors and OAG, and this is formalized in the new 2018 Anti-Fraud Policy whereby the Director General or Board Audit and Risk Committee may require internal or external investigations depending on the nature and gravity of the allegations. The policy also provides for police referrals where criminal activity is identified. There are also, under public sector legislation, other avenues by which investigations may be initiated and carried out by special investigators commissioned by the line Minister or Cabinet. With regard to AML-CFT, national regulations require suspicious transactions to be reported to the Financial Intelligence Unit of the Reserve Bank which has powers to inspect and if necessary refer cases to the competent authority for prosecution.

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

In late 2018 EMA finalized a Gender policy and in early 2019 it finalized a stand-alone E&S safeguard policy. These are now posted on the EMA public website. Prior to this, EMA has had key elements of E&S and gender safeguards in place in its project-related policies and procedures and been subject to various national laws that touch on many of the AF's E&S principles. EMA has strengths in terms of environmental safeguards given its mandate but has identified social safeguards and gender mainstreaming as being important areas for staff capacity building to ensure the new policy framework is properly implemented within its programs and projects. To show capacity in practice, EMA has provided examples of a donor-funded and EMA-funded project where EMA staff have contributed to or completed E&S assessments. The October 2018 Panel site visit to a project identified key elements of the AF E&S and Gender Safeguards applied to a current EMA-funded project and the effectiveness of EMA's Provincial management team monitoring of its implementation as well as how well it has been overseen by the Board itself.

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

Based on EMA's mandate, the complaint handling mechanisms are oriented towards receiving complaints about environmental concerns arising from actions by third parties, on which EMA investigates and can impose sanctions, However, these mechanisms will be equally applicable to complaints about EMA's own observance of its E&S and Gender policies. Complaints handling in line with the grievance process under the EMA Act is included in the E&S safeguards policy. EMA has upgraded its web page to make the complaints link clearer about accommodating safeguard-related complaints as well as those related to fraud and corruption and the complaints page also

has links to the new safeguard policies. There is an appeal mechanism. EMA tracks complaints received and their disposition.

CONCLUSION

The Accreditation Panel concludes that EMA has met the AF's financial management and integrity standards; has the requisite institutional capacity and meets the requirements for transparency, self-investigative powers and anti-corruption measures. It therefore recommends that EMA be accredited as the National Implementing Entity of the Adaptation Fund for Zimbabwe.