



ADAPTATION FUND

21 December 2020

Adaptation Fund Board

Accreditation Panel Recommendation on the Fast-Track Re-accreditation of the International Fund for Agricultural Development (IFAD) as a Multilateral Implementing Entity (MIE) of the Adaptation Fund

Having reviewed the fast-track re-accreditation application of the International Fund for Agricultural Development (IFAD), the Accreditation Panel recommended that IFAD be re-accredited as a Multilateral Implementing Entity (MIE) of the Adaptation Fund.

A summary of the review is presented in Annex I below.

Re-accreditation Decision:

Having considered the recommendation of the Accreditation Panel and following the fast-track process approved by Decision B.28/38, the Adaptation Fund Board decided to re-accredit ***the International Fund for Agricultural Development (IFAD)*** as a Multilateral Implementing Entity (MIE) 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 20/12/2025.

Decision B.35-36/11

ANNEX I: REPORT OF THE ACCREDITATION PANEL ON AN ASSESSMENT OF THE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD) FOR FAST-TRACK RE-ACCREDITATION AS A MULTILATERAL IMPLEMENTING ENTITY OF THE ADAPTATION FUND

BACKGROUND

The International Fund for Agricultural Development (IFAD) is an international financial institution and specialized agency of the United Nations established in 1977 to finance agricultural development projects, primarily for food production in developing countries. IFAD's agenda and investments help support smallholder agriculture development and rural transformation. Under its current Strategic Framework 2016-2025, its three strategic objectives are:

- Increasing the productive capacity of poor rural people
- Increasing their benefits from market participation
- Strengthening the environmental sustainability and climate resilience of their economic activities.

Membership in IFAD is open to any State that is a member of the United Nations, any of its specialized agencies or the International Atomic Energy Agency. There are currently 177 Member States comprised of developing, middle and high-income countries from all regions of the world.

The Governing Council is IFAD's main decision-making body and consists of all of IFAD's Member States and meets at least annually. An Executive Board consists of 18 elected Members and 18 Alternate Members and chaired by the President of IFAD without the right to vote. The Executive Board has full authority to decide on the programme of work; approve projects, programmes and grants; and adopt or recommend (pending the final approval of the Governing Council) action on matters related to policy, the annual administrative budget, applications for membership and staffing within the Fund. The President is elected for a term of four years renewable once. The President heads the staff and, under the control and direction of the Governing Council and the Executive Board, is responsible for conducting the business of the Fund.

IFAD is headquartered in Rome, Italy. Following a decentralization process implemented over recent years, it has established a network of regional hubs and country offices across the regions of the world where it has projects and programmes.

IFAD was accredited as a multilateral implementing entity of the Adaptation Fund (AF) in June 2010 and was re-accredited in February 2016. Since initial accreditation with the AF, the Fund has been approved to implement six projects, two prior to 2019 and four in 2019 and 2020.

ASSESSMENT FOR RE-ACCREDITATION

IFAD received GCF fast-track accreditation in October 2016, without conditions, based on prior AF and Global Environment Facility accreditation. By virtue of its accreditation with the GCF, IFAD's current application for re-accreditation by the AF has been assessed under the AF fast-track re-accreditation process completed in accordance with AF Board Decisions B.28/38 (Fast-track re-accreditation of implementing entities accredited with the Green Climate Fund), B.34/3

(Updated Re- accreditation Process) and B.32/36 (Accreditation Standards Related to Anti-Money-Laundering/Countering the Financing of Terrorism).

Financial Management and Fiduciary Standards

- ❖ **Legal Status** – IFAD continues to meet the criterion. Under the international agreement establishing the Fund, it has established its own legal personality, it is capable of receiving funds directly, it has legal authority to enter into agreements with international organizations, and it has legal capacity to serve as a plaintiff or defendant before a Court of Law. Recent amendments to the Agreement Establishing IFAD do not affect its legal status.

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

- ❖ **Policies and Framework to deal with financial mismanagement** – IFAD continues to maintain and publicly state a zero tolerance for fraud and corruption in IFAD-financed or its own managed activities and operations.

It has improved its policies and procedures to deter, detect and respond to financial management internally and in relation to the activities and projects it is financing. There are codes of conduct for staff and for Executive Board Members including the President and clear anti-fraud policies applying internally and to borrowers/grantees and any sub-recipients of funds. IFAD has mechanisms to monitor compliance with the policies, reporting channels to receive complaints or other information about possible violations of the policies and processes in place for handling complaints. It has whistleblower protection policy in place that meets current international good practice.

With regard to staff and third parties, IFAD continues to maintain an internally independent investigation function which adheres to the international guidelines of the international financial institutions, UN agencies and other multilateral organizations. It provided evidence that the function is active and that where prohibited conduct is found that there are disciplinary and sanctioning processes implemented for staff and third parties respectively. There is a separate process of investigation relating to allegations against Executive Board members including the President.

IFAD has implemented an Anti-Money Laundering and Countering the Financing of Terrorism (AML-CFT) policy and mechanisms for its implementation. These include a Know-Your-Customer process. A Third-Party Integrity Due Diligence Unit in the Financial Controller's Division ensures policy compliance using a computerized system for daily due diligence checks, based on customer identification, checklists and a "red flag" system. Risks are internally reported to the senior management team and relevant key AML and CFT risk indicators will be reported in IFAD's Corporate Risk Dashboard.

- ❖ **Commitment by the Entity to apply the Fund's Environmental and Social (E&S) Policy and Gender Policy** – IFAD has provided a letter of commitment from the President which confirms IFAD's continuing compliance with the AF E&S and Gender Policies. Its own policies, principally the Social, Environmental and Climate Assessment Procedures

(SECAP) updated in 2017 (and in the course of further update in 2020), Targeting Policy, Policy on Gender Equality and Women's Empowerment and Policy on Engagement with Indigenous Peoples closely align to the AF's Policies. IFAD is committed to enhancing the impact of its programming on gender equality and women's empowerment through measures including the Mainstreaming Gender-transformative Approaches at IFAD – Action Plan 2019-2025. Implementation of these policies is supported by technical specialists in the Environment, Climate, Gender and Social Inclusion Division of the Strategy and Knowledge Department. SECAP implementation is monitored through Quarterly Compliance Reports.

- ❖ **Mechanism to Deal with complaints on Environmental and Social Harms and Gender Harms Caused by Projects/Programmes** – IFAD has improved its policies and processes to provide accessible, transparent, fair and effective E&S and gender-related grievance mechanisms. Through 2017 updates of the grievance component of its Social, Environmental and Climate Assessment Procedures (SECAP) and adoption in 2019 of its Framework for Operational Feedback from Stakeholders: Enhancing Transparency, Governance and Accountability, IFAD has promoted the local resolution of project-related grievances, including E&S and gender-related grievances. At the same time, it has maintained communication channels for unresolved grievances to be independently reviewed by IFAD and provided evidence of implementation.

Assessment of the Implementing Entity's performance regarding project/ programme implementation

IFAD currently has two projects under implementation for more than one year.

- ❖ **Lebanon – Climate Smart Agriculture: Enhancing Adaptive Capacity of the Rural Communities of Lebanon** - The project submitted one Project Performance Report (PPR), cleared by the Adaptation Fund Secretariat in August 2020, which received a self-rating of marginally unsatisfactory. The reported cause for delay, identified during the IFAD supervision mission conducted in March 2019, is the delayed establishment of new grant funding management procedures at national level. In addition, the project has been affected by a number of critical risks external to the project, namely the lack of government as well as slow governmental decision-making processes.
- ❖ **Iraq – Building Resilience of the Agriculture Sector to Climate Change in Iraq** - This project was approved with conditions related to developing an overall environmental and social management plan and annual external and independent audit of the project's performance in terms of compliance with the Fund's environmental and social safeguards. The first PPR submission is expected by February 2021 (one year after the project inception date).

There are no issues identified so far from the projects that indicate under-performance by IFAD as implementing entity.

CONCLUSION

The Accreditation Panel concludes that IFAD, under fast-track re-accreditation, meets the AF's fiduciary standard on legal status; the policies and framework to deal with financial mismanagement, fraud and other malpractices including those relating to anti-money laundering and countering the financing of terrorism; the commitment to abide by the Fund's environmental and social policy and gender policy; and the mechanism to deal with complaints on environmental and social harms and gender harms caused by projects/programmes. There were no conditions, applied with respect to its prior accreditation with the GCF, to report on. IFAD's performance as an implementing entity for Adaptation Fund projects has been reported as satisfactory. It is therefore recommended that IFAD be re-accredited through the fast-track process as a Multilateral Implementing Entity of the Adaptation Fund