



## ADAPTATION FUND

16 February 2021

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Adaptation Fund Board

***Accreditation Panel Recommendation on the Accreditation of the International Center for Integrated Mountain Development (ICIMOD) as a Regional Implementing Entity (RIE) of the Adaptation Fund***

Having reviewed the accreditation application of the International Center for Integrated Mountain Development (ICIMOD), the Accreditation Panel recommended that ICIMOD be accredited as a Regional Implementing Entity (RIE) of the Adaptation Fund.

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

***Accreditation Decision:***

Having considered the recommendation of the Accreditation Panel, the Adaptation Fund Board decided to accredit the ***International Center for Integrated Mountain Development (ICIMOD)*** as a Regional Implementing Entity (RIE) 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 15/02/2026.

**Decision B.35-36/17**

# **ANNEX I: REPORT OF THE ACCREDITATION PANEL ON AN ASSESSMENT OF THE INTERNATIONAL CENTER FOR INTEGRATED MOUNTAIN DEVELOPMENT (ICIMOD) FOR ACCREDITATION AS A REGIONAL IMPLEMENTING ENTITY (RIE) OF THE ADAPTATION FUND**

## **Background**

The International Center for Integrated Mountain Development (ICIMOD) is an intergovernmental knowledge and learning institution, based in Kathmandu, Nepal and serving the eight countries of the Hindu Kush Himalaya (HKH) region (Afghanistan, Bangladesh, Bhutan, China, India, Myanmar, Nepal and Pakistan). The HKH is the source of ten large Asia river systems – the Amu Darya, Indus, Ganges, Brahmaputra, (Yarlungtsanpo), Irrawaddy, Salween (Nu), Mekong (Lancang), Yangste (Jinsha), Yellow River (Huanghe), and Tarim (Dayan) – and provides water, ecosystems services, and basis of livelihoods—the basins of these rivers provide water to approximately 1.9 billion, one-fourth of the world’s population. The HKH contains two of the world’s highest mountain peaks: Mount Everest (29,029 feet) and K2 (28,251 feet). An ICIMOD-led assessment of HKH in 2015 outlined potentially dire impacts of climate change on the region, leading to increased glacial melt, loss of biodiversity, and decreased water availability.

ICIMOD applied for accreditation by the Adaptation Fund (AF) in February 2019. It provided documents in the workflow as part of its initial application and further documents during the Panel’s review. The Panel also considered other information on ICIMOD and other websites.

## **The Applicant – ICIMOD**

The original statute establishing ICIMOD in September 1981 was signed between the Government of Nepal (GoN) and the United Nations Educational, Scientific and Cultural Organization (UNESCO), and subsequently revised in 2004 to formally extend membership to the eight countries of the HKH (referred to as the “Regional Member Countries, or RMCs). Its Board of Governors comprises members of the RMCs and international experts appointed by the Board. ICIMOD develops and shares research, information, and innovations to find solutions to critical mountain problems by bridging science with policies and on-the-ground practices. It provides a regional platform where experts, planners, policy makers, and practitioners can exchange ideas and perspectives towards the achievement of sustainable mountain development.

As of the end of 2018, ICIMOD has a staff capacity of 295, of which 279 are nationals of the RMCs while 16 from outside the RMCs. The gender mix is 174 male (59%) to 121 female (41%). It received approximately USD 19 million in funding from the RMCs, international donors and others. ICIMOD’s competence to execute or oversee projects was positively assessed by due diligence reviews conducted by two major donors. In addition, it conducts institutional-level independent evaluations every five years.

## **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.

ICIMOD has provided evidence to the Panel that it is a sound organization, with a long-standing record of project implementation roles and quite strong in fiduciary areas. Its funding/governance

is such that it is closely scrutinized by its financial supporters. It has recently strengthened its internal fiduciary systems and has good internal technical capacity to plan, develop, manage and evaluate its research programs. It has a good track record of effective collaboration with the network of implementing and executing partners in its mandate region, as well as with global strategic and research partners it can draw on. It has demonstrated sound procedures for managing the program/project cycle within the different collaborative partnerships. Its current framework for E&S and Gender align with those of the AF. ICIMOD has made commitment to abide by the AF's E&S/gender policies, and has further developed its policies in these areas to complete the alignment at the granular level. It has provided examples of implementing these policies in projects.

A summary of its alignment with each criterion is provided below:

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

- **Legal status** – ICIMOD has been established with its own legal personality, with the capacity to receive funds directly, authority to enter into contracts or agreement with international organizations and capacity to represent itself as plaintiff or defendant in legal processes. It provided various examples of agreements demonstrating its legal capacities.
- **Financial statements including Project Accounts and Provisions for Internal and External Audits** – ICIMOD prepares institutional financial statements in accordance with international accounting standards as stipulated in its policies, which are audited by a global audit firm, and provided examples of unqualified project level audit reports. It uses an internationally recognized accounting system that supports the preparation of financial statements meeting the requirements of its accounting policies, and has made good progress in formally adopting International Financial Reporting Standards. The entity's Finance and Administrative Policies set out the accounting procedures to support the production of institutional and program/project level financial statements, using an enterprise resource planning application in its operations. The outsourced internal audit function – which conforms with international standards – reports to the ICIMOD Director General, and its work will be routinely shared with the Board's Finance Committee. The Finance Committee of the Board of Governors is the key oversight body responsible for the assurance function, and it reviews and monitors plans and budgets, internal control and audit functions, and implementation of audit recommendations.
- **Internal Control Framework with Particular Reference to Controls over Disbursements and Payments** – Key elements of internal control and the responsibilities of management, internal audit and the governing body are set out in various ICIMOD institutional policy documents. ICIMOD has demonstrated that these documents are subject to periodic review and update. It has put in place a general payment-disbursement system, and its internal audit reports confirm compliance. There are adequate AML-CFT controls based on national AML/CFT framework provided by the Government of Nepal.
- **Preparation of Business Plans and Budgets and Ability to Monitor Expenditure in Line with Budgets** – ICIMOD has medium term operational planning processes that are highly consultative, inclusive and contextual. Financial forecasting is integrated in the programmatic prioritization processes to ensure successful implementation. ICIMOD has established a multi-year track record of mobilizing financial resources from a broad base of donors and partners, and is effectively managing its funds to meet programmatic priorities and ensure its continuity as a going concern. ICIMOD prepares annual budgets linking planned operations

and expected funding for the year, and its financial system supports budget control and monitoring at the institutional, program, and project level.

### ***Requisite Institutional Capacity***

- **Procurement** – ICIMOD’s procurement policies and procedures, the Finance and Administrative Policies Manual are largely consistent with international practice and adequate for the size and type of its procurement activities, which have been regularly audited. The policies and procedures have recently been strengthened to enhance oversight and include dispute resolution procedures, and ICIMOD has submitted an example of its implementation. Its internal AML-CFT controls related to contract awards are commensurate with the related risks.
- **Project cycle management (overview)** – ICIMOD has demonstrated competence in the full range of steps comprising the project management cycle (project identification, preparation, appraisal/quality review, supervision and closure). Its Partnership Manual and Grants Manual provide special purpose guidance and the Risk Management Strategy provides guidance in managing risks for the entire project cycle. This package of guidance and practices is supplemented by its Monitoring, Evaluation and Learning policy, and its updated policies on Environmental and Social Safeguards and on Gender and Equity. ICIMOD has extensive experience providing technical and fiduciary services to projects funded by multilateral and bilateral donors and managing a portfolio of projects/activities in its mandate areas, and executed by partner organizations and sub-grantees.
- **Project Preparation and Appraisal including impact (including environment, socio-economic, political, and gender assessment study with risk assessment and mitigation plans)** – ICIMOD has provided a description of the process it follows for project design, including detailed description of each step in the entire project cycle. The Partnership Manual provides guidance for scoping and identifying program/project partners, joint planning of the partnership and developing the agreement. The Grants Manual provides the guidelines for ICIMOD’s grant program. ICIMOD submitted project examples to demonstrate capability and experience in project identification and design, and has demonstrated experience in applying internal review processes to assess program/project proposals for which it is the implementing or executing partner. Its medium term planning helps it to access commensurate resources, and it has demonstrated experience in applying internal review processes to assess the likely impact of technical, financial, economic, and social, environmental, gender, and legal aspects of program/project proposals for which it is the implementing or executing partner. Its manuals and policies provide a solid base for ensuring that the full range of these aspects are considered during project preparation and appraisal, and it has several instruments for program/project risk management.
- **Project implementation planning, budgeting, and quality-at-entry review** – ICIMOD’s planning steps and the Partnership Manual provide a good base for quality at entry steps prior to and during project start up. It has detailed procedures for project budgeting and for roll up of project/program budgets into institution-wide budget, and it provided examples of its capacity for budgeting and budget execution.

- **Project monitoring and evaluation (M&E) during implementation** – ICIMOD’s monitoring and evaluation activities are guided by its Monitoring, Evaluation and Learning Framework for its medium-term planning. The independent Strategic Planning, Monitoring and Evaluation (SPM&E) unit has demonstrated its capability through internal leadership in the development of key strategic planning documents, production of monitoring and evaluation reports, and participation in high profile strategic engagements in collaboration with ICIMOD’s partners. The SPM&E unit is well staffed with evaluation experts, and when needed for external program and impact evaluations, ICIMOD procures additional expertise through a transparent process. While there is no explicitly defined project-at-risk system, ICIMOD’s project management practices, reports and systems, including internal fiduciary controls, together provide a practical way to detect and timely address projects at risk. The accounting system (which is an integral part of ICIMOD’s ERP system) supports the production of project accounts and ICIMOD was able to provide examples of independent audits of project financial statements with unqualified opinions.
- **Project execution, closure and final evaluation** – ICIMOD has appropriate policies and practices in place and has provided examples of project completion reports that provide evidence of its capacity in this area, particularly in terms of analyzing the impact for technical and financial issues. The examples provided have demonstrated exceptional capacity in gender and the environment (with particular focus on climate adaptation issues). It has appropriate policies in place and its project portfolio indicates that its regional member countries, donors, strategic partners and other stakeholders have confidence in its competencies, including project execution. Due diligence assessments of ICIMOD by two major donors have confirmed these capabilities. It has policy and capacity in place to conduct evaluations, and can also commission independent evaluations of completed projects. It has also provided examples to show its capacity to oversee these.

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

- **Policies and Framework for Dealing with Financial Mismanagement and Other Forms of Malpractice** – ICIMOD has finalized, and disseminated on its public website, its anti-fraud and transparency policy. This policy explicitly confirms a zero-tolerance approach, supported by disciplinary and sanctioning measures for violations, and ICIMOD has policies and procedures in place to respond to financial mismanagement and other malpractice. It has a web page and other communication information for receiving and addressing complaints. ICIMOD’s ethics policy and rules of conduct, and conflicts of interest policy, are elaborated in its Human Resource Policy. ICIMOD’s investigation function resides primarily with senior management. With no major cases of fraud reported to date, the current system has been adequate for its purpose; however, ICIMOD has embarked on steps (new policies and the setup of a Grievance and Ethics Committee) to strengthen the function in terms of procedures and capacity, which will help to enhance transparency, credibility, and legitimacy. Suspected AML-CFT violations are subject to review by the national Financial Information Unit of the Nepal Rastra Bank established by the Nepali government.
- **Commitment by the entity to apply the Fund’s Environmental and Social (E&S) Policy and Gender Policies** – ICIMOD has adopted its own Environmental and Social Safeguards and Gender and Equity policies in recent years—updated policies and guidelines were approved by its Board in 2020—and has explicitly committed to abide by the AF’s E&S and Gender policies. These ICIMOD policies align with the AF policies, and are cross-referenced

in other strategic documents, and included in the results framework. ICIMOD'S Gender unit has expanded steadily (in capacity and mandate) over the past two decades to become one of the strategic areas in the institutional structure while environmental issues are handled through the strategic thematic areas under the leadership of the Deputy Director General. ICIMOD also provided examples that demonstrate its capacity to incorporate its E&S and gender policies into programs/projects.

- **Mechanism to Deal with complaints on Environmental and Social Harms and Gender Harms Caused by Projects/Programs** – ICIMOD meets the criterion. Its ESSP and GEP include a mechanism for filing and addressing grievances for non-compliance with E&S and Gender safeguards. Complaints may be made through the website using the complaints email address. The elaboration and update of ESSP and GEP concluded in 2020 includes a more comprehensive grievance policy and related mechanism for filing complaints.

## **CONCLUSION**

The Accreditation Panel concludes that the International Center for Integrated Mountain Development (ICIMOD) meets the AF's fiduciary standards, environmental and social policy and gender policy, and has demonstrated capacity regarding quality at entry and program/project implementation. It therefore recommends that ICIMOD be accredited as a Regional Implementing Entity of the Adaptation Fund.