



ADAPTATION FUND

AFB/EFC.27/11
25 March 2021

Ethics and Finance Committee
Twenty-seventh Meeting
Bonn, Germany (Virtually held), 24 – 25 March 2021

Agenda item 8

**CLASSIFICATION OF IMPLEMENTING ENTITY
APPLICANTS AS REGIONAL IMPLEMENTING ENTITIES
(RIES)**

Background

1. The Adaptation Fund Board (the Board), at its thirty-fourth meeting, as part of the Report of the Accreditation Panel (the Panel) discussed the issue of the designation of Regional Implementing Entities (RIEs) and Multilateral Implementing Entities (MIEs). Previously, the Board had discussions on the designation of MIEs and RIEs at its twenty-third and twenty-fourth meetings as recorded in documents AFB/B.23/7 and AFB/B.24/7.

2. During the Board's thirty-fourth meeting, the Vice-Chair of the Accreditation Panel informed the Board that the secretariat had received two official letters from two organizations, which expressed their interest in applying for accreditation as RIE. The secretariat presented the Board with its review on the Fund's existing policies and guidelines which did not appear to provide a clear guidance for these cases. The secretariat also informed the Board that the Panel considered the relevant discussions the Board had at its twenty-third meeting on 'designation of multilateral and regional implementing entities'¹ and the relevant discussions of the Ethics and Finance Committee (EFC) at its fifteenth meeting, including a conclusion that the designation of MIE and RIE should be part of a wider-ranging discussion, which was taken note of by the Board at its twenty-fourth meeting.²

3. In 2014, the secretariat was requested by the Board to prepare a document on the designation of MIEs and RIEs that would draw on the classifications of other organizations and include the resource implications for any changes made to those classifications (Decision AFB/B.23/5). The issue of designation had arisen from the consideration of whether regional development banks were MIEs or RIEs. Results of the secretariat's review were presented in document AFB/EFC.15/5 at the EFC meeting on 9-10 October 2014, wherein the secretariat concluded that:

*From the different funds that were investigated there is no clear definition for how to classify the four major regional development banks. It is clear from the Fund's OPG and the initial invitation from the Board to MIEs, that the Board was of the opinion that ADB, AfDB, IADB, and EBRD, were closer to MIEs than RIEs.*³

4. Based on its review of the report of the secretariat (Document AFB/EFC.15/5) and discussion, the EFC presented its report (Document AFB/EFC.15/8) to the Board and the Board meeting report (Document AFB/B.24/7) recorded as follows:

The Vice-Chair of the EFC said that after the secretariat's examination of several funding entities, it had become evident that there was no clear definition among them for how to classify the four major multilateral development banks (MDBs), but that evidently the Board had originally been of the opinion that ADB, AfDB, IADB, and EBRD were closer to MIEs

¹ See paragraphs 48-51 of the AFB 23 Report, available at <https://www.adaptation-fund.org/document/report-of-the-twenty-third-meeting-of-afb-18-21-march-2014/>.

² See paragraphs 75-77 of the AFB 24 Report, available at <https://www.adaptation-fund.org/document/report-of-the-twenty-fourth-meeting-of-afb-7-10-oct-2014/>

³ See paragraph 15 of Document AFB/EFC15/5, available at <https://www.adaptation-fund.org/document/designation-of-multilateral-and-regional-implementing-entities/>

than RIEs. However, after accepting to serve as MIEs, none of the regional development banks had submitted proposals, with the sole exception of the IADB which had submitted one. Given the cap for MIEs has been reached, any projects submitted by the regional development banks would go straight into the pipeline. If on the other hand the multilateral development banks were to be classified as RIEs, then their projects would be eligible for funding.

Some members of the Committee had observed that the overriding factor was whether accrediting an entity gave individual countries better chances of access to funding, or not. It was agreed that that issue should be part of a wider-ranging discussion.

The Board took note of the information provided.⁴

5. Regarding the matters related to designation of MIE and RIE, at its thirty-fourth meeting, the Board decided as follows:

Having considered the report of the secretariat that it had received letters from two organizations which expressed their interest in applying for accreditation as Regional Implementing Entity (RIE), the Adaptation Fund Board decided to request the secretariat to prepare a document which contains an analysis on how to classify IE applicants as MIE or as RIE taking into account relevant Board discussions on designation of Multilateral Implementing Entity (MIE) and RIE at its twenty-third and twenty-fourth meetings as recorded in documents AFB/B.23/7 and AFB/B.24/7 and to present it to the twenty-sixth meeting of the Ethics and Finance Committee (EFC) for consideration.

(Decision B.34/2)

6. Due to the limited time available for the twenty-sixth meeting of the EFC held virtually in October 2020, the document prepared as per Decision B.34/2 is presented to the twenty-seventh meeting of the EFC held in March 2021.

Overview of the existing guidance on the classification of IE applicants as RIE

7. In line with Board Decision B.34/2, the secretariat, with the support of the Panel, conducted a preliminary analysis based on the Fund's Operational Policies and Guidelines (OPG) and previous Board relevant discussions and decisions. A desk review was carried out with the support of a Panel Member, based on the information available on the websites of the RIEs and MIEs of the Fund and the Fund's relevant documents including the Adaptation Fund OPG as well as relevant Board documents and decisions.

8. The available guidance or definition on how the Fund classifies applicant entities either as an RIE or MIE is set out in the OPG, paragraphs 29-30⁵. Under the OPG, a multilateral implementing entity applicant can only apply for accreditation upon the invitation of the Board. On the other hand, for an entity to apply for accreditation as a RIE, it does not have to be invited by the Board, but it has to be recommended by the Designated Authorities of at least two member countries of the entity. The focus of the analysis is as summarized in the figure below.

⁴ Document, AFB/B.24/7, Report of the Twenty-Fourth Meeting of the Adaptation Fund Board, paras. 75-77, p. 20.

⁵ Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund (Amended in October 2017), Adaptation Fund Board.



9. The table below presents a list of the existing MIEs and RIEs accredited with the Fund.

Table 1: Adaptation Fund implementing entities currently accredited as MIE or RIE

Entities	Classification by the Adaptation Fund	Location of Headquarters	Website
<i>Caribbean Development Bank (CDB)*</i>	<i>RIE</i>	<i>Barbados</i>	www.caribank.org
<i>Central American Bank for Economic Integration (CABEI) *</i>	<i>RIE</i>	<i>Honduras</i>	www.bcie.org/?lang=en
<i>Corporación Andina de Fomento (CAF) *</i>	<i>RIE</i>	<i>Venezuela, Bolivarian Republic of</i>	www.caf.com
<i>West African Development Bank (Banque Ouest Africaine de Développement) (BOAD) *</i>	<i>RIE</i>	<i>Togo</i>	www.boad.org
<i>Observatoire du Sahara et du Sahel/Sahara and Sahel Observatory (OSS)*</i>	<i>RIE</i>	<i>Tunisia</i>	www.oss-online.org
<i>Secretariat of the Pacific Regional Environment Programme (SPREP)*</i>	<i>RIE</i>	<i>Samoa</i>	www.sprep.org
<i>International Center for Integrated Mountain Development (ICIMOD)</i>	<i>RIE</i>	<i>Nepal</i>	www.icimod.org
<i>African Development Bank (AfDB)*</i>	<i>MIE</i>	<i>Cote d'Ivoire</i>	www.afdb.org
<i>Asian Development Bank (ADB)*</i>	<i>MIE</i>	<i>Philippines</i>	www.adb.org
<i>European Bank for Reconstruction and Development (EBRD)*</i>	<i>MIE</i>	<i>United Kingdom</i>	www.ebrd.org
<i>Inter-American Development Bank (IDB)*</i>	<i>MIE</i>	<i>United States</i>	www.iadb.org
<i>International Bank for Reconstruction and Development (IBRD)*</i>	<i>MIE</i>	<i>United States</i>	www.worldbank.org
<i>International Fund for Agricultural Development (IFAD)*</i>	<i>MIE</i>	<i>Italy</i>	www.ifad.org
<i>United Nations Human Settlements Programme (UN-Habitat)</i>	<i>MIE</i>	<i>Kenya</i>	www.unhabitat.org
<i>United Nations Development Programme (UNDP)*</i>	<i>MIE</i>	<i>United States</i>	www.undp.org
<i>United Nations Educational, Scientific, and Cultural Organization (UNESCO)</i>	<i>MIE</i>	<i>France</i>	www.unesco.org
<i>United Nations Environment Programme (UNEP)*</i>	<i>MIE</i>	<i>Kenya</i>	www.unep.org

<i>United Nations World Food Programme (WFP)*</i>	<i>MIE</i>	<i>Italy</i>	www.wfp.org
<i>World Meteorological Organization (WMO)*</i>	<i>MIE</i>	<i>Switzerland</i>	www.wmo.int
<i>Food and Agriculture Organization (FAO)*</i>	<i>MIE</i>	<i>Italy</i>	www.fao.org
<i>United Nations Industrial Development Organization (UNIDO)*</i>	<i>MIE</i>	<i>Austria</i>	www.unido.org

* These entities are also accredited by the Green Climate Fund (GCF). The Fund's MIEs that are accredited with the GCF are named as "International Entities (IEs)" within the GCF accreditation system.

Methodology for the classification of IE Applicants as RIEs

10. The analysis identified a set of attributes or characteristics that could serve as a basis for classifying applicant entity seeking accreditation as RIE as either "eligible" or "not eligible". These include vision, mission, objectives or purpose, history, memberships and conditions for becoming a member, governance structures, partnerships, sources of funding, sectors served, products and services, countries of operations, and modalities for funding operations. Based on these identified attributes, a self-assessment form named "*Certified Self-Assessment*" is developed as contained in Annex I to this document.

11. The "*Certified Self-Assessment*" comprises of five areas of consideration as indicated in paragraph 12 below. Each area has one or two questions to be completed by the applicant entity seeking accreditation as RIE. For each question, the applicant entity will be required to justify its responses by providing comments or justifications as necessary. The secretariat will review the form for its completeness. It is possible for the applicant entity to provide further clarification after submitting the form if the assessment discovers the form is not complete or further information is required.

12. The five areas of assessment include:

- (a) **Membership to the organization/entity:** The review of the Fund's existing RIEs found that there are two ways in which a country obtains primary membership to an intergovernmental organization. One is that the country belongs to the geographic location of the region. The other way is that the country from outside the region is a signatory to the legal instrument which created the organization or has gained acceptance by the original members or as a shareholder by owning some of the capital stocks of the organization, particularly true in the case of financial institutions. Questions under this area of assessment are designed to help assess the eligibility based on whether (i) membership to the applicant entity organization is open to all countries within a particular continent or to all countries worldwide; and (ii) whether membership is limited only to several countries within the continent or sub-continent and to some countries outside of the continent whose basis of eligibility of membership is their role as a founding member or as shareholders or as a regular contributor of significant amount.
- (b) **Composition of the highest level of governing body:** The review found that the governance structure of the existing RIEs and MIEs of the Fund are very similar - almost all have three levels of governance: (i) the highest level of governing body which is referred to as, for instance, the General Assembly, the Meeting, Board of Governors, Governing Council, General Conference, or Congress; (ii) the second level, referred to as, for example,

the Executive Board, Board of Executive Directors or Executive Council; and (iii) the third level as the Secretariat or the Management, headed by a Chief Executive Officer (CEO), Secretary-General, Director General, Executive Director, President, Executive President or Administrator. In each of these levels, there are subsidiary structures that provide support and assistance in the discharge of their respective responsibilities or functions. In this area of assessment, the focus is to find out whether the composition of the highest level of governing body (General Assembly, Governing Council, Board of Governors, General Conference or Congress) is made up of all countries worldwide or of all countries within the continent.

- (c) **Institutional structure and decision-making power (headquarters vs. satellite offices) according to the governance policies/procedures:** The operations of the entities are based in countries of the regions in the case of RIEs and for MIEs like the ADB, AfDB, EBRD and IDB. The operations are worldwide for other MIEs (including the UN funds, programmes and specialized agencies, and the financial MIEs like the IBRD and IFAD). Questions under this area of assessment are designed to understand if (i) the mandate of an applicant entity is global or continental / UN region wide in focus and with a wide reach and range of expertise; and (ii) whether the full decision making authority in approving projects or programmes or in granting loans or grants up to a certain amount is vested only at the headquarters.
- (d) **Flow of funds from/to member countries and details on the distribution among members of the management fees/indirect costs:** Under this area of assessment, the emphasis is to understand whether admission to membership to the organization is compulsory based on assessments, or quotas or required amounts of shareholding.
- (e) **Operations presence (target/historical information on project implementation):** For this area of assessment, the objective is to understand the vision and/or mission statements of the applicant entity and to check whether its focus is universal (focused worldwide or on a whole continent). In this regard an applicant entity would be expected to provide responses on whether it operates and implements projects and/or provides loans and grants only to its contributing member countries or shareholders.

Application of the “Certified-Self-Assessment” to existing RIEs

13. To test the applicability of the *Certified Self-Assessment* as contained in Annex I to this document, the secretariat applied it to the following six accredited RIEs of the Fund using information gathered from the respective websites of the entities:

- (a) Sahara and Sahel Observatory (OSS)
- (b) South Pacific Regional Environment Programme (SPREP)
- (c) Caribbean Development Bank (CDB)
- (d) Corporacion Andina De Fomento (CAF)
- (e) Central American Bank for Economic Integration (CABEI) and
- (f) West African Development Bank (BOAD)

14. The results of the application of the *“Certified Self-Assessment”* to the six RIEs is presented in Annex II (confidential) of this document. As demonstrated in Annex II to this document, the result of application of the “Certified Self-Assessment” to the six RIEs is consistent with the existing classification of RIE by the Fund. This strengthens the potential of the self-assessment to serve as a tool to assess and determine whether the applicant entity applying as RIE would be eligible to be designated as an RIE (or not) before applying for accreditation with the Fund.

15. The secretariat proposes to consider as eligible RIE applicant, the applicant entity which demonstrated that: *“(i) its membership is limited only to several countries within the continent or sub-continent and to some countries outside of the continent whose basis for eligibility of membership is their role as a founding member or as shareholders or as a regular contributor of significant amounts; (ii) the highest level of governing body (General Assembly, Governing Council, Board of Governors, General Conference, Congress, etc.) does not have a composition made up of all countries worldwide or of all countries within the continent; (iii) its mandate is not continental / UN region wide in focus, has a wide reach and range of expertise, and has many thematic areas including ones that cross borders within the continent or worldwide; (iv) it operates and implements projects and/or provides loans and grants only to its contributing member countries or shareholders; (v) the decision-making authority in approving projects or programmes or in granting loans or grants up to a certain amount is fully vested only at the headquarters; (vi) admission to become a member of the Organization/Entity is compulsory based on assessments, or quotas or required amounts of shareholdings; and (vii) its vision and/or mission statements is stated in such a way that its focus is not universal.”*

Review Process for the “Certified Self-Assessment”

16. The review process for the “Certified Self-Assessment” is proposed as follows:

- (i) The secretariat receives the certified self-assessment and if the applicant is eligible to start the accreditation process as RIE, the result will be reported to the Board as part of the Report of the Accreditation Panel. At the time of the Accreditation Panel review of the application, should the Accreditation Panel find that the information provided by the Applicant at the time of submission, was not consistent with the eligibility to be considered as an RIE, it can request, through the secretariat additional information to the Applicant. If the ineligibility is confirmed by the Accreditation Panel, the Panel would communicate to the entity, through the secretariat, that their application cannot be considered;
- (ii) The secretariat receives the certified self-assessment and if the entity is not eligible to start the accreditation process as an RIE, the result will be communicated back to the Applicant for the Applicant to provide additional information/clarification.

Recommendation

17. Following the analysis above, the Ethics and Finance Committee may want to consider and recommend that the Board:

- (a) Approve the proposed process as described in document AFB/EFC.27/11 and the “Certified Self-Assessment” as contained in Annex I to document AFB/EFC.27/11, for the assessment and determination on whether an applicant entity would be eligible to apply for accreditation as a regional implementing entity (RIE); and
- (b) Endorse the proposed definition of RIEs as presented - in paragraph 15 of document AFB/EFC.27/11.

ANNEX I

CERTIFIED SELF-ASSESSMENT

The purpose of this self-assessment is to obtain information on the entity interested in applying for accreditation as RIE applicant that will help ascertain whether such applicant entity is eligible to apply as RIE applicant or not before it applies for accreditation with the Fund.

NAME OF THE ENTITY:

ESTABLISHMENT:

HEADQUARTERS:

A. MEMBERSHIP TO THE ORGANIZATION/ENTITY

1. Is membership to the Organization/Entity **open to all** countries within the continent or to all countries worldwide?

Yes No

COMMENTS:

2. Is the membership to the Organization/Entity limited only to several countries within the continent or sub-continent and to some countries outside of the continent whose **basis for eligibility of membership is their role as a founding member or as shareholders or as a regular contributor of significant amounts?**

Yes No

COMMENTS:

B. COMPOSITION OF THE HIGHEST LEVEL OF GOVERNING BODY

1. Is the composition of the highest level of governing body (General Assembly, Governing Council, Board of Governors, General Conference, Congress, etc.) made up of **all countries worldwide or of all countries within the continent?**

Yes No

COMMENTS:

C. INSTITUTIONAL STRUCTURE AND DECISION-MAKING POWER (HEADQUARTER VS SATELLITE OFFICES) ACCORDING TO THE GOVERNANCE POLICIES/PROCEDURES

1. Does the mandate of the Organization/Entity have a **global or continental / UN region wide focus** with a very **wide reach and expertise**, have many **thematic areas** including ones that **cross borders within the continent or worldwide**?

Yes No

COMMENTS:

2. Is full decision-making authority in approving projects or programmes or in granting loans or grants up to a certain amount given to the intended beneficiary countries or institutions **vested only at the headquarters**?

Yes No

COMMENTS:

D. FLOW OF FUNDS FROM/TO MEMBER COUNTRIES AND DETAILS ON THE DISTRIBUTION AMONG MEMBERS OF THE MANAGEMENT FEES/INDIRECT COSTS

1. Is admission to membership to the Organization/Entity **compulsory based on assessments, or quotas or required amounts of shareholdings**?

Yes No

COMMENTS:

E. OPERATIONS PRESENCE (TARGET/HISTORICAL INFORMATION ON PROJECT IMPLEMENTATION)

1. Is the vision and/or mission statements stated in such a way that it's **focus is universal** (worldwide or focused on a whole continent)?

Yes No

COMMENTS:

2. Does the Organization/Entity operate and **implement projects and/or provide loans and grants only to its** contributing member countries or shareholders?

Yes No

COMMENTS: