



ADAPTATION FUND

18 June 2021

Adaptation Fund Board

Accreditation Panel Recommendation on the Fast-Track Re-accreditation of Profonanpe of Peru as a National Implementing Entity (NIE) of the Adaptation Fund

Having reviewed the fast-track re-accreditation application of Profonanpe, the Accreditation Panel recommended that Profonanpe be re-accredited as a National Implementing Entity (NIE) 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 re-accreditation process approved by Decisions B.28/38, the Adaptation Fund Board decided to re-accredit **Profonanpe** 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 17/06/2026.

Decision B.36-37/1

ANNEX I

REPORT OF THE ACCREDITATION PANEL ON AN ASSESSMENT OF PROFONANPE FOR FAST-TRACK RE-ACCREDITATION AS A NATIONAL IMPLEMENTING ENTITY (NIE) OF THE ADAPTATION FUND

THE APPLICANT

Profonanpe¹ was created to manage the FONANPE (the National Fund for Natural Areas Protected by the State (Fondo Nacional Para Áreas Naturales Protegidas por el Estado)). Decree Law No. 26154 of 1992 established it as a private not-for-profit institution of public and social interests. It specializes in efficiently raising and managing financial resources aimed at implementing programs and projects that contribute to biodiversity conservation, mitigation, and adaptation to climate change. Since its foundation, it has been characterized as an institution specialized in creating, developing, and implementing innovative processes in fund management, participatory management, and private company engagements.

Governance and sources of funding

The institution is governed by a Board of Directors of 8 members, of which four are representatives of government agencies, two from the Peruvian non-governmental organizations and one each from the business associations and an international cooperation agency of technical and financial assistance. The institution is headed by an Executive Director and supported by several Managers and staff and the office is in Lima, Peru.

Profonanpe receives funds in the form of grants and debt-for-nature swaps to be used for specific purposes (earmarked funds) including technical assistances, subgrants, equipment or other procurements. Resources are provided by donors either by several disbursements (partial disbursements) or by a one-time disbursements based on the grant agreements that could either be classified as endowment funds, sinking funds, mixed funds, earmarked funds, and financial donations and technical assistance funds.

Profonanpe's financing has been channeled to approximately 80% of the natural space protected by Peru, through the National Service of Natural Protected Areas by the State (SERNANP)². Profonanpe intervenes in other areas of conservation and on climate change, through projects financed from: the Global Environment Fund, the Adaptation Fund, and the Green Climate Fund.

ASSESSMENT FOR FAST-TRACK RE-ACCREDITATION

The Assessment for fast-track re-accreditation was conducted on the criteria set out in Board Decision B.28/38 (Fast-track re-accreditation of implementing entities accredited with the Green

¹ Profonanpe is the legal name of the institution and it is not an acronym. Management explained that if this term is not commonly understood, they indicated to add "Peruvian Environmental Fund."

² SERNANP is a specialized technical body attached to the Ministry of the Environment as the governing body and technical-normative authority of the National System of Natural Areas Protected by the State (Sistema Nacional de Areas Naturales).

Climate Fund) based on AFB/EFC.19.7 of December 2016; Decision B.31/1 (Focus areas of review of a fast-track re-accreditation) based on AFB/B.31/7 of March 2018; Decision B.32/36 (Accreditation standards related to anti-money-laundering/countering the financing of terrorism) based on AFB/EFC.23/4 of September 2018; Decision B.34/3 (Revised re-accreditation process including conditions on the fast-track accreditation set by GCF, and quality at entry and project/performance implementation performance) based on AFB/B.34/5 of October 2019 and its annexes; and Decision B.31/26 (Use of external sources as complementary information) based on AFB/B.31/7 of March 2018).

❖ **The Fiduciary Standard related to the legal status**

There has been no change on the legal status of Profonanpe that continue to have the legal personality and the capacity, authority, and ability to directly receive funds and enter into contracts or agreements with international organizations, national institutions, and the private sector as well as the capacity to serve as plaintiff or defendant in a court of law.

- ❖ **Policies and procedures related to anti-money laundering and countering the financing of terrorism (AML/CFT) on disbursements, procurement, and handling instances of non-compliance to policies, procedures, and laws** – Specific policies and procedures for dealing with money laundering and terrorism as well as the applicable laws of the country were put in place since the initial accreditation. A section entitled, **Other Special Obligations Relating to AML/CFT** is included in the **Guidelines for Prevention and Fight Against Corruption, Terrorism and Others (GPFAC TO)** that sets out specific procedures for dealing with money laundering and terrorism and for complying with the applicable laws of the country. It defines the obligations of implementors of projects financed with resources managed by Profonanpe; of recipients of resources administered or funded by Profonanpe in preventing money laundering and financing of terrorism as well as for an on-going monitoring of the relationship with the implementers.

Profonanpe adopts the following three-pronged approach in dealing with AML/CFT. (a) **Prevention** (preparing, reviewing, and updating the guidelines and sharing these with staff members, project executors, service provides and others); (b) **Detection** (constituting a commission that pursues investigations and inspections); and (c) **Taking Actions** (investigating, deciding and reporting to the Board of Directors and donors in the handling of breaches of AML and ATF laws of Peru, the persons responsible or to be involved, and the periodicity of such proceedings). In dealing with third parties, sanctions list of international organizations are consulted to ensure that they know your customer (KYC) process is practiced during procurement and disbursements activities. Profonanpe also indicated that to date, they have not had cases of either money laundering or financing of terrorism.

- ❖ **Policies and Framework to deal with financial mismanagement and other forms of malpractice** – Profonanpe continued to improve its policies and procedures, advocate and demonstrate implementation of its zero tolerance for fraud, financial mismanagement, and other forms of malpractices that applies to staff members, consultants, suppliers, and other external parties conducting business with the Organization. The zero tolerance policy is published on the home page of its website together with its organizational principles. These enhancements include the issuance of an Operations Manual that consolidates all the relevant policies such as the Institutional Policies for Project Implementation, Code of ethics for staff; Guidelines for the prevention and fight against corruption, terrorism, and others (GOFAC TO); Guidelines to Prevent Conflict of Interest; Institutional guidelines for project implementation; and a Comprehensive Statement of Internal Control, all of which are published in its website.

The investigation function was strengthened with the issuance of new guidelines that set out the specific officers responsible for prevention, detection, and taking action on all complaints and suggestions received as well as those that are to follow up and monitor the implementation of resulting decisions or actions. The discharge of the investigation functions was adequately documented with a list of cases that Profonanpe received and resolved over the past two years.

- ❖ **Commitment by the entity to apply the Fund’s Environmental and Social and Gender Policy** – Profonanpe’s environmental and social and gender policies were also improved, and their implementation adequately demonstrated. The Executive Director issued a letter to the Secretariat indicating Profonanpe’s commitment to abide by the AF’s environmental, social and gender policies. The commitment of ensuring that “*projects meet the environmental, social and gender safeguards, the supervision for compliance with the procedures of the institution in the development of operations carried out, and in the monitoring and evaluation of programs and projects,*” is published in its website. The environmental and social and gender safeguards instituted by Profonanpe are in full alignment with the AF’s policies and principles.

The enhanced policies, procedures and tools, are the Environmental and Social and Gender Policies (ESGP) issued in 2017; the Environmental and Social Management Plan (ESMP); the Operations Manual: Guidelines to implement Profonanpe’s environmental, social and gender policies; an Environmental and Social Management Framework (ESMF); and a Guide to Mainstream Gender Equality Approach in Programs and Projects of Biodiversity Conservation and Climate Change.

- ❖ **Mechanisms to address complaints on environmental and social harms and gender harms caused by projects/programs** –The mechanisms for addressing complaints on environmental and social and gender harms caused by projects/programmes, are set out in ESGP 1, Evaluation and Management of Environmental and Social Impacts and Risks. Detailed guidelines include the appropriate levels of officers responsible for handling, addressing and taking remedial actions on all kinds of grievances from beneficiaries and stakeholders that are received either through the website, or in person, or other means. A list of cases received and resolved or in the process of being resolved for the past three years showed the effectiveness of the grievance mechanisms.

- **Quality at entry and status of on-going AF Projects** – The AF Board approved in 2016 a project, “*Peru: Adaptation to the Impacts of Climate Change on Peru’s Coastal Marine Ecosystem and Fisheries*” with the Ministry of Production of Peru as the executing entity for US\$6,950,239 and to be implemented for four years (August 2016 to April 2020). The project suffered from delays at inception and faced challenges during implementation mostly due to the introduction of international health restrictions on one of the expected products (razor clams) that had to be replaced with Peruvian scallops resulting in changes in some project activities, results framework, outcomes, indicators and budget and with an MU (marginally unsatisfactory) rating on the first Project Performance Report.

The AF Secretariat indicated that based on their assessment, the quality at entry at the project design is sound and did not cause the change. They concluded that overall, the revised project still delivers the same objectives and adaptation benefits as initially designed, including compliance with the Fund’s environmental and social and gender policies. The changes in the project and the extension of the completion date to September 2022 were approved by the AF Board on June 2020 and the amount transferred to date is US\$4,680,078 (Board Decision B.35.a-35.b/30). The Secretariat was informed by Profonanpe that the project is now on track.

- **Assessment by a Third Party** – In 2016, a country office of a major international NGO in Peru carried out in three parallel phases a due diligence and evaluation process to verify if Profonanpe has the appropriate operational, institutional, financial and legal conditions to act as a funds administrator. The assessment concluded that overall, there are no critical risks that would endanger the implementation of the funds in question and provided recommendations that would contribute to better performance as expected by its donors. Profonanpe informed that, to date, most of the recommendations had been implemented and others are in constant progress like the communication strategy, the rotation of external auditors, better planning processes, and having interinstitutional cooperation agreements.

CONCLUSION AND RECOMMENDATION

The Accreditation Panel concludes that Profonanpe meets all the criteria for fast-track re-accreditation and recommends that the Board approves its re-accreditation as a National Implementing Entity of the Adaptation Fund.