



ADAPTATION FUND

3 August 2021

Adaptation Fund Board

Accreditation Panel Recommendation on the Fast-Track Accreditation of the Palli Karma-Sahayak Foundation (PKSF) of Bangladesh as a National Implementing Entity (NIE) of the Adaptation Fund

Having reviewed the fast-track accreditation application of the Palli Karma-Sahayak Foundation (PKSF), the Accreditation Panel recommended that PKSF be accredited as a National Implementing Entity (NIE) 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 and following the fast-track accreditation process approved by Decisions B.32/1, the Adaptation Fund Board decided to accredit the ***Palli Karma-Sahayak Foundation (PKSF) of Bangladesh*** 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 2 August 2026.

Decision B.36-37/10

ANNEX I: REPORT OF THE ACCREDITATION PANEL ON AN ASSESSMENT OF THE PALLI KARMA- SAHAYAK FOUNDATION (PKSF) FOR FAST TRACK ACCREDITATION AS A NATIONAL IMPLEMENTING ENTITY (NIE), BANGLADESH OF THE ADAPTATION FUND

Background

Palli Karma-Sahayak Foundation (PKSF) was established in 1990 with a vision to eradicate poverty by pursuing inclusive, people-centered, equitable and sustainable development to seek to enable all its citizens to live a healthy, educated and empowered, and dignified life. It undertakes multidimensional human-centered development programmes and projects, including in climate change and environmental protection. PKSF works with some 278 Partner Organizations (POs) in Bangladesh comprised of approximately 14.06 million members, working through 10,160 branches.

As of 2019 PKSF had implemented over fifty major programmes and projects with funding from the Government of Bangladesh, and major international donors, disbursing USD 3.5 billion to the POs, which in turn have disbursed over USD 31 billion to members through various activities.

A recent evaluation conducted by a major donor on a 10-year programme implemented by PSKF concluded that it achieved the lowest delivery costs and at the same time generated the highest cost-benefit ratio while serving extremely poor households.

PKSF's governance structure is comprised of the General Body as the oversight body that sets overall strategic and policy direction of the Foundation. It comprises 25 members with a "record of service in activities of poverty alleviation and income generation and/or interest in such activities". Fifteen members may be nominated by the Government "from amongst persons associated with Government Agency, Voluntary Organization or private individuals" and the remaining 10 members may be from "amongst persons representing Partner Organizations and/or private individuals." Membership is for a term of three years for government members and two for non-government members. Under the general control and supervision of the General Body is the Governing Body which provides management and administrative oversight of the Foundation, with responsibility to approve projects and make grants, donations, loans or other financial assistance to POs. PKSF currently has in place an Audit and an Ethics committee. The Managing Director is the Chief Executive Officer of the Foundation, supervising a staff complement of 419 (as of 31 December 2019).

PSKF received Green Climate Fund (GCF) accreditation in October 2017 under the fit-for-purpose approach as a direct access national implementing entity (NIE) and categorized by the GCF as small size. The GCF initial accreditation had three conditions and a fourth one was subsequently added when its scope was upgraded. According to GCF's latest report one condition has been fulfilled and closed. The Panel satisfactorily reviewed the conditions "in progress," to the extent that these are related to AF accreditation criteria.

Assessment for Fast-Track Accreditation

PKSF submitted its application for AF fast-track accreditation in November 2020 having been accredited by the GCF within a period of four years prior to the submission of the accreditation application to the Fund, and which meets the eligibility criteria contained in paragraphs 23-32 of the Operational Policies and guidelines of the Fund pursuant to Board Decision B.32/1 dated 12 October 2018 and based on Document AFB/B.32/5. It also includes an assessment of the Fund's

Accreditation Standards Related to Anti-Money-Laundering/Countering the Financing of Terrorism pursuant to Board Decision B.32/36 based on Document AFB/EFC.23/4.

The criteria used and results of this assessment are as follows:

- ❖ **The Fiduciary Standard related to legal status** – PKSF was established by the Government of Bangladesh in 1990 and registered under the Companies Act 1913/1994 as a “not for profit” organization with its own legal personality, with the capacity to receive funds directly, authority to enter into contracts or agreements with international organizations, and capacity to represent itself as plaintiff or defendant in legal processes. PKSF provided to the Panel a list of its donors and examples of agreements it has entered into with other international organizations.
- ❖ **Policies and procedures, screening and decision-making related to anti-money laundering/countering the financing of terrorism (AML/CFT) on disbursements, procurement, and handling instances of non-compliance to these policies and procedures, and laws** – PKSF’s anti-money laundering and countering the financing of terrorism (AML/CFT) policy operates under the framework and guidance of the Bangladesh Central Bank’s Anti-Money Laundering Act of 2012 as amended in 2015, and Bangladesh’s membership in the Asia- Pacific Group (APG) on Money Laundering. The APG issued a Mutual Evaluation Report on Bangladesh in 2016 and follow-up reports were issued in 2019 and 2020, all showing progress by the country in developing functioning AML/CFT policy coordination structures.

PKSF relied on these frameworks to develop its own PKSF AML/CFT Policy which is anchored on the principles of zero tolerance for financial mismanagement, strong internal controls related to payments and procurement, risk identification and management, the highest ethical standards, and effective oversight. PKSF has put in place proactive management of bank accounts, “*know-your-customer*” due diligence procedures, sanctions for violations including cancelation of the offending PO’s membership, and reporting to national authorities such as the Microcredit Regulatory Authority. PKSF submitted an example of a summary sheet of its screening system for disbursements.

- ❖ **Policies and Framework for Dealing with Financial Mismanagement and Other Forms of Malpractices** – PKSF’s statement of zero tolerance for fraud, financial mismanagement and other forms of malpractice issued by the Managing Director is in the foundation’s Code of Conduct and “Service Rules” that also include dealing with sexual harassment, conflict of interest, whistleblower protection. The policy applies to all employees and third parties and published on its public website including multiple reporting channels and sanctions for violations. PKSF demonstrated adequate implementation and adherence to these policies and code.

PKSF’s Integrity Strategy is linked to the National Integrity Strategy Action Plan of the Government of Bangladesh (whose implementation is overseen by the Ministry of Finance) that has the objective of fighting corruption. Implementation of PKSF’s integrity strategy (including using key performance indicators against which progress is tracked) and reporting to the Ministry is a key function of PKSF’s Ethics Committee, which also has the responsibility for promoting an ethical culture within the foundation.

PKSF’s procedural framework for investigating fraud and misconduct is provided in the Service Rules. It aligns with best practice in terms of independence of the investigative

body, rules of evidence, due process rights, timelines for investigative processes, sanctioning decisions, and avenues for appeals. Investigations are carried out by ad hoc committees which report directly to the Managing Director on findings and recommended sanctions, and a process is in place for informing the guilty party of the sanctions and options for appeal. Investigation procedures and sanctioning of defined senior staff are determined by the Governing Body. The Service Rules also provide guidance for internal processes in cases when judicial proceedings are also ongoing in the national court system. In the most recent report (mid-2018 – mid 2020), PKSF reviewed and applied disciplinary actions to over three dozen staff.

- **Commitment by the entity to apply the Fund’s Environmental and Social (E&S) Policy and Gender Policy** – PKSF submitted a letter signed by the Managing Director affirming that PKSF “is fully committed to complying with the environmental and social as well as gender policies of the Adaptation Fund”.

PKSF’s Environmental and Social Management Framework (ESMF), issued in November 2019, sets out PKSF’s commitment to sustainable development and adopts a set of environmental and social standards that are designed to be applied to PKSF and partner organizations’ projects/programmes. The policy lays out its objectives and principles, scope of application, what PKSF expects from its POs with respect to the E&S requirements, and an E&S risk classification system, PKSF’s commitment to E&S due diligence, and an implementation approach that applies an Environmental and Social Commitment Plan (ESCP), and an information disclosure policy. PKSF has advised that it anticipates approval of an updated ESMF by the Governing Body by the end of 2021 and has put in place the structural elements for its implementation.

PKSF’s Gender Policy was developed in 2016 to provide justice and fairness to men and women and to establish gender equity and equality in the workplace and eliminating all forms of discrimination against women in PKSF’s programmatic activities. This commitment is backed by PKSF’s long track record of working with the poor and ultra-poor, over 91 percent of whom are women.

- ❖ **Mechanism to deal with complaints on Environmental and Social Harms and Gender Harms Caused by Projects/Programmes** – PKSF has the commitment and the capability to receive, independently review and take remedial action, where appropriate, on complaints regarding environmental, social and gender harms caused by its programmes and projects. It has established its Grievance Redress Mechanism (GRM) as a complement to the project level mechanism operated by the POs.

Avenues for filing grievances related to E&S and gender harms are the same as those for reporting fraud and misconduct, and PKSF also has a GRM website in Bangla. To date the applicant has not reported any complaints due to E&S and gender harms.

Conclusion and Recommendation

The Accreditation Panel concludes that the Palli Karma-Sahayak Foundation (PKSF) meets the AF's fiduciary standard on legal status; the policies, screening procedures, and decision making relating to anti-money laundering and countering the financing of terrorism on disbursements, procurement, and handling instances of non-compliance to these policies and procedures, and laws; policies and framework to deal with financial mismanagement, fraud and other malpractices; 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.

It is therefore recommended that PKSF be accredited through the fast-track accreditation process as a National Implementing Entity of the Adaptation Fund.