



ADAPTATION FUND

21 June 2023

Adaptation Fund Board

Accreditation Panel Recommendation on the Fast-Track Re-accreditation of the Asian Development Bank (ADB) as a Multilateral Implementing Entity (MIE) of the Adaptation Fund

Having reviewed the fast-track re-accreditation application of the ***Asian Development Bank (ADB)***, the Accreditation Panel recommended that ADB 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 re-accreditation process approved by Decisions B.28/38 and B.34/3, the Adaptation Fund Board decided to re-accredit the ***Asian Development Bank (ADB)*** as a Multilateral Implementing Entity (MIE) of the Adaptation Fund for five years, as per paragraph 39 of the operational policies and guidelines for Parties to access resources from the Adaptation Fund. The accreditation expiration date is 21 June 2028.

Decision B.40-41/5

ANNEX I

REPORT OF THE ACCREDITATION PANEL ON AN ASSESSMENT OF THE ASIAN DEVELOPMENT BANK FOR FAST TRACK RE-ACCREDITATION AS A MULTILATERAL IMPLEMENTING ENTITY (MIE) OF THE ADAPTATION FUND

Background

The Asian Development Bank (ADB) is an international financial institution that was established in 1966. The purpose of the ADB is to foster economic growth and cooperation in the region of Asia and the Far East and to contribute to the acceleration of economic development of the developing member countries in the region. One of its main functions is to promote public and private capital investment for development in Asia and the Pacific. This goal is pursued through the provision of various forms of financial assistance through loans, technical assistance, grants, guarantees and equity investments to the public and private sectors of developing countries. The applicant works in many areas to address climate change, however its main focus and expertise are in the following subject matter: clean energy, sustainable transport and urban development, land use and forests for carbon sequestration, climate resilient development, as well as strengthening related policies, governance and institutions.

The ADB was accredited as a multilateral implementing entity of the Adaptation Fund in June 2010 and was fully reviewed and re-accredited in July 2015. Since initial accreditation with the AF, ADB has not implemented an AF funded project.

The ADB received GCF fast track accreditation in March 2015, without conditions, based on prior AF accreditation. It also received GCF re-accreditation in July 2022 without conditions. The Bank currently implements 12 GCF adaptation or mitigation projects at various stages of progress.

Assessment against the fast-track re-accreditation criteria

The assessment for fast-track re-accreditation has been 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) and focuses on the following criteria:

- **The Fiduciary Standard related to the legal status** – There have been no changes since the last re-accreditation and ADB continues to meet the criterion. Under the international agreement establishing the Bank, it has established its own legal personality, it is capable of receiving funds directly, it has legal authority to enter into agreements with other international organizations, and it has legal capacity to serve as a plaintiff or defendant before a Court of Law.
- **The standards related to AML/CFT** – The Panel has reviewed the applicant's AML/CFT policies, procedures, screening systems, and oversight of the system for dealing with violations of the policy. The Panel is satisfied that ADB's AML/CFT arrangements meet the AF's accreditation standards in this regard.
- **Policies and Framework to deal with fraud, financial mismanagement and other forms of malpractice** – ADB continues to meet the associated criteria:

- The Bank has published a policy of zero tolerance for fraud, financial mismanagement and other forms of malpractice to be adopted by its leadership, staff and third parties engaged in its activities. This is backed up by extensively developed mechanisms communicating this policy and evidencing that proven cases of malpractice result in consistently applied sanctioning actions.
- The Bank has demonstrated capacity and procedures to deal with financial mismanagement and other forms of malpractice:
 - ADB's Anti-Corruption Policy continues to provide a framework for maintaining integrity within its operations and administration, as well as promoting the development of capacity in its members.
 - ADB's staff have a duty to report integrity violations and the Bank's public website advertises reporting channels managed by ADB's Office of Anticorruption and Integrity (OAI). Administrative Order on Whistleblower and Witness Protection was updated in 2017 and contains key elements aligned to good international practice.
 - ADB has a mature, internally independent and active investigation function carried out by the Office of Anti-Corruption and Integrity (OAI), to deal with complaints against staff and third parties engaged in ADB activities and operations.
 - ADB publishes statistics and other information which indicate that its integrity and investigation policies, procedures and systems are being actively implemented.
- **Commitment by the entity to apply the Fund's Environmental and Social Policy (ESP) and Gender Policy** - ADB's own E&S and Gender policies collectively align to those of the AF and, hence, the Bank meets this criterion. The Bank has also provided a top-level management statement (TLMS) commitment to the AF.

In its role as an international development institution, ADB has been an influential thought leader and promoter of the management of environmental and social and gender risks. A review of the extensive information provided by the Bank shows that it has the capacity to assess environmental and social risks and integrate environmental and social risk management plans into project documents. The ADB Safeguard Policy Statement 2009, Social Protection Policy 2001, and Policy on Gender and Development 2003 are collectively aligned with the required processes and the 15 principles in the AF E&S Policy and Gender Policy. The Bank has put in place staffing, monitoring and other structural elements to support implementation. Its own evaluations and a recent multilateral donor review indicate strengths and weaknesses and there is a systematic institutional approach to improvement in particular the 2030 Agenda and current Operational Plan on Accelerated Progress on Gender Equity.

- **Mechanism to deal with complaints on environmental and social harms and gender harms caused by projects/ programs** - ADB continues to meet the criterion. It has well established policies and procedures to promote resolution of complaints at project level and recourse grievance handling by the Bank through an Accountability Mechanism that facilitates resolution and provides independent review of eligible unresolved complaints through a compliance assessment panel. The Bank has published reporting channels for the Mechanism, extensive guidance to those considering using the Mechanism, and activity reports that indicate active and effective implementation.

Assessment of the implementing entity's performance regarding quality at entry and project/programme implementation - As ADB has not implemented any AF projects since its initial accreditation, the review does not include an assessment of the implementing entity's performance regarding quality at entry and project/programme implementation.

Third Party Assessment: The (2017-2018) Multilateral Organization Performance Assessment Network (MOPAN) overall assessment of ADB stated that "ADB has maintained a positive performance trajectory. Strengths identified in the 2013 MOPAN assessment are largely sustained, with particularly strong performance in several areas and scope for improvement in a few others. Recent assessments have shown that ADB's Developing Member Countries acknowledge its areas of comparative strength, which include (but are not limited to) its strategic and results frameworks, its control environment, and the resilience of its financial framework".

Recommendation

The Accreditation Panel recommends that the Asian Development Bank (ADB) be re-accredited under the fast-track approach as a Multilateral Implementing Entity (MIE) of the Adaptation Fund.