



ADAPTATION FUND

7 February 2024

Adaptation Fund Board

Accreditation Panel Recommendation on the Fast-Track Re-accreditation of the Bhutan Trust Fund for Environment Conservation (BT FEC) as a National Implementing Entity (NIE) of the Adaptation Fund

Having reviewed the fast-track re-accreditation application of the ***Bhutan Trust Fund for Environment Conservation (BT FEC)***, the Accreditation Panel recommended that BT FEC 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 re-accreditation process approved by Decisions B.28/38 and B.34/3, the Adaptation Fund Board decided to re-accredit the ***Bhutan Trust Fund for Environment Conservation (BT FEC)*** as a National Implementing Entity (NIE) 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 7 February 2029.

Decision B.41-42/10

ANNEX I

REPORT OF THE ACCREDITATION PANEL ON AN ASSESSMENT OF THE BHUTAN TRUST FUND FOR ENVIRONMENT CONSERVATION (BTTEC) FOR FAST TRACK RE-ACCREDITATION AS A NATIONAL IMPLEMENTING ENTITY (MIE) OF THE ADAPTATION FUND

BACKGROUND

As a small entity, the Bhutan Trust Fund for Environment Conservation's (BTTEC) was first accredited with the Adaptation Fund under the streamlined approach on 25 January 2018. Its accreditation expired on 24 January 2023 and its submission for reaccreditation was received by the Adaptation Fund Secretariat on 27 October 2022 and assigned to the Panel experts on 23 March 2023. The BTTEC is currently implementing one five-year project with a budget of USD 9.98 million, which was approved in October 2022 and launched in late May 2023.

The BTTEC is being assessed for fast-track re-accreditation, having been accredited as an implementing entity of the Green Climate Fund (GCF) in March 2020. The GCF fast-track accreditation was based on BTTEC's accreditation as a national implementing entity of the Adaptation Fund pursuant to Board Decision B.30-31/15 in 2017.

THE APPLICANT

Established in 1992, the BTTEC's mission is to promote the socioeconomic welfare of the people of Bhutan through funding projects that focus on environmental conservation in line with Bhutan's environmental conservation priorities and its strategic plan and aims to demonstrate its leadership role in environmental conservation by improving the results of grant funding and capacity-building. Counting less than 20 staff, the BTTEC has a strong track record financing and overseeing a large portfolio of activities in a wide range of sectors, such as agriculture and livestock, land management, environment and natural resource management, environmental sanitation, renewable energy, sustainable rural livelihoods, community development, and eco-tourism.

Assessment against the fast-track re-accreditation criteria.

This assessment was conducted pursuant to the Fund's Board Decision B.28/38 due to the BTTEC having been accredited by the Green Climate Fund in 2020. The Assessment for fast-track re-accreditation was conducted using the criteria as set out in Board Decision B.28/38 (Fast-track re-accreditation of implementing entities accredited with the Green Climate Fund) based on AFB/EFC.19.7 of December 2016; B.31/26/ of March 2018 (use of third-party reviews), B.32/36 (Accreditation standards related to anti-money-laundering/countering the financing of terrorism) based on AFB/EFC.23/4; and Decision B.34/3 (Revised re-accreditation process) based on AFB/B.34/5 and its annexes.

SUMMARY ASSESSMENT

The BTFEC demonstrated full compliance with the above-mentioned criteria and the review process for fast-track re-accreditation (FTR) of the Adaptation Fund. There was no change in its legal personality, authority, and ability to enter into contracts or agreements and to directly receive funds from international and national institutions, the private sector, as well as the capacity to serve as a plaintiff or defendant in a Court of law. Since its accreditation, the BTFEC has introduced as well as updated new policies and frameworks in dealing with anti-money laundering and countering the financing of terrorism based on the applicable laws and regulations of the Kingdom of Bhutan. Significant improvements were also made in policies, procedures, and frameworks for dealing with fraud, financial mismanagement, and other forms of malpractice. Top management provided a written commitment to apply the Fund's environmental, social, and gender policies and integrate these in enhancing its relevant policies and procedures as well as in strengthening its project-level grievance mechanism.

The fiduciary standard related to the legal status.

The applicant continues to meet this criterion, possessing the required legal personality and capacities.

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 policies, procedures, and laws.

The applicant meets this criterion. The recently updated AML/CFT policy and screening guidelines enhance the BTFEC's ability to detect and report potential breaches to the relevant national body. No breaches have been reported and considering that all of the BTFEC funding is coming from donors or government and handled through the national banking system, the AML/CFT risk is considered low.

Policies, procedures, and capacity to deal with fraud, financial mismanagement and other forms of malpractice including a policy of zero tolerance and an objective investigation function for allegations of fraud and corruption.

The applicant meets this criterion, having strengthened several existing policies and procedures to increase its policies and procedures to deal with financial mismanagement. A zero-fraud tolerance statement was issued by senior management and posted on its website.

While the applicant does not have its own investigative function, the Panel concludes that given the small size of the organization, the current set-up is adequate. The BTFEC has established robust internal policies for investigating and sanctioning fraud and corruption as detailed in its fraud and corruption policy and has set up an internal structure that provides sufficient independence and is subject to oversight by its Board of Directors. The investigative capacity is ensured either through the Government's Anti-Corruption Commission or through external investigators if the ACC does not step in.

Commitment by top management to apply the Fund’s Environmental and Social Policy (ESP) and Gender Policy.

The applicant meets this criterion based on its continued commitment to abide by the AF’s environmental, social and gender risk policies. A relevant commitment letter was provided in a letter signed by the Chair of the Board of Trustees.

Mechanism to deal with complaints on environmental and social harms and gender harms caused by projects/programs.

The applicant meets this criterion, having recently adopted a formal project grievance mechanism which is currently being rolled out in the AF approved project. There is a two-tier complaints mechanism that allows for reporting at the project level as well as centrally to the BTFEC complaints handling mechanism through BTFEC’s complaints portal. No cases have been reported as yet.

Status of quality-at-entry of AF-funded project implementation.

The quality-at-entry was satisfactory for its AF-funded project titled “Adaptation to Climate-Induced Water Stresses through Integrated Landscape Management in Bhutan” The project was approved by the AF Board upon its second submission in October 2022 and was launched successfully in late May 2023.

Third-Party Assessments.

In addition to relevant GCF assessments, the Panel’s review was also informed by two third-party assessments, including a project completion report for a World Bank project and a mutual evaluation report on ALM/CFT.

CONCLUSION AND RECOMMENDATIONS

The Panel concludes that the BTFEC has further enhanced its capacities and updated relevant policies and therefore continues to fully comply with the standards and other criteria for fast-track re-accreditation. The Panel recommends the fast-track re-accreditation of BTFEC as a national implementing entity by the Adaptation Fund Board.