



ADAPTATION FUND

AFB/B.15/4
September 6, 2011

Adaptation Fund Board
Fifteenth Meeting
Bonn, September 15-16, 2011

Agenda item 5

REPORT OF THE SEVENTH MEETING OF THE ACCREDITATION PANEL

WORK OF THE PANEL

1. The Accreditation Panel (Panel) continued its work reviewing both new and existing applications. Prior to meeting, the Panel members exchanged information and views on the applications under review. On August 8 and 9, 2011, the Panel held its seventh face-to-face meeting at the secretariat's premises in Washington, D.C. The Panel meeting also allowed for the opportunity to hold teleconferences with applicants, to communicate application status, to ask questions, and to provide direct guidance on additional documentation required.

2. The Panel considered one new NIE and one new MIE application for accreditation. The Panel also reviewed one other RIE and six other NIE applications that were previously reviewed but required additional information for the Panel to make its recommendations. As outlined in the operational policies and guidelines, these applications were initially screened by the secretariat. By the time of the finalization of the present report, the Panel concluded the review of the following applications:

- 1) South African National Biodiversity Institute (SANBI)
- 2) Protected Areas Conservation Trust (PACT), Belize
- 3) African Development Bank (AfDB)
- 4) National Implementing Entity 1

3. Nine further applications, four for potential NIEs, one for a potential RIE, and two potential MIE, are still under review by the Panel. For purposes of confidentiality, a numbering system has been used to report on the status of each Implementing Entity's application.

- 1) National Implementing Entity 2
- 2) National Implementing Entity 3
- 3) National Implementing Entity 4
- 4) National Implementing Entity 5
- 5) Regional Implementing Entity
- 6) Multilateral Implementing Entity 1
- 7) Multilateral Implementing Entity 2

South African National Biodiversity Institute (SANBI)

4. The application with supporting documentation was received by the secretariat on May 2, 2011 electronically. The Secretariat forwarded the application to the Accreditation Panel on May 5, 2011. The Panel reviewed the application of the NIE during its sixth meeting and agreed that the application was strong in relation to the financial and management fiduciary standards although there were some gaps to resolve. After several exchanges of information, the Panel concluded that the entity demonstrated a high potential to deliver the required documentation and reported to the Board at its 14th meeting that if the full Panel considered the documentation to be fully satisfactory, it would ask for intersessional approval from the AFB for accreditation.

5. In decision B.14/6, the Board decided to authorize the Accreditation Panel to submit a recommendation on the accreditation of implementing entities intersessionally, should the Panel conclude that the assessment of the additional documentation

reviewed leads to a positive recommendation. On August 24, 2011 a draft intersessional decision was circulated amongst the Board recommending accreditation of SANBI with one minor condition. The decision was approved as Decision B.14-15/6 on September 7, 2010. The full text of the decision, along with the report substantiating the Panel's recommendation to accredit SANBI is contained in Annex I.

Protected Areas Conservation Trust (PACT), Belize

6. The application with supporting documentation was received by the secretariat on June 29, 2011 electronically and in hard copy. After screening, the Secretariat forwarded the application to the Accreditation Panel on July 11, 2011. The Panel reviewed the application of the NIE during its seventh meeting and agreed that the application demonstrated strong potential for accreditation.

7. The Protected Area Conservation Trust (PACT) is a small corporate organization that is set up by the Government of Belize with its own Board of Directors and a link to the minister of Natural resources. It had a staff of 14 at the end of March 2010 and was established in 1996. It meets most of the financial fiduciary standards including having audited financial statements and a periodic review of its systems and procedures that are equivalent to an internal audit function.

8. PACT executes its function by providing, in a transparent manner, grants to specific organizations for specific projects related to its function. While the total amounts of annual grants are less than USD 1 million per year PACT demonstrated that it has a full identification and approval process and that the grants are monitored, readjusted at mid point if needed, and post evaluated. PACT is also mentioned as a co-financing entity for some projects funded by multilateral agencies. The function and activities of PACT relate closely to those required from an NIE. Nevertheless, as a small and evolving organization, it would be prudent to ask for semi-annual reporting on the execution of the AF projects and this fits in with their own procedures.

9. After several exchanges of information, and reviewing documentation, the Panel concluded that there are a few gaps in the fiduciary standards. While none are crucial because of mitigating controls they are needed to meet the fiduciary standards and the PACT Board has agreed to address these. Specifically, they agree to:

- Issue annually a formal internal control statement signed by its Executive Director and the Board;
- Charge the Finance Committee of the Board with the functions of an audit committee;
- Put a public antifraud policy in place that demonstrates a zero tolerance attitude and covers:
 - Evidence of a public tone from the top statement emphasizing a policy of zero tolerance for fraud, financial mismanagement and other forms of malpractice by PACT staff or from any external sources associated directly or indirectly with the projects it finances. A code of conduct/ethics applicable to the Board and to staff.
 - Policies and procedures relating to managing conflict of interest and whistle blower protection

- Avenue for reporting non-compliance/ violation/misconduct and business conduct concerns for both staff and individuals outside of PACT.
 - The structure and effective process/ procedures and a capacity within the organization to handle cases of fraud and mismanagement and undertake necessary investigative activities.
 - Periodical oversight reporting of activities related to the ethics and investigative functions to the Board of Directors and in a public forum.
10. Consequently, the Panel recommends that PACT be accredited as the NIE for Belize subject to the following conditions:
- i) PACT should provide semi-annual progress reports on AF projects;
 - ii) PACT should have in place to the satisfaction of the accreditation Panel and before the approval of the first project:
 - a. A formal annual internal control statement signed by its Executive Director and the Board and to be issued with the financial statements;
 - b. A formal mandate for the Finance Committee of the Board to execute the functions of an audit committee;
 - c. A public antifraud policy that demonstrates a zero tolerance attitude.

African Development Bank (AfDB)

11. On September 20, 2010, the AfDB sent an application to the secretariat, which then forwarded the application to the Panel indicating that it was ready for their review.

12. The Panel reviewed the application for the MIE during its fourth meeting and agreed that the application was strong in relation to some of the financial and management fiduciary standards although there were some gaps to resolve. There was a need to demonstrate capability through audit reports and other reviews and there were a number of reports on its website indicating less than optimal progress of the projects funded by the MIE which required further investigation and documentation.

13. After several exchanges of information, the Panel concluded that the AfDB would be an ideal MIE for the Adaptation Fund having a comparative advantage in Africa and extensive experience in undertaking and executing concrete adaptation projects with pooled funds from a multitude of sources in the developing countries of Africa. The application demonstrated that the AfDB meets the accreditation standards relating to the financial integrity and management and those dealing with financial mismanagement and other malpractices.

14. The application is less strong for the institutional capacity relating to projects. It demonstrates an adequate project identification, and approval process. However, there are systematic problems in terms of implementation delays, procurement, disbursement, and monitoring including acting on projects with high risk. The difficulties are being addressed by the AfDB through a series of reforms, including a greater decentralization to field offices, which will take several years before they are fully implemented. This

means that the AfDB does not fully meet the fiduciary standards until then and the levels of capability may depend on the responsible local office.

15. The AP recommends that the AfDB be accredited but that the AfDB delivers annually and within three months after year an independent grant audit report covering the open projects that the AfDB handles on behalf of the Adaptation Fund. Such audits are already done for a number of other grants administered by the AfDB.

16. Consequently, the Panel recommends that AfDB be accredited as an MIE subject to the following conditions:

- i) That the AfDB describes in any project proposal the capability of the local office to implement, monitor and close the proposed project in light of the decentralization process of the AfDB.
- ii) The AfDB delivers annually and within three months after year an independent grant audit report covering the open projects that the AfDB handles on behalf of the AF. This audit, which can be done by or under the supervision of The Office of the Auditor General of the AfDB, should:
 - a. Confirm that for all open AF projects that the required reports that were due for the year reviewed were delivered to the AF Secretariat or if this is not the case the report should explain what is missing and why;
 - b. Confirm that the AfDB has allocated the necessary monitoring activities to the open AF projects in accordance with the AfDB's policies to ensure the adequate progress and achievements of the projects. If that is not the case, the audit report should state what is missing; and
 - c. Provide information that in the view of the auditor should be brought to the attention of the Adaptation Fund Secretariat

17. Necessary monitoring would include reviewing, initiating action and reporting on:

- i) The status of the project compared to the original planning in terms of budgetary expenditures to date, scope and timing of the project.
- ii) What the significant risks are to the completion of the project compared to such aspects as budgetary expenditures, scope and timing and whether these risks are being adequately addressed.
- iii) That all required reporting has been completed and submitted.
- iv) That all the material transactions, contracts and other activities during the period have been completed in compliance with applicable rules and regulations of the AfDB, the country, and other rules and provisions governing the project; if this is not the case the exceptions should be fully explained.
- v) That all known allegations of fraud or wrongdoing that have come to the attention of the AfDB, and that are related either directly or indirectly to the project, are being investigated and the findings dealt with.

18. The annual impact of the conditionality on the AFB secretariat is estimated to be one person week per annum.

National Implementing Entity 1

19. On October 6, 2010 the secretariat received an application from NIE 1. Following a request for more information, additional documents were submitted on October 25, 2010. The secretariat forwarded the application to the AP for deliberation at its fifth meeting. The Panel members' requests for clarification were consolidated and shared with NIE 1 on February 22, 2010. The Panel received many additional materials on May 23, 2011, that did not sufficiently address the Panel's queries and requests for further documentation. After deliberation, the Panel concluded that it was not in a position to recommend accreditation of NIE 1. Annex II provides a summary report and analysis of the Panel's conclusion not to recommend NIE 1 for accreditation for the following reasons:

- The applicant stated that required processes, procedures or templates relating to aspects of the project management cycle such as: project identification and design, project appraisal, project implementation, planning and review, project monitoring and evaluation and final evaluation and closure would be developed by a task force after accreditation had been obtained. It did not demonstrate that such activities took place for projects it had currently under implementation.
- Reports detailed significant shortcomings relating to procurement including misappropriation of procurement funds.
- Significant internal and external audit reports, including those related to procurement, were not made available due to lack of permission and the enforcement of audit recommendations was weak.
- The applicant could not demonstrate that the framework to handle fraud and mismanagement of funds was effectively implemented.

National Implementing Entity 2

20. The application with supporting documentation was received by the secretariat on December 31, 2010 electronically, in different languages. The Secretariat forwarded the application to the Accreditation Panel on April 28, 2011. The application was reviewed by the Panel at its sixth meeting and additional documentation was requested. Further documentation was submitted on June 3, 2011. The secretariat forwarded the documentation to an expert panel member who reviewed the documentation. The expert member of the Panel also held a teleconference with the entity. Some of the documents submitted were in a language that required translation into English.

21. At its seventh meeting, the Panel concluded that NIE 2 may be a reasonable candidate for accreditation. However, pending items remain to be verified given the structure of the organization and its reliance on other entities for support. The Panel expressed their opinion that a field visit to the applicant could be useful to collect the required information, examine in detail various documents, and verify the effectiveness of the organization's coordination with other entities it relies on. However, the Panel is still awaiting additional documentation that would inform its decision regarding the suitability of a field visit in this case. The Panel recommends the Board authorize a field visit to the entity should the Panel maintain its opinion that NIE 2 is a reasonable candidate for accreditation after review of additional documents submitted. A provision of up to 4 field visits is included in the approved budget of FY12.

National Implementing Entity 3

22. The secretariat initially received an accreditation application from this NIE on September 28, 2010 in hard copy. After requesting further documentation, the secretariat received it, electronically, on October 25, 2010. The secretariat then notified the Panel that NIE's application was ready for review.

23. During its fourth meeting, the Panel found many gaps in the application. Additional evidence and demonstration was requested on November 20, 2010 and January 26, 2011 and NIE 3 responded with further documentation on February 11, 2011 and February 15, 2011. A number of interactions with the applicant have occurred since then. On April 15, 2011 the secretariat received additional documents that were shared with the Panel. Additional information was requested again on May 2, 2011.

24. Given that the applicant has not made much progress since submission, the secretariat, on behalf of the Panel, sent a letter to the representative of the entity encouraging the entity to accommodate a discussion with the expert Panel members during the regional accreditation workshop. A discussion was held on the margins of the regional workshop, and an expert Panel member explained the gaps in the application further. The applicant indicated that the required information would be provided in September. The Panel will defer recommendation on the application of NIE 3 until the next Panel meeting.

National Implementing Entity 4

25. On May 15, 2010 the secretariat received an application from NIE 5. Following a request for more information, additional documents were submitted on August 12, 2010. On October 4, 2010, the secretariat sent a letter to the Panel indicating that the application was ready for review.

26. During the fourth AP meeting, the secretariat was asked by the Panel to inform the applicant that further documentation was necessary and the secretariat did so on November 18, 2010 and coordinated a teleconference with one of the expert Panel members requesting the additional documentation required for accreditation with the entity on November 17, 2010. The NIE responded to that request and furnished the additional documentation on November 30, 2010. The new documents have helped to clarify the position on some of the points raised by the Panel. However, several of the points still needed further clarification. Since the fourth AP meeting, the Panel has been in active discussion with the applicant to seek additional clarification on pending issues before a final decision on the accreditation process is reached.

27. Additional documents were again sought from the NIE in December 2010 but were only received on July 29, 2011. The Panel concluded at the seventh AP meeting that NIE may be a reasonable candidate for accreditation. The Panel expressed their opinion that a field visit to the applicant by one of the expert member of the Panel and one person from the secretariat could be useful to determine (i) how the coordination & support from other departments of the government infrastructure works (ii) how effectively the systems & process in place are implemented (iii) how the transition within the organization affects its general working structure. The visit would allow the team to observe and analyse above areas in the NIE and report back to the full Panel to make a

decision on the application. A provision of up to 4 field visits is included in the approved budget of FY12.

National Implementing Entity 5

28. The application with supporting documentation was received by the secretariat on April 15, 2011 in hard copy. The Secretariat requested additional documentation to be sent electronically. The applicant sent additional information electronically on May 2, 2011. The secretariat forwarded the documentation to an expert panel member who reviewed the documentation on April 28, 2011. After several exchanges of information and documentation between the applicant and the lead expert Panel reviewer, the Panel noted that significant gaps remain in the NIE's application. The Panel plans to offer another teleconference to the applicant to further explain the requirements for accreditation.

29. To allow the Panel to fully evaluate the application, and to allow the entity additional time to submit documentation, the Panel will defer recommendation on the application of NIE 5 until the next Panel meeting.

Regional Implementing Entity

30. The application with supporting documentation was received by the secretariat on April 21, 2011 in hard copy. The Secretariat forwarded the application to the Accreditation Panel on April 28, 2011. After reviewing the documentation before the sixth Accreditation Panel meeting, the secretariat on behalf of the Panel requested further documentation on May 18, 2011.

31. Further documentation was submitted on June 3, 2011. The secretariat forwarded the documentation to an expert panel member who reviewed the documentation. The expert member of the Panel held teleconferences with the applicant to clarify the requested documentation. After review, the Panel concluded that the applicant showed strong potential of demonstrating compliance the fiduciary standards. However, since the Panel's sixth meeting, the applicant has been non-responsive. The Panel will wait until September 30th to receive a response on the applicant's intention to continue with the accreditation process and defer recommendation on the application until the next Panel meeting.

Multilateral Implementing Entity 1

32. On April 15, 2011, MIE 1 sent an application to the secretariat, which was then forwarded the application to the Panel indicating that it was ready for their review on April 19, 2011.

33. The Panel reviewed the application for the MIE 1 and agreed that the application was strong but required additional documentation, including complete audit reports, status of action items on internal reports, execution rate for projects, project budgets, system for auditing project accounts, and system for monitoring alerts. One of the Panel

Members is working closely with the MIE, and will follow-up on the status of document preparation. The Panel will review any additional materials provided when they are made available to the Panel.

34. To allow the Panel to fully evaluate the additional documentation, the Panel will defer recommendation on the application of MIE 1 until the next Panel meeting.

Multilateral Implementing Entity 2

35. On July 25, 2011, an MIE 2 sent an application to the secretariat, which was then forwarded the application to the Panel indicating that it was ready for their review on July 26, 2011 and August 2, 2011. The Panel reviewed the application for the first time at its seventh meeting and agreed that it did not meet many of the fiduciary standards, particularly related to auditing requirements. One of the Panel Members is working with the MIE, and will follow-up on the status of document preparation through teleconferences. The Panel will review any additional materials provided when they are made available to the Panel.

36. To allow the Panel to fully evaluate the additional documentation, the Panel will defer recommendation on the application of MIE 2 until the next Panel meeting.

Regional workshops on accreditation of NIEs mandated by CMP6 – discussion on workshop content, agenda, and program

37. At the time of the seventh Panel meeting, the Panel continued to discuss further the workshop schedule and presentation content. The Panel held a teleconference with its counterparts at the UNFCCC secretariat to finalize the arrangements for the Africa regional workshop in Senegal. The Panel also discussed the ways in which the Panel would accommodate both one-on one sessions and group meetings where appropriate (based on how advanced the country is in the process, if they have identified a NIE, etc). An evaluation form for workshop participants was also finalized.

38. The workshop for the African region took place in Mbour, Senegal from September 5-6. The preliminary lessons learned from the workshop suggest that the duration of two days for the workshop did not allow enough time for participants to understand the fiduciary standards and the Adaptation Fund's procedures. The Panel therefore recommends the Board maintain the original suggested workshop schedule with duration of three days. The additional day would also accommodate unforeseen delays.

39. The next regional workshop, for Latin America and the Caribbean, is planned for November 2011.

Other matters

40. The Panel observed that the long list of questions sent to NIE applicants can oftentimes make the process seem cumbersome and discourage a response. The Panel decided to standardize the practice of having a teleconference with the applicant at the

first meeting at which it is discussed to better explain the process and familiarize applicants with the requirements. Additionally, the first communication after the Panel meeting would also be sent to the Designated Authority.

41. The Panel affirmed that all documentation be required in English, even if it necessitates the applicant translate documents.

42. The issue of complaint procedures was raised. While recognizing that Implementing Entities are the responsible parties for handling complaints on the project level, on the implementation level, however, the AFB would have to decide on a mechanism to collect and evaluate complaints on the implementing entities themselves. The Panel recommends the Board make available information on the AF website on complaint procedures for projects.

43. The Panel observed that there is a provision of up to 4 field visits is included in the approved budget of FY12. To be able to react quickly it recommends to the Board that up to four field visits can be made in FY 12 without further referring to the Board provided that the Panel is unanimous on the need to make such a visit. Such field visits would normally involve one expert panel member and one staff from the secretariat.

I. RECOMMENDATIONS

Accreditation of the Protected Areas Conservation Trust (PACT) of Belize

44. The Accreditation Panel recommends that PACT be accredited as the NIE for Belize subject to the following conditions:

- i) PACT should provide semi-annual progress reports on AF projects;
- ii) PACT should have in place to the satisfaction of the accreditation Panel and before the approval of the first project:
 - i) A formal annual internal control statement signed by its Executive Director and the Board and to be issued with the financial statements;
 - j) A formal mandate for the Finance Committee of the Board to execute the functions of an audit committee; and
 - k) A public antifraud policy that demonstrates a zero tolerance attitude.

(Recommendation AFB/AP.7/1)

Accreditation of the African Development Bank (AfDB)

45. The Accreditation Panel recommends that African Development Bank be accredited as an MIE subject to the following conditions:

- i) That the AfDB describes in any project proposal the capability of the local office to implement, monitor and close the proposed project in light of the decentralization process of the AfDB.
- ii) The AfDB delivers annually and within three months after year an independent grant audit report covering the open projects that the AfDB handles on behalf of the AF. This audit, which can be done by or under the supervision of The Office of the Auditor General of the AfDB, should:

- a. Confirm that for all open AF projects that the required reports that were due for the year reviewed were delivered to the AF Secretariat or if this is not the case the report should explain what is missing and why;
- b. Confirm that the AfDB has allocated the necessary monitoring activities to the open AF projects in accordance with the AfDB's policies to ensure the adequate progress and achievements of the projects. If that is not the case, the audit report should state what is missing; and
- c. Provide information that in the view of the auditor should be brought to the attention of the Adaptation Fund secretariat.

(Recommendation AFB/AP.7/2)

Non-accreditation of NIE1

46. The Accreditation Panel has concluded that is not in a position to recommend accreditation. The Panel recommends the Board to instruct the secretariat to communicate the Accreditation Panel observations as contained in Annex II to the present report to the applicant and to work with the designated authority to identify a potential NIE that would meet the Fiduciary Standards.

(Recommendation AFB/AP.7/3)

Accreditation Panel observations of NIE 2

47. The Accreditation Panel recommends to the Adaptation Fund Board:
- a) To authorize the Accreditation Panel to conduct a field mission to the applicant, should the Panel decide that, upon review of the additional documentation submitted, NIE 2 is a reasonable candidate for accreditation.

(Recommendation AFB/AP.7/4)

Accreditation Panel observations of NIE 4

48. The Accreditation Panel recommends to the Adaptation Fund Board:
- a) To authorize the Accreditation Panel to conduct a field mission to the applicant.

(Recommendation AFB/AP.7/5)

Regional accreditation workshops

49. Considering the lessons learned from the first regional accreditation workshop, the Accreditation Panel recommends that the remaining regional accreditation workshops be extended to three days.

(Recommendation AFB/AP.7/6)

Complaint procedures

50. The Accreditation Panel recommends the Ethics and Finance Committee of the Board discuss further complaint procedures of the Adaptation Fund and consider making available information on the AF website on complaint procedures for projects.

(Recommendation AFB/AP.7/7)

Field visits

51. The Accreditation Panel, observing that there is a provision of up to 4 field visits is included in the approved budget of FY12, recommends to the Board that up to four field visits can be made in FY 12 without further referring to the Board provided that the Panel is unanimous on the need to make such a visit. Such field visits would normally involve one expert panel member and one staff from the secretariat.

(Recommendation AFB/AP.7/8)

Annex I



ADAPTATION FUND

September 7, 2011

Adaptation Fund Board

Accreditation of the South African National Biodiversity Institute

Having considered the attached report by the Accreditation Panel, the Adaptation Fund Board decides to

- i) Accredit the South African National Biodiversity Institute (SANBI) as a National Implementing Entity;*
- ii) Request the secretariat, when reviewing project/programme proposals submitted by SANBI, to ensure that ministerial approval has been granted to those that do not have a direct link with biodiversity.*

Decision B.14-15/6

Report of the Accreditation Panel on the Accreditation Application of the
South African National Biodiversity Institute
(SANBI)

I. Background

1. At the 14th meeting of the Adaptation Fund Board (Board) the Accreditation Panel (AP) informed the Board that an application for a National Implementing Entity (NIE) had been reviewed and the AP concluded most or all of the required policies and procedures exist and were operating effectively, but still needed to be demonstrated. The AP further informed the Board that there was a strong possibility that the NIE can deliver the required demonstration and that the full Panel will review the documentation and if fully satisfactory intends to ask for intercessional approval from the AFB for accreditation.

2. In decision B.14.6, the Board decided to authorize the Accreditation Panel to submit a recommendation on the accreditation of implementing entities intersessionally, should the Panel conclude that the assessment of the additional documentation reviewed leads to a positive recommendation.

SANBI

3. SANBI was established in 2004 and one of its major tasks is to manage the botanical gardens in the country. It has responsibility for the management and conservation of biodiversity, which provides the link to make SANBI a logical implementing agency for AF projects.

II. The Fiduciary Standards

4. The application, including the documents that were more recently forwarded, demonstrate and provide evidence that SANBI meets the Fiduciary Standards of the Adaptation Fund.

5. **Legal mandate:** SANBI is a separate legal entity that has the capacity to execute implementation tasks including receiving and disbursing cash. However, according to SANBI's legal counsel any project that does not have a biodiversity component first needs ministerial approval. The Panel suggests that the AFB ask the secretariat to review the project proposals to be submitted by SANBI and verify if such approval exists where applicable.

6. **Financial integrity:** The application shows that the systems in place meet the financial integrity and management criteria and the effectiveness has been demonstrated through examples of documents and through independent reports such as reports from their internal auditor. Specifically it has audited financial statements prepared in accordance with recognized accounting standards, and an active internal audit function and an audit committee whose annual report is available to the public. SANBI has a strong internal control framework and its report thereon can be used as an example for other applicants that are searching for a reporting model for their internal control framework.

7. **Project management:** The documents provided and the various independent audits and evaluations demonstrate that SANBI has good project management. It follows the procurement system of the South African government, referred to as “Supply Chain Management”, and its effectiveness has been demonstrated through an internal audit report. SANBI insists on the same rules for its executing agencies and enforces this through a “no objection system”.

8. The examples of project documents show SANBI’s capacity to identify, appraise and plan for its projects. SANBI has an approval system depending on the size of projects with projects over ZAR 15 Million (USD 2 Million) requiring approval by its Board. The application has provided good examples of monitoring, close out reports and evaluation ability. An evaluation done by GEF and an evaluation of South African Implementing Partners done for UNICEF, UNDP and UNICEF confirm that SANBI is a strong partner to implement development projects.

9. **Anti Fraud:** SANBI has the proper anti-fraud measures and systems including a zero tolerance policy and oversight by a Risk and Fraud Prevention Committee. They use an external firm with expertise to receive complaints. SANBI has added a clear reference to this on its website during the accreditation process, including contact details (E-mail address and telephone number) for channeling complaints.

III. Conclusion

10. Based on the additional information provided and the positive outcome of its review, the Adaptation Panel recommends the Adaptation Fund Board:
- a) Accredite the South African National Biodiversity Institute (SANBI) as a National Implementing Agency for the Adaptation Fund.
 - b) Request the secretariat, when reviewing project/programme proposals submitted by SANBI, to ensure that ministerial approval has been granted to those that do not have a direct link with biodiversity.

Annex II: Note on accreditation application of a NIE 1

The accreditation application of this NIE, that is a government department, was first discussed in the panel meeting held on 14th and 15th February, 2011 in Washington, DC. At that time the aspects of the Fiduciary Standards were inadequately covered and the panel requested further information which was received in May. A dialogue has taken place throughout this period between the Panel Member and the applicant and the application was reviewed once more by the panel during its 7th meeting.

The panel concluded that there was an insufficient base to recommend accreditation to the Board for the following reasons;

1. The applicant did not demonstrate processes, procedures or templates that are in place for any of the key components of the project management cycle such as for:
 - i) Project identification and design
 - ii) Project appraisal
 - iii) Project implementation planning and review
 - iv) Project monitoring and evaluation
 - v) Final evaluation and closure

Neither has evidence been provided to demonstrate that any of the above activities are undertaken with respect to projects.

The response to most of the questions relating to the above components of the project management cycle is that a task force will work on developing the procedures and templates after the applicant receives accreditation from the Adaptation Fund as an NIE. The task force has been constituted but is inactive and the composition of the task force as provided in the response does not indicate that its members possess any specific project management expertise.

2. The documents have not demonstrated that the fiduciary standards relating to procurement are met despite changes made since the Public Procurement Act came into effect some ten years ago. Some of the detailed reports provided observe shortcomings in the capabilities available to undertake procurement. The reports also highlight the substantial misappropriation of procurement funds.
3. Significant reports like those relating to external and internal audit, and procurement audits have not been provided as permission is required for the applicant to provide these to the Adaptation Fund. There are other major gaps like the government auditor is running 2 years in arrears in undertaking audit work which reduces the effectiveness and the enforcement of internal and external audit recommendations remain weak.

4. While the government of the applicant has taken some steps to put in place a policy framework to handle corruption and mismanagement of funds, the implementation is not demonstrated. This is evident from some of the documents provided. For example in the applicants Annual Work Plan provided for 2009-10, 10 projects (30 sub-projects) are listed and the only area of risk mentioned for each of the projects is misuse/misappropriation of funds. Another report notes that, "The statistics available for corruption in procurement suggest that reporting of cases of corruption does take place, albeit to a rather limited extent. Evidence from previous studies suggests that this covers only a fraction of the fraudulent, corrupt, or unethical behavior actually taking place"

Conclusion

The application has issues and gaps in relation to most of the Fiduciary Standards and it does not demonstrate a process framework relating to the project management cycle. Therefore, the Panel is not in a position to recommend the accreditation of the applicant to the Adaptation Fund Board.