

Climate Change Financing – Adaptation Fund (AF) National Implementation Entity (NIE) Accreditation

Capacity Assessment and Capacity Action Plan – Cook Islands

I. Introduction

The Adaptation Fund¹ (AF), established under the Kyoto Protocol of the United Nations Framework Convention on Climate Change (UNFCCC), is designed to finance concrete climate change adaptation projects and programs based on the priorities of developing countries. The AF receives its funding from a two percent share of proceeds of Certified Emission Reductions issued under the Protocol's Clean Development Mechanism (CDM) as well as from donor contributions and investment income earned.

One of the key innovations of the AF is that it provides countries with the option of directly accessing funding through a National Implementing Entity (NIE), if the NIE meets the international fiduciary standards set up by the AF Board. Once accredited, the NIE bears full responsibility for the overall management of all national projects and programs financed by the AF, as well as all financial, monitoring and reporting tasks. Following a request from the Adaptation Fund Board in April 2010, UNDP, in partnership with the UNEP and the World Bank are providing support to interested countries to help facilitate the identification of the NIE, identify and develop capacities for NIE accreditation and climate change financing and prepare for NIE accreditation for the AF. The Capacity Assessment for NIE tool was developed to assess existing capacities and to determine actions required to meet the AF accreditation criteria (this version of the tool incorporates new criteria approved by the AF board on 17-18 March, 2011 – decision B.11/3).

This tool should be used after 1) a process involving stakeholder dialogue to identify the potential entity to apply for NIE accreditation has been completed; 2) there is confirmed interest in applying for accreditation, and 3) a request for support to facilitate this process has been received. It can also be used a part of a broader capacity development process for climate change institutions and climate change fiscal frameworks.

To obtain NIE accreditation, the Accreditation Panel of the AF assesses the following capacities of the national entity:

Financial Integrity and Management:

- (i) Accurately and regularly record transactions and balances in line with good practices, and are audited;
- (ii) Managing and disbursing funds efficiently and with safeguards;
- (iii) Producing financial plans and budgets;
- (iv) Legal status to contract with the Adaptation Fund.

Institutional Capacity:

- (i) Procurement procedures which provide for transparent practices;
- (ii) Capacity to undertake monitoring and evaluation.

Project/ Programme Management Capacity:

- (i) Ability to identify, develop and appraise projects;
- (ii) Competency to manage or oversee the execution of the project/program including ability to manage sub-recipients and to support project /program delivery and implementation.

Transparency and Self-investigative Powers:

- (i) Competency to deal with financial mismanagement and other forms of malpractice.

¹ Adaptation Fund <http://www.adaptation-fund.org/>

II. Completing the Capacity Assessment Tool.

The following tool should be completed with the relevant financial, programming and management staff of the proposed entity. Prior to completion the relevant staff should be briefed on the requirements of the AF accreditation and the supporting evidence required, so that existing evidence can be identified prior to the capacity assessment process.

The capacity assessment process can be done separately with the programming and financial teams but ideally a member of the management team would be involved throughout the process to provide continuity across the process.

To establish the capacity baseline, the key representatives from the entity are asked to score their understanding of the existing entity capacities for financial management, institutional capacity, program management and self investigative capacity using the 1-5 scoring system below, whilst considering the evidence requirement for AF Accreditation. The desired capacity for AF accreditation is 5 (see criteria below) and a date should be added to each area to indicate when this can realistically be achieved. This will then allow an evidence-based discussion on what action(s) are required to achieve the required capacity.

The scoring scale is:

- 1. No evidence of capacity**
- 2. Anecdotal evidence of capacity**
- 3. Partially developed capacity but lacks procedures and has low levels of compliance**
- 4. Widespread, but not fully documented or comprehensive capacity**
- 5. Capacity developed and documented to meet the requirements of the Adaption Fund Accreditation**

Upon completion of the questionnaire with the relevant representatives the findings will be collated and analyzed to identify a prioritized action plan for developing the required capacities. The results will be shared with the entity and if necessary triangulated with interviews and discussions with key stakeholders e.g. Ministry of Finance and/or Project Steering Committee.

This tool is intended to facilitate rapid self-assessment useful in stimulating dialogue regarding the capacities required by the AF. For it to be effective the existing evidence must be identified and made available. This will then allow an objective self-assessment to be made and ensure that the capacity development plan is owned and realistic².

III. Reporting on the Completion of the Capacity Assessment Tool

Following the completion of the assessment tool prepare a simple report to act as an introduction to the assessment. The short report should be prepared, which includes an introduction, summary and next steps for the NIE assessment. Below is a suggested simple table of contents for the report:

1. Introduction to Adaptation Fund and MIE and NIE modalities
2. Introduction to the request / demand from the country and the objectives of the process
3. Brief Description of the nominated NIE
4. Summary of the capacities required to obtain NIE status
5. The process conducted to complete the assessment and action plan
6. A summary of the priority capacities that need to be developed
7. Summary action plan or next steps to develop the capacities required for NIE accreditation

² This provides a capacity development process that will lead to a well put together NIE application. It is independent from the decision-making process of the Accreditation Panel.

IV. Financial Management and Integrity

Capacity Required for AF Accreditation	Specific capability required by AF/ Supporting documentation that may be provided	Current Capacity (1-5) + Date to achieve Capacity required by AF					Record Examples Evidence Available	Record Any Capacity Gaps + Action to be taken ³
1) Legal status	a. Demonstration of necessary legal personality i) Documentation of legal status and mandate (please highlight the relevant paragraphs)	1	2	3	4	5	Ministry of Finance and Economic Management Act 1995-96 with 1997 amendment: para 3	
		Date to achieve NIE Capacity required by AF						
	b. Demonstration of legal capacity/ authority and the ability to directly receive funds i) Same documentation or separate supporting documentation ii) List of foreign loan/donor funds handled over the last 2 years	1	2	3	4	5	MFEM AMD, Audited Annual Financial Report for the Year Ended 30 June 2011 MFEM AMD, Audited Annual Financial Report for the Year Ended 30 June 2010 Management Report for Financial Statements ended 30 June 2010 and 30 June 2011, ADM, MFEM	
2) Financial statements including Project Accounts statement and the provisions for Internal and External Audits.	Production of reliable financial statements that are prepared in accordance with internationally recognized accounting standards i) Audited Financial Statements	1	2	3	4	5	All CIG financial statements are prepared in accordance with IPSAS. Financial Statements – Government of Cook Islands Audited statements for the year ended 30 June 2008 MFEM AMD, Audited Annual	No audited financial statements and associated Management reports for MFEM accounts for 2009,2010 and 2011 Follow-up as indicated in the MFEM 2011/2012 business plan

³ Examples of action to be taken should be specific to the capacity gaps but could include; the development of policies; the development of procedures; design and use of standard templates design of manuals; A period of successful implementation of procedures and manuals; Quality Assurance; ToRs; MoUs; minutes of meetings; records; independent audits and evaluations; training; introduction of software etc.

							<p>Financial Report for the Year Ended 30 June 2011</p> <p>MFEM AMD, Audited Annual Financial Report for the Year Ended 30 June 2010</p> <p>Management Report for Financial Statements ended 30 June 2010 and 30 June 2011, ADM, MFEM</p>	
	<p>Production of annual external audited accounts that are consistent with recognized international auditing standards</p> <p>i) External Auditor Reports</p> <p>ii) Audit Committee's Terms of Reference</p>	1	2	3	4	5	<p>All CIG financial statements are prepared in accordance with IPSAS.</p> <p>Financial Statements – Government of Cook Islands Audited statements for the year ended 30 June 2008</p> <p>MFEM AMD, Audited Annual Financial Report for the Year Ended 30 June 2011</p> <p>MFEM AMD, Audited Annual Financial Report for the Year Ended 30 June 2010</p> <p>Management Report for Financial Statements ended 30 June 2010 and 30 June 2011, ADM, MFEM</p> <p>Audit Committee TOR</p> <p>Ernst and Young external audit statements</p>	<p>No audited financial statements and associated Management reports for MFEM accounts for 2009, 2010 and 2011</p> <p>Follow-up as indicated in the MFEM 2011/2012 business plan</p> <p>Copy of the audit committee terms of reference</p>
				X				
		Date to achieve NIE Capacity required by AF						

	<p>Demonstration of use of accounting packages that are recognized and familiar to accounting procedures in developing countries</p> <p>i) Name and brief description of accounting package used</p>	1	2	3	4	5	<p>Teammate – audit programme</p> <p>Solomon’s accounting package</p> <p>According to IPSAS</p>		
							X		
		Date to achieve NIE Capacity required by AF							
	<p>Demonstration of capability for functionally independent internal auditing in accordance with internationally recognized standards</p> <p>i) Policy/charter and other published documents (like manuals) that outline the entity’s internal auditing function</p> <p>ii) Copies of audit plans for last 2 years and the current year</p> <p>iii) List of internal audit reports of last 2 years and sample reports</p>	1	2	3	4	5	<p>Draft of internal 3-year audit strategy</p> <p>Internal audit manual</p> <p>Annual audit plan</p>	<p>The gaps in “internal audit requirements” as identified in the PEFA roadmap.</p> <p><u>Potential Question for the AF Board:</u></p> <p>Does the CIG Audit office and its relation to MFEM constitute internal or external audit?</p>	
		Date to achieve NIE Capacity required by AF							
Internal Control Framework with particular reference to control over disbursements and payments	<p>Demonstration of use of a control framework that is documented with clearly defined roles for management, internal auditors, the governing body, and other personnel</p> <p>i) Policy or other published document that outlines the entity's control framework</p>	1	2	3	4	5	<p>AMD, Policy and procedure manual</p> <p>Financial rules and regulations for MFEM – Nov 2011</p> <p>Internal Audit manual</p>	Updated AMD, Policy and procedure manual	
							X		
		Date to achieve NIE Capacity required by AF							

	Demonstration of proven payment/disbursement systems i) Procedures describing the payment/ disbursement system with particular reference to project payments/ disbursements	1	2	3	4	5	Attaché – payment disbursement system for salary Solomon’s – payment system for non-payroll expenditures Financial rules and regulations AMD, Policy and Procedures	
					X			
		Date to achieve NIE Capacity required by AF						
Preparation of Business Plans and Budgets and ability to monitor expenditure in line with budgets	Production of long term business plans/ financial projections demonstrating financial solvency i) Long Term Business plans or Financial Projections for the next 3 to 5 years	1	2	3	4	5	MFEM Budget submission 2011/2012 and 2012/2013	2012/2013 to incorporate longer term projections
					X			
		Date to achieve NIE Capacity required by AF						
	Evidence of preparation of corporate, departmental/ ministry budgets and demonstration of ability to spend against budgets i) Annual budgets for the organization and entities within it ii) End of calendar year/fiscal year or periodical budget report	1	2	3	4	5	MFEM Business Plan 2011-2012 MFEM Budget submission 2011/2012 and 2012/2013 Monthly Crown Reports and template Budget Policy Statements 2012/2013 CIG Budget Estimates 2011/2012	
						X		
		Date to achieve NIE Capacity required by AF						

V. Requisite Institutional Capacity

Capacity Required for AF Accreditation	Specific capability required by AF/ Supporting documentation that may be provided	Current Capacity (1-5) + Date to achieve Capacity required by AF					Record Examples of Evidence Available	Record Any Capacity Gaps + Action to be taken ⁴
Procurement	Evidence of transparent and fair procurement policies and procedures at the national level that are consistent with recognized international practice (including dispute resolution procedures) i) Procurement Policy ii) Detailed procedures or guidelines including composition and role of key decision making committees iii) Provisions for oversight/audit /review of the procurement function with an actual sample of oversight/audit/review reports iv) Procedures for handling/controlling procurement in Executing Agencies	1	2	3	4	5	Financial Policies & Procedures Manual – Nov 2011 – Section D Tender committee TOR Tender Process documentation	The gaps in “procurement” as identified in the PEFA roadmap. Procedures in place but not fully documented. Written into donor funding.. programme/project documents, but incorporate into an overall procedure AusAID review on the procurement process upcoming
Project preparation and approval. This should include impact (environment, socio-economic, political, etc.) assessment study with risk	Demonstration of capability and experience in identification and design of projects (preferably adaptation projects) i) Detailed project plan	1	2	3	4	5	All programmes/projects stem from National Strategic Development Plan Learning for Life Cook islands	Potentially look at Pukapuka project as it is CCA related

⁴ Examples of action to be taken should be specific to the capacity gaps but could include; the development of policies; the development of procedures; design and use of standard templates design of manuals; A period of successful implementation of procedures and manuals; Quality Assurance; ToRs; MoUs; minutes of meetings; records; independent audits and evaluations; training; introduction of software etc.

assessment and mitigation plans	documents for 2 projects		X				Education Master Plan Cook Islands bilateral Programme Education Sector Partnership Arrangement 2008-2012	
		Date to achieve NIE Capacity required by AF						
	Demonstration of availability of/access to resources for and track records of conducting appraisal activities i) Details of the project approval process/procedure ii) 2 samples of project appraisals undertaken	1	2	3	4	5	Cook Islands bilateral Programme Education Sector Partnership Arrangement 2008-2012	
				X				
	Demonstration of the ability to examine and incorporate the likely impact of technical, financial, economic, social, environmental, and legal aspects into the project at the appraisal stage itself i) Sample of project documents which demonstrate this capability	1	2	3	4	5	National Sustainable Development Commission	Need documentation – It is being incorporated in new programmes development such as the Tourism Sector
				X				
	Evidence procedures/ framework in place to undertake risk assessment and integrate mitigation strategies/ plans into the project document. i) Policy and/or other published document(s) that outline the risk assessment procedures/	1	2	3	4	5	Activity Concept Note: Cook Islands Social Impact Fund	Incorporate practice into overall manual
				X				

	framework ii) 2 samples of completed project appraisals with identified risks and corresponding mitigation strategies/plans	Date to achieve NIE Capacity required by AF							
Project Implementation Planning and Quality-at-entry Review	Evidence of institutional system for planning implementation of projects with particular emphasis for quality-at-entry i) Operational manual or written procedures for project review system during the design phase	1	2	3	4	5	Date to achieve NIE Capacity required by AF	Fix a standard as part of project/programme design	
			X						
		Date to achieve NIE Capacity required by AF							
	Evidence of preparation of project budgets for projects being handled by the entity or any sub-entity within it i) Project budgets ii) Analysis of project expenditure vs budget	1	2	3	4	5	Date to achieve NIE Capacity required by AF	Cook Islands bilateral Programme Education Sector Partnership Arrangement 2008-2012 Monthly/Quarterly Acquittal Report	
					X				
		Date to achieve NIE Capacity required by AF							
Project Monitoring and Evaluation during implementation	Demonstration of existing capacities for monitoring and independent evaluation that are consistent with the requirements of the Adaptation Fund no i) Policy or other published document that outlines monitoring and evaluation requirements ii) Detailed procedures and formats used for monitoring and evaluation during project implementation iii) Sample project monitoring and evaluation reports	1	2	3	4	5	Date to achieve NIE Capacity required by AF	PSC Act 2009 mandates six-monthly report Six-monthly report from the Education Sector Programme Cook Island Ministry of Education end of Decade Report May 2011	little evidence of policy or document that outlines M&E requirements, although they are articulated in the programme documents. There are other evaluation such as NGO, Health, Education review which may be additional evidence GFAs have reporting requirements in them which can be additional evidence
				X					
		Date to achieve NIE Capacity required by AF							

	<p>Production of detailed project accounts which are externally audited</p> <p>i) Sample of project accounts</p> <p>ii) Sample of project audit reports</p>	<table border="1"> <tr> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td></td> <td></td> <td>X</td> <td></td> </tr> <tr> <td colspan="5">Date to achieve NIE Capacity required by AF</td> </tr> </table>	1	2	3	4	5				X		Date to achieve NIE Capacity required by AF					<p>UNDP Ernst and Young audited project – March 2012</p> <p>Education accounts and audit reports</p> <p>EU – KPMG</p>	
1	2	3	4	5															
			X																
Date to achieve NIE Capacity required by AF																			
	<p>Evidence of a process or system, such as a project-at-risk system, that is in place to flag when a project has developed problems that may interfere with the achievement of its objectives, and to respond to redress the problems</p> <p>i) Procedures for project-at-risk system or similar process/ system to ensure speedy solutions to problems which may interfere with the achievement of the project objectives</p>	<table border="1"> <tr> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td></td> <td>X</td> <td></td> <td></td> </tr> <tr> <td colspan="5">Date to achieve NIE Capacity required by AF</td> </tr> </table>	1	2	3	4	5			X			Date to achieve NIE Capacity required by AF						<p>PSC 6 monthly reporting/performance review and project coordinating committees to mitigation risk, within prodocs and practice, but no overall procedure</p> <p>Secretariat service to NSDC. Make recommendation to NSDC on at-risk projects.</p> <p>Development Partnership agreement (DPA)</p> <p>TOR for the NSDC</p>
1	2	3	4	5															
		X																	
Date to achieve NIE Capacity required by AF																			
Project closure and final evaluation	<p>Demonstration of an understanding of and capacity to assess impact/implications of the technical, financial, economic, social, environmental, and legal aspects of projects</p> <p>i) Project closure reports or independent evaluation reports containing assessment of the impact/ implications of the technical, financial, economic, social, environmental, and legal aspects of projects</p>	<table border="1"> <tr> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td></td> <td></td> <td>X</td> <td></td> <td></td> </tr> <tr> <td colspan="5">Date to achieve NIE Capacity required by AF</td> </tr> </table>	1	2	3	4	5			X			Date to achieve NIE Capacity required by AF						<p>Evaluations as per donor requirements</p>
1	2	3	4	5															
		X																	
Date to achieve NIE Capacity required by AF																			

	Demonstration of competence to execute or oversee execution of projects/programs i) Independent evaluation reports of completed projects/programs	1	2	3	4	5	The evaluation of the CI Education Sector Partnership	
		Date to achieve NIE Capacity required by AF						

VI. Transparency, self- Investigative powers, and anti-corruption measures

Capacity Required for AF Accreditation	Specific capability required by AF/ Supporting documentation that may be provided	Current Capacity (1-5) + Date to achieve Capacity required by AF					Record Examples of Evidence Available	Record Any Capacity Gaps + Action to be taken ⁵
Policies and Framework to deal with financial mismanagement and other forms of malpractices	Evidence/tone/statement from the top emphasizing a policy of zero tolerance for fraud, financial mismanagement and other forms of malpractice by implementing entity staff or from any external sources associated directly or indirectly with the projects i) Provide evidence of a statement communicating such a policy of zero tolerance for fraud, financial mismanagement and other forms of malpractice	1	2	3	4	5	Ministry of Finance and Economic Management Act 1995-96 with 1997 amendment – Section A Memo on failure to comply with procedures MFEM Personnel Policy Employee contracts contain clauses on conflict of interest, confidentially, etc... PERCA 1995/6	
					X			
	Demonstration of capacity and procedures to deal with financial mismanagement and other forms of malpractice i) Provide copy of documented code of conduct/ethics applicable to the staff ii) Documentation establishing avenues for reporting noncompliance /violation/ misconduct and business conduct concerns iii) Details of policies and	1	2	3	4	5	PSC Act 2009 Public service manual to be completed July 2012 MFEM Personnel Policy Employee contracts contain clauses on conflict of interest, confidentially, etc...	Documented Code of conduct
					X			

⁵ Examples of action to be taken should be specific to the capacity gaps but could include; the development of policies; the development of procedures; design and use of standard templates design of manuals; A period of successful implementation of procedures and manuals; Quality Assurance; ToRs; MoUs; minutes of meetings; records; independent audits and evaluations; training; introduction of software etc.

	procedures relating to managing conflict of interest and whistle blower protection							
	<p>Evidence of an objective investigation function for allegations of fraud and corruption</p> <p>i) The structure and process/ procedures within the organization to handle cases of fraud and mismanagement and undertake necessary investigative activities.</p> <p>ii) Data on cases of violation of code of conduct/ethics and frauds reported over last 2 years be provided in terms of number of cases, types of violations and summary of status/action taken.</p> <p>iii) Periodical oversight reports of the ethics function/ committee be attached for the last 2 years</p>	1	2	3	4	5	<p>Ombudsman</p> <p>PSC Act</p> <p>Public Expenditure Review Committee Act</p>	<p>Need to review these documents vis-à-vis the evidence needed</p> <p>PERCA reports tabled in parliament</p>
					X			