

Agenda item 13: Initial risk management framework: Survey of methodologies to define and determine risk appetite

13. The Board adopted the following decision:

DECISION B.09/06

The Board, having reviewed document GCF/B.09/13 Initial Risk Management Framework: Survey of Methodologies to Define and Determine Risk Appetite:

- (a) *Takes note of this document; and*
- (b) *Requests the Secretariat, in consultation with the Risk Management Committee, to continue the work on determining the initial risk appetite of the Green Climate Fund, consistent with decision B.07/05.*

Agenda item 14: Consideration of accreditation proposals

14. The Board adopted the following decision:

DECISION B.09/07

The Board, having considered document GCF/B.09/04 Consideration of Accreditation Proposals:

- (a) *Takes note with appreciation of the in-depth assessment conducted by the Accreditation Panel contained within the relevant annexes for the following applicants:*
 - (i) *Applicant 001 (APL001) is the Centre de Suivi Ecologique, as contained in Annex IV;*
 - (ii) *Applicant 002 (APL002) is the Peruvian Trust Fund for National Parks and Protected Areas, as contained in Annex V;*
 - (iii) *Applicant 003 (APL003) is the Secretariat of the Pacific Regional Environment Programme, as contained in Annex VI;*
 - (iv) *Applicant 004 (APL004) is Acumen Fund, Inc., as contained in Annex VII;*
 - (v) *Applicant 005 (APL005) is the Asian Development Bank, as contained in Annex VIII;*
 - (vi) *Applicant 006 (APL006) is Kreditanstalt für Wiederaufbau, as contained in Annex IX; and*
 - (vii) *Applicant 007 (APL007) is the United Nations Development Programme, as contained in Annex X;*
- (b) *Accredits APL001, APL002, APL003, APL004, APL005, APL006 and APL007, pursuant to paragraph 45 of the Governing Instrument for the Green Climate Fund, and subject to, and in accordance with, the assessment by the Accreditation Panel contained in the relevant annexes for each of the applicant entities;*
- (c) *Requests the Secretariat to inform the national designated authorities and focal points whenever an entity is accredited for operation in their country, and encourages the accredited entities to make contact with the national designated authority or focal point when they intend to operate outside the country(countries) that nominated them;*

- (d) *Encourages the timely implementation of the accreditation framework and requests the Secretariat to pay special attention to the priority needs of developing countries, emphasizing readiness support to national and regional entities that request it, including those eligible for fast-tracking;*
- (e) *Requests the Secretariat to invite national and regional entities that are operating at scale to apply for accreditation to the Green Climate Fund in coordination with their national designated authority or focal point, as appropriate, to ensure country ownership and promote direct access to funding as envisaged under the Governing Instrument for the Fund;*
- (f) *Also requests the Secretariat to use best efforts to have applications ready for consideration and possible decision on accreditation by the Board at its tenth meeting;*
- (g) *Further requests the Secretariat to aim to achieve a balance of diversity, including equitable representation of different geographical/regional areas, in the list of entities considered for accreditation at the tenth meeting of the Board, between direct access entities, including some operating at scale, private entities and international entities;*
- (h) *Requests the Secretariat, in consultation with the Accreditation Panel, when implementing decision B08/03, paragraph (k), to provide recommendations for the fast-tracking of national, regional and private sector entities; and*
- (i) *Also requests the Secretariat to publish the assessment methodology and the questions used in the assessment of accreditation applications.*

Agenda item 15: Legal and formal arrangements with accredited entities

15. The Board adopted the following decision:

DECISION B.09/08

The Board, having considered document GCF/B.09/03 Legal and Formal Arrangements with Accredited Entities:

- (a) *Endorses that the Fund shall enter into agreements or other arrangements with entities upon their accreditation by the Board taking into account the considerations set out in Annex XI;*
- (b) *Authorizes, to the extent necessary, the Executive Director – or his/her designee – on behalf of the Fund to negotiate and agree on the terms and conditions of such agreements with accredited entities reflecting the scope of the accreditation, and to enter into such agreements.*
- (c) *Requests the Secretariat to inform the Board regularly on progress made in the implementation of this decision;*
- (d) *Also requests the Secretariat to include in the proposal on the monitoring and accountability framework to be prepared for consideration by the Board at its tenth meeting a proposal on the potential fixed term of the accreditation decisions.*

Annex VIII: Accreditation assessment of Applicant 005 (APL005)

I. Introduction

1. Applicant 005 (APL005) is an international organization whose main goal is to reduce poverty in the region in which it operates through environmentally sustainable growth. This goal is pursued through the provision of various forms of financial assistance to developing countries through loans, technical assistance, grants, guarantees and equity investments. 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. If accredited, the applicant intends to deploy financial resources from the Green Climate Fund (the Fund) in public and private sector projects focused on mitigation (e.g. energy generation and access, energy efficiency, transport, buildings, cities, industries and appliances, land use/forestry, and institutional and regulatory systems); adaptation (e.g. enhancing livelihoods, health and well-being and food and water security, infrastructure and built environment, ecosystems and ecosystem services, climate information/ early warning systems, and awareness strengthening and climate risk reduction), and cross-cutting issues.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 2 January 2015. Stage I, Institutional assessment and completeness check, and the Stage II (Step 1), Accreditation review, were concluded. The applicant applied to be accredited for the following parameters under the Fund's fit-for-purpose approach:

- (a) **Access modality:** International access;
- (b) **Track:** Fast-track under the Adaptation Fund;
- (c) **Size of project/activity within a programme:** Large;¹
- (d) **Fiduciary functions:**²
 - (i) Basic fiduciary standards;
 - (ii) Specialized fiduciary standard for project management;
 - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
 - (iv) Specialized fiduciary standard for on-lending and/or blending;
- (e) **Environmental and social (E&S) risk category:** High risk (Category A/Intermediation 1 (I-1)).³

¹ As per Annex I to decision B.08/03, "large" is defined as: "total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US\$ 250 million for an individual project or an activity within a programme".

² Decision B.07/02.

³ As per Annex I to decision B.07/02, Category A is defined as "Activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented" and Intermediation 1 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented".

II. Accreditation assessment

3. The applicant qualifies for the fast-track accreditation process as an Accredited Entity of the Adaptation Fund. Its application has been assessed against the Fund's standards by the Accreditation Panel (the Panel) in accordance with the requirements and gaps identified in decision B.08/03.

2.1 Fiduciary standards

2.1.1 Section 4.1: Basic fiduciary standard: Key administrative and financial capacities

4. As APL005 is eligible for, and applied under, the fast-track accreditation process as an Adaptation Fund-accredited entity, Section 4.1 was not identified, as per decision B.08/03, as a gap to be addressed by the applicant in its application for accreditation to the Fund. Therefore, the basic fiduciary standard concerning key administrative and financial capacities in Section 4.1 is considered to have been met by way of fast-track accreditation.

2.1.2 Section 4.2: Basic fiduciary standard: Transparency and accountability

5. As an entity eligible for, and which applied under, the fast-track accreditation process as an Adaptation Fund-accredited entity, Section 4.2 with the exception of Item 4.2.4, Investigation function, was not identified, as per decision B.08/03, as a gap to be addressed by the applicant in its application for accreditation to the Fund.

6. The basic fiduciary standard concerning transparency and accountability in Section 4.2 for items other than Item 4.2.4 is considered to have been met by way of fast-track accreditation.

7. Regarding Item 4.2.4, the applicant provided, in its application, evidence which indicates that it meets the requirements of the basic fiduciary standards related to the investigation function. Investigations of alleged/suspected fraud and corruption are handled by a specific office that applies its own guidelines for investigations. Annual reports providing detailed information on cases that have been investigated or are under investigation are published on the applicant's website.

2.1.3 Section 5.1: Specialized fiduciary standard for project management

8. As APL005 is eligible for, and applied under, the fast-track accreditation process as an Adaptation Fund-accredited entity, Section 5.1 was not identified, as per decision B.08/03, as a gap to be addressed by the applicant in its application for accreditation to the Fund. Therefore, the specialized fiduciary standard for project management in Section 5.1 is considered to have been met by way of fast-track accreditation.

2.1.4 Section 5.2: Specialized fiduciary standard for grant award and/or funding allocation mechanisms

9. The applicant is a well-established organization with nearly five decades of experience in providing development finance and execution of funding allocation to developing countries. Although it does not operate a competitive grant award scheme, the applicant has a mature set of procedures and standards for the allocation of funds for various types of development projects with different financing modalities, ranging from grants and concessional loans to trust funds.

10. The applicant has provided evidence that it has a track record in implementing its procedures and standards for the allocation of funds. Projects undertaken by the applicant are identified in partnership with governments of developing countries. The applicant has active arrangements with partners for concessional loans and grants. The total financing envelope under these arrangements is in the range of billions of United States dollars. In addition, the applicant is administering a large number of trust funds with total commitments in billions of United States dollars.

11. Based on the information provided, it is assessed that the grant award mechanism implemented by the applicant is transparent with formally documented procedures for assessing grant proposals. Potential grant funding proposals are identified in partnership with the developing country governments of the countries in which the applicant operates, and are then assessed by a group including senior management. The grant award decisions are taken by appropriate authorized and competent parties in the organization. The applicant monitors the implementation of funded programme activities, undertakes site visits, and supports beneficiaries through counselling and advice.

12. All grants or loans provided by the applicant are subject to the applicant's anti-corruption policy, which prohibits all forms of corrupt practices. The applicant also has the right to investigate all projects that it has financed in the case of credible complaints of corruption during the implementation of the project, including the right to inspect and audit the accounts of the project and the relevant executing agency.

13. Based on the information provided, it is assessed that the applicant fully meets the requirements of the specialized fiduciary standard for grant award and/or funding allocation mechanisms.

2.1.5 **Section 5.3: Specialized fiduciary standard for on-lending and/or blending**

14. The applicant has an operations manual for its financing operations, which details policies and operational procedures for official, commercial and other concessional co-financing activities.

15. Based on the information provided, it is assessed that the applicant has a strong track record, experience and capacities for on-lending and blending with resources from international or multilateral sources. The on-lending experience is extensive, with clients covering a large number of public and private sector institutions in the developing countries in which it is active. A significant portion of the applicant's outstanding loans (in the range of several billion United States dollars) have been made to the public sector (government agencies of developing countries) with the rest comprising loans to private sector enterprises, financial institutions and non-sovereign public sector entities. The cumulative direct value-added official and commercial co-financing spanning decades is in the range of several billion United States dollars in thousands of projects, of which the majority were for technical assistance projects and several hundred were for investment projects.

16. The applicant has experience in undertaking equity investments, with a portfolio of multiple investments for which the total is in the range of hundreds of millions of United States dollars.

17. The applicant also provides guarantees as credit enhancements for eligible projects to cover risks that the project and its commercial co-financing partners cannot easily absorb or manage on their own. Guarantees have been provided for infrastructure projects, financial institutions, capital markets and trade finance.

18. The applicant administers resources for some global funds, which address climate change, food security and disaster relief/reconstruction. In addition, it administers co-financing on a project-specific basis.

19. The applicant conducts financial due diligence during project assessment, and has an extensive and systematic review process during the project implementation phase involving the recipient government, project sponsor and its own staff.
20. The applicant monitors both individual loans and portfolio performance on a quarterly basis, and has a systematic review process in order to identify implementation issues and to correct them as necessary. More detailed project-specific reviews are undertaken by teams at the applicant's headquarters responsible for project implementation, supplemented by follow-up actions by resident missions.
21. The applicant has committees in place, which oversee asset liability and risk management activities. Minutes of meetings from the committees were deemed to be confidential and were therefore not provided as a part of the application for accreditation. However, in all other respects, the applicant has provided evidence of having a robust financial management system.
22. Based on the information provided, it is assessed that the applicant fully meets the requirements of the specialized fiduciary standard for on-lending and/or blending with respect to the financial instruments loans, equity and guarantees.

2.2 Environmental and social safeguards

23. The applicant indicated in its application that it is applying for assessment against the environmental and social risk (Category A/Intermediation 1 (I-1)). Entities that desire to undertake Category A/I-1 or lower risk (Category B/I-2 and Category C/I-3) type projects/programmes will be required to have an environmental and social management system (ESMS)⁴ that is mature and documented, with a proven track record of managing these types of projects/programmes, and the full support of senior management. Required elements of the institutional ESMS are requested in Items 6.1 to 6.6 of the application.
24. The applicant demonstrates a mature institutional capacity to anticipate and manage environmental and social safeguard (ESS) issues.

2.2.1 Section 6.1: Policy

25. The applicant has a well-developed environmental and social safeguard policy, which is supplemented by a series of manuals and sourcebooks to guide implementation. The safeguard policy statement consists of three safeguards covering environment, involuntary resettlement and indigenous people. Each of the safeguards contains policy principles that are considered consistent with the Fund's interim ESS. It also has related policies in respect of core labour standards, public communications and accountability.

2.2.2 Section 6.2: Identification of risks and impacts

26. The applicant's E&S policy and operational procedures guide technical staff in identifying risks and impacts through screening and assessment processes. The risk categories under the applicant's process are for Categories A - C and financial intermediaries. The applicant utilizes clear procedures and tools for risk categorization, and the approval involves multiple reviews by different parts of the organization. Project categorization uses specific criteria for environment, involuntary resettlement and indigenous peoples; and forms to assist project staff

⁴ An ESMS is a set of management processes and procedures that allow an organization to identify, analyse, control and reduce the adverse environmental and social impacts of its activities and maximize any potential environmental and social benefits in a consistent way, and to improve the environmental and social standing of the organization and its activities over time. Refer to decision B.07/02 for more details.

in identifying risks, and obtaining endorsement and approvals from different units in the organization. The applicant has provided documentation showing an extensive track-record for implementing projects under risk Categories A - C.

2.2.3 **Section 6.3: Management programme**

27. Environmental and social safeguards are managed through clearly established procedures. The applicant operates a formal mechanism in order to manage environmental and social risks, and assigns responsibilities to borrowers (for assessments), and the applicant's relevant units for due diligence as well as monitoring of progress and compliance with the applicant's safeguard policies. Safeguard monitoring reports are prepared for individual projects, and are available publically through the entity's website. The applicant also demonstrates that it has a safeguards compliance review mechanism that is followed from the project concept phase to implementation.

2.2.4 **Section 6.4: Organizational capacity and competency**

28. The applicant has over 100 technically trained environmental and social safeguard staff, at both the applicant's headquarters and in its national offices. The applicant has also provided evidence of continuing capacity-building to improve staff capacity on all of the environmental and social issues. The training courses offered are intended not only to introduce the applicant's safeguard policies, but also to cover specific topics on biodiversity in project design, involuntary resettlement planning and management as well as ensuring environmental management during the construction of projects.

2.2.5 **Section 6.5: Monitoring and review**

29. The applicant has a mature mechanism for the monitoring of projects and safeguards implementation, including through an internal portfolio performance monitoring system. There is an advisory system within the project monitoring system that notifies management of compliance issues with safeguards covenants. Monitoring data from individual projects is collated and analysed by each operational department. Performance on safeguards implementation is routinely reviewed by the management and reported to the President, the highest authority of the organization. Safeguard monitoring reports are prepared for individual projects, and are publically available through the applicant's website.

2.2.6 **Section 6.6: External communications**

30. The applicant also demonstrates a functioning external communication system, and inquiries, complaints or issues are registered and duly responded to. A project complaints tracking system has been set up, based on the applicant's accountability mechanism policy. The applicant has a public communications policy and operations manual that guide institutional efforts on transparency, disclosure, and exchange of information.

2.3 Gender

31. The applicant has a mature gender policy, and has developed an operational plan for gender equality and women's empowerment that provides an operational road map for implementing the applicant's gender policy.

2.3.1 **Section 7.1: Demonstration of competencies, policies and procedures to implement the gender policy for the Green Climate Fund**

32. The applicant has a gender policy and has provided evidence of its competency to implement it. It has gender experts working at its headquarters as well as in its national offices. A community of gender specialists has also been established across departments, and plays an active role in promoting gender mainstreaming in the applicant's operations and knowledge exchange.

2.3.2 **Section 7.2: Demonstration of experience with gender and climate change**

33. The applicant has demonstrated experience in applying gender approaches, including in climate change programmes. It has also demonstrated the application of its gender policies in various infrastructure projects.

III. Conclusions and recommendation

3.1 Conclusions

34. Following its assessment and noting that the applicant has applied under the fast-track accreditation process, the Panel concludes as follows in relation to the application:

- (a) The applicant fully meets the requirements of the Fund's basic fiduciary standard, specialized fiduciary standard for project management, specialized fiduciary standard for grant award and/or funding allocation mechanisms, and specialized fiduciary standard for on-lending and/or blending;
- (b) APL005 fully meets the requirements of the Fund's interim ESS in relation to the high E&S risk (Category A/I-1); and
- (c) The applicant has demonstrated that it has competencies, policies and procedures in order to implement its gender policy, and has demonstrated that it has experience with gender and climate change.

3.2 Recommendation on accreditation

35. The Panel recommends, for consideration by the Board, the applicant APL005 for accreditation as follows:

- (a) **Accreditation type:**
 - (i) **Size of an individual project or activity within a programme:** Large;⁵ (including micro, small, and medium);
 - (ii) **Fiduciary functions:**⁶
 - 1) Basic fiduciary standard;
 - 2) Specialized fiduciary standard for project management;

⁵ As per Annex I to decision B.08/03, "large" is defined as: total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US\$ 250 million for an individual project or an activity within a programme".

⁶ Decision B.07/02.

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- 3) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
 - 4) Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees);
- (iii) **Environmental and social risk category:** High risk (Category A/I-1)⁷ (including lower risk (Category B/I-2 and Category C/I-3));
- (b) **Conditions:**
- (i) None.
36. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 35 above, and agrees to the recommendation.

⁷ As per Annex I to decision B.07/02, Category A is defined as “Activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented” and Intermediation 1 is defined as “When an intermediary’s existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented”.