

## Annex V: Accreditation assessment of Applicant 002 (APL002)

### I. Introduction

1. Applicant 002 (APL002) is a national entity and an environmental fund located in a developing country in Latin America and the Caribbean. Its mandate is to provide stable and long-term funding as well as to develop and implement innovative strategies for conservation and management of protected areas. Its partnerships at local, national, and international levels with donors have allowed it to address climate change issues such as deforestation and forest degradation as well as to develop climate change projects and programmes, particularly in the areas of environment, agriculture and livestock. Such activities also involve ecosystem services and livelihood enhancement. The applicant seeks accreditation to the Green Climate Fund (the Fund) in order to continue developing and implementing climate change projects and programmes related to, *inter alia*, ecosystems services (watershed conservation); strengthening protected areas in order to reduce risks from extreme climate events; fostering biodiversity conservation mechanisms so as to facilitate climate change adaptation and mitigation; mitigating land degradation and desertification through initiatives of afforestation and reforestation; and promoting agro-biodiversity as a means of supporting climate change adaptation initiatives.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 17 January 2015. Stage I, Institutional assessment and completeness check, and the Stage II (Step 1), Accreditation review, were concluded. The applicant has applied to be accredited for the following parameters under the Green Climate Fund's fit-for-purpose approach:

- (a) **Access modality:** Direct access, national. The applicant received a national designated authority or focal point nomination for its accreditation application;
- (b) **Track:** Fast-track under the Adaptation Fund;
- (c) **Size of project/activity within a programme:** Micro;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic Fiduciary Standard; and
  - (ii) Specialized fiduciary standard for project management;
- (e) **Environmental and social (E&S) risk category:** minimal to no risk (Category C/Intermediation 3 (1-3)).<sup>3</sup>

### 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

<sup>1</sup> As per Annex I to decision B.08/03, "micro" is defined as: maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of up to and including US\$ 10 million for an individual project or an activity within a programme".

<sup>2</sup> Decision B.07/02.

<sup>3</sup> As per Annex I to decision B.07/02, Category C is defined as "Activities with minimal or no adverse environmental and/or social risks and/or impacts" and Intermediation 3 is defined as "When an intermediary's existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts".

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 APL002 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. It is noted that, in recent years, the applicant has implemented appropriate managerial and administrative processes and procedures, which have been developed in cooperation with the international development agencies from which it has received substantial financial and technical support.

### 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 ample evidence of its investigation function, established in a formal policy. This policy explicitly covers the preventive actions that are undertaken, as well as the process by which to initiate and undertake investigations should irregularities be suspected. The policy is contained in the applicant's operations manual and is published on its website. The policy grants the Executive Director, or the Director of Finance and Administration, the authority, when justified, to establish an independent committee in order to investigate a particular case. The actions to be undertaken, based on the results of the investigation, are clearly outlined in the policy. The investigation process can be initiated by irregularities detected through normal internal control and audit activities or by direct reports made by individuals, which can be received in person or via a web application that issues an e-mail directly to an audit committee member. The instructions and appropriate forms through which to log a complaint are published on the applicant's website. The applicant does not, however, prepare periodic reports on case trends. It is recommended that the applicant include in its investigation policy a process for reporting on trends with regards to its investigation function.

### 2.1.3 **Section 5.1: Specialized fiduciary standard for project management**

8. As APL002 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.

9. It should be noted that the applicant has a successful track record in project implementation. In the past 20 years, the applicant has raised in excess of US\$150 million through over 50 grant agreements. Most of the projects and programmes financed through

these agreements fall within the following types: land use, forestry, REDD-plus<sup>4</sup>, enhancing livelihoods, and improving the resilience of ecosystems services. The applicant has developed many of its projects with financial and technical assistance from international, multilateral and bilateral institutions.

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

10. The applicant did not apply for assessment against this standard at this time.

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

11. The applicant did not apply for assessment against this standard at this time.

## 2.2 Environmental and social safeguards

12. APL002 specializes in projects related to the protection of forest areas, ecosystem services and livelihood enhancement. The applicant emphasizes public awareness programs and capacity building of the civil society, as its strategy for successful and sustainable project implementation.

13. The applicant indicated in its application that it is applying for assessment against the environmental and social risk (Category C/Intermediation 3 (I-3)) which by definition contains minimal to no environmental and/or social risks or impacts. The environmental and social management system (ESMS) required for Category C/I-3 is modest and simple, and will not need all of the ESMS elements required for higher risk categories. The required elements of the institutional ESMS are requested in Items 6.1 to 6.6 of the application.

2.2.1 **Section 6.1: Policy**

14. Commensurate with the fit-for-purpose accreditation approach and the nature of Category C/I-3 as being minimal to no environmental and social risk, an E&S policy within an institutional ESMS is not required for the Category C/I-3 level of risk. Nevertheless, the applicant issued its environmental and social safeguards (ESS) policy in early 2015. The policy establishes a responsible body for ensuring compliance with these guidelines. However, as this operational policy is new, little evidence on its implementation was available.

2.2.2 **Section 6.2: Identification of risks and impacts**

15. The applicant has demonstrated practical experience in screening and assessing risks and impacts, and has the technical skills and competency to do this. The E&S policy includes the requirement to first screen activities in order to determine if they have the potential to result in risks or impacts and if so, to conduct an environmental and social impact assessment. The applicant has experience in categorizing E&S risks under several international and national standards, depending on the source of project funding. The applicant provided project examples, which indicate that the organization is capable of screening projects and programmes against risk categories.

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<sup>4</sup> In decision 1/CP.16, paragraph 70, the Conference of the Parties encouraged developing country Parties to contribute to mitigation actions in the forest sector by undertaking the following activities: reducing emissions from deforestation; reducing emissions from forest degradation; conservation of forest carbon stocks; sustainable management of forests; and enhancement of forest carbon stocks.

### 2.2.3 Section 6.3: Management programme

16. The applicant's E&S policy includes a process for managing risks and impacts that are identified during the risks and impacts assessment process. In addition, this policy establishes organizational responsibilities and steps for managing E&S risks and impacts, developing monitoring indicators and then monitoring the results.

### 2.2.4 Section 6.4: Organizational capacity and competency

17. The applicant's experience in implementing projects in close collaboration with international, multilateral and bilateral institutions has provided the knowledge base required for the successful implementation of its ESS policy. The applicant has over 15 years of experience in implementing projects that include ESS. Additionally, an important component of the recent international assistance received by the applicant has been invested in developing its institutional capacity.

### 2.2.5 Section 6.5: Monitoring and review

18. The applicant has established a new unit for project and programme environmental and social monitoring. The E&S reporting requirements are included in the applicant's operating procedures, however improvements in the applicant's compliance with these requirements are recommended, such that the reports are recorded in verifiable documents.

### 2.2.6 Section 6.6: External Communications

19. The applicant's external communication policy is contained in its operations manual and the policy is implemented via its website. The website has specific links through which suggestions and comments can be posted, and a specific link through which reports of violations to the applicant's code of ethics can be reported. APL002 has not received any communication, as yet, through this channel.

## 2.3 Gender

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

20. The applicant has a documented gender policy. The applicant has an experienced gender specialist at their disposal who is responsible for assuring compliance with the applicant's gender policy.

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

21. The applicant has demonstrated its commitment to applying its gender policy to the projects and programmes that it implements and executes; in each of the major project examples provided, gender issues are dealt with and opportunities to address gender inequity through project implementation are set as project goals.

### III. Conclusions and recommendation

#### 3.1 Conclusions

22. 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 has, in a number of areas, advanced its capacity and procedures beyond the type of activities (size and E&S risk) for which it seeks accreditation. Based on the applicant's track record and plans to strengthen capacity in the fiduciary and E&S management, it shows the potential to play an even larger role in climate change financing activities in the developing country in which it is located and operates, as well as – by sharing its knowledge and experiences in developing and implementing climate change financing activities – being a catalyst for other national entities in the Latin American and Caribbean region;
- (b) APL002 substantially meets the requirements of the Fund's basic fiduciary standard and fully meets the requirements of the specialized fiduciary standard for project management. The applicant currently has adequate investigative capacities which it can leverage in order to develop a formal investigation policy, within a short time period, which fully meets the Fund's standard related to the investigation function. In order to fully meet the Fund's basic fiduciary standard related to this function, for the purpose of transparency and accountability (Item 4.2.4 of the application for accreditation), the applicant is required to further develop its existing process for the periodic reporting of case trends related to the function in the manner described in paragraph 22 (b)(i) below. The requirement is:
  - (i) To define and implement a process for periodically reporting case trends. In order to enhance accountability and transparency, case trend reports and other information are made available to senior business management and relevant business functions to the extent possible;
- (c) The applicant fully meets the requirements of the Fund's interim ESS in relation to the minimal to no E&S risk (Category C/I-3). For some items, the applicant demonstrates a greater degree of ESMS maturity than is required by an applicant seeking accreditation against this category. The Panel recognizes that an effective ESMS is a dynamic and continuous process which should be appropriate to the nature and scale of the project/programme being financed, and commensurate with the associated level of E&S risks and impacts. It is recommended that the applicant should seek to deepen its knowledge of the Fund's interim ESS while further implementing its new ESS policy in order to support a potential future application for accreditation against medium E&S risk level Category B/I-2. It is additionally recommended that the applicant strengthen its E&S reporting function; and
- (d) The applicant has demonstrated that it has competencies, policies and procedures by which to implement its gender policy, and has demonstrated that it has experience with gender and climate change.

#### 3.2 Recommendation on accreditation

23. The Panel recommends, for consideration by the Board, the applicant, APL002, for accreditation as follows:

- (a) **Accreditation type:**
- (i) **Size of an individual project or activity within a programme:** Micro;<sup>5</sup>
  - (ii) **Fiduciary functions:**<sup>6</sup>
    - 1) Basic Fiduciary Standard; and
    - 2) Specialized Fiduciary Standard for Project Management;
  - (iii) **Environmental and social risk category:** Minimal to no risk (Category C/I-3);<sup>7</sup>
- (b) **Conditions:**
- (i) The applicant shall meet the requirement indicated in paragraph 22 (b) (i) above prior to the first disbursement of finance by the Fund for an approved project/programme to be undertaken by the applicant. The applicant will be required to submit to the Panel, through the Secretariat, information on how it has addressed the condition. The Panel will thereafter assess whether the condition has been met. This assessment will be communicated by the Secretariat, on behalf of the Panel, to the Board.
24. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 23 above, and agrees to the recommendation.

### 3.3 Additional remarks

25. The applicant is encouraged to seek readiness and preparatory support to assist it with:
- (a) Meeting the condition identified in paragraph 23 (b) (i) above; and
  - (b) Undertaking the recommendations in paragraph 22 (c) above.

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