

Annex VI: Accreditation assessment of Applicant 003 (APL003)

I. Introduction

1. Applicant 003 (APL003) is a regional entity located in the Asia-Pacific region focused on climate change and environmental issues affecting the small island developing States (SIDS) in which it operates. The applicant supports action on climate change in the key areas of adaptation, mitigation, policy and science. Key activities include: assisting SIDS to integrate climate change considerations into national planning and development processes; supporting and building capacity at the national and subnational levels through technical training on meteorological services, cost benefit analyses, vulnerability assessments and monitoring and evaluation; providing support to coordinate integrated adaptation measures; and implementing mitigation activities such as renewable energy projects (solar and biomass). The applicant intends to build upon its current experience and to focus on integrated approaches to addressing climate change, disaster risks as well as ecosystem based adaptation projects and programmes in SIDS. By becoming accredited to the Green Climate Fund (the Fund), the applicant will apply any funds towards SIDS-focused adaptation and mitigation projects and programmes, as well as building national capacity in order to address climate change.
2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 16 January 2015. Stage I, Institutional assessment and completeness check, and Stage II (Step 1), Accreditation review, were concluded. The applicant has applied to be accredited for the following parameters under the Fund's fit-for-purpose approach:
 - (a) **Access modality:** Direct access, regional. 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:** Small;¹
 - (d) **Fiduciary functions:**²
 - (i) Basic fiduciary standards; and
 - (ii) Specialized fiduciary standard for project management;
 - (e) **Environmental and social (E&S) risk category:** Minimal to no risk (Category C/Intermediation 3 (I-3)).³

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.

¹ As per Annex I to decision B.08/03, "small" is defined as: "maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US\$ 10 million and up to and including US\$ 50 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 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".

2.1 Fiduciary standards

4. The applicant has demonstrated:
 - (a) Competencies in project/programme appraisal, monitoring and evaluation; and
 - (b) Significant experience in managing disbursements, predominantly in the form of grants specific to the donor-funded projects/programmes, to beneficiaries primarily in the Asia-Pacific region.
5. The applicant's track record in the above areas, including activities that promote climate change adaptation and mitigation objectives, has been developed in cooperation with a wide range of international (multilateral and bilateral) funding institutions. Against this track record, the applicant intends to establish its own set of grant management guidelines by June 2015. This reflects the applicant's emerging role as an implementing entity applying its own standards to all of its projects and programmes rather than those of different donors on a project-by-project basis.

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

6. As APL003 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

7. 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.
8. 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.
9. 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. An internal investigations role is assigned to the internal auditor who is responsible for identifying, and/or responding to, allegations of fraud within the organization. A fraud manual articulates the terms of reference and operational procedures for the investigation function and has been published on the applicant's website.

2.1.3 Section 5.1: Specialized fiduciary standard for project management

10. As APL003 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**

11. The applicant did not apply for assessment against this standard at this time.
12. The applicant is formalizing its systems and processes that support the management of funding received from donors and other funds which will be allocated as grants, and the methods by which it ensures accountability and due diligence in the allocation and disbursement of those funds as grants to beneficiaries. In this context, the applicant is developing grant management guidelines.

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

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

2.2 Environmental and social safeguards

14. The applicant has demonstrated its experience in implementing the environmental and social safeguard requirements of the donor institutions that fund various projects and programmes. As with plans to enhance its fiduciary capacity, the applicant is also in the process of strengthening its capacity in order to address environmental and social safeguards at the institutional level. The applicant has developed an environmental and social management system (ESMS) and states that it will continue to build its capacity to plan for, and manage, the environmental and social risks and impacts of its work, and to reflect this through future iterations of its ESMS document.

15. 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, contain minimal to no environmental and/or social risks or impacts. The 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.

16. The Panel recognizes that the applicant has a developing capacity to evolve into undertaking Category B/I-2 projects and programmes.

2.2.1 **Section 6.1: Policy**

17. Commensurate with the fit-for-purpose accreditation approach and with 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. However, the applicant has developed an E&S policy, which sets out the principles and standards of E&S management in organizational decision-making, programming and project management.

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

18. The ESMS describes a process of screening projects, and where the screening processes have identified the relevant laws and/or performance standard areas in accordance with the Fund's interim environmental and social safeguards (ESS) triggered by the project, a further, more in-depth risk and impact assessment is undertaken in order to better understand the risks and potential impacts involved. The scope of the assessment undertaken is commensurate with the nature and scale of the risk or impact involved. The risk management plan is being introduced for new projects; however, the applicant has demonstrated experience with risk identification using risk categories of donor agencies that fund its projects/programmes. The

new risk management plan recognizes the need to address both national E&S legal requirements, as well as best practice, tailored performance standards and risk categories of different potential donors/funding sources.

2.2.3 **Section 6.3: Management programme**

19. Based on the assessments undertaken, the applicant's project team then identifies, and integrates into project design documentation, mitigation, avoidance (or other) activities and/or measures to be implemented through the project. The applicant's ESMS includes a plan to assign roles and responsibilities in order to manage and oversee E&S issues during the project cycle. The project risk management plan also indicates the need for each project to develop a management strategy so as to address risk issues commensurate with the project's risk profile.

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

20. The applicant has provided an organizational chart that defines the roles and responsibilities of different teams/positions. However, the organizational and staff capacity is still developing and the applicant is currently receiving technical assistance in order to strengthen organizational and staff capacity so as to ensure its ability to implement the E&S policy and procedures.

2.2.5 **Section 6.5: Monitoring and review**

21. The applicant is in the process of improving its monitoring and evaluation framework, so as to allow for better reporting on the delivery of outcomes. It is expected that monitoring will include E&S performance as the ESMS is further developed.

2.2.6 **Section 6.6: External communications**

22. The applicant has appropriate channels for external communication with partners, beneficiaries and stakeholders. It has instituted a time-bound process in order to manage feedback, mainly for inquiries/complaints related to procurement and claims of fraudulent behaviour. It has plans to enhance the scope of the process so as to include E&S inquiries/complaints.

2.3 Gender

23. The applicant has an established gender policy, which includes a strategy for the integration of gender dimensions into its activities. The applicant also shows evidence of applying a gender-sensitive approach to climate change adaptation projects and programmes. Capacity for gender is dispersed among different staff. However, the applicant has developed a plan for gender capacity development throughout the organization.

2.3.1 **Section 7.1: Demonstration of competencies, policies and procedures to implement the Fund's gender policy**

24. A gender policy is in place, and competency to implement this policy is demonstrated by the applicant. The applicant currently has a gender focal point.

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

25. The applicant has demonstrated experience in applying gender-sensitive approaches to climate change adaptation programmes. For example, the applicant has made reducing gender inequity a project/programme goal, and provided evidence in order to demonstrate this.

III. Conclusions and recommendation

3.1 Conclusions

26. 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 fields by June 2015, it shows considerable potential for playing an even larger role in climate change financing activities in the Asia-Pacific region and for the SIDS in which it is located and operates;
- (b) APL003 fully 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 did not apply for accreditation against the specialized fiduciary standard for grant award and/or funding allocation mechanisms, however, it already partially meets this standard. The applicant is developing its grant management guidelines to be applied at the institutional level, and these guidelines will be relevant should the applicant choose to apply for the specialized fiduciary standard for grant award and/or funding allocation mechanisms. It is recommended that the applicant continue with its plans to formalize, institutionalize and implement its grant management guidelines in order to support a potential future application for accreditation against the specialized fiduciary standard for grant award and/or funding allocation mechanisms;
- (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 the Fund's interim ESS for Category C/I-3 against which the applicant is seeking accreditation. 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 seeks to deepen its knowledge of the Fund's interim ESS while further developing its ESMS in order to support a potential future application for accreditation against medium E&S risk level Category B/I-2;
- (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; and
- (e) The applicant is encouraged to proceed with plans to formalize and institutionalize both its grant management guidelines and its ESMS, including its E&S risk categorization system throughout the organization and across the full range of its expanding activities, as well as within its partner executing agencies and beneficiaries, acting as a catalyst for change in the region.

3.2 Recommendation on accreditation

27. The Panel recommends, for consideration by the Board, the applicant APL003 for accreditation as follows:

- (a) **Accreditation type:**
- (i) **Size of an individual project or activity within a programme:** Small⁴ (including micro);
 - (ii) **Fiduciary functions:**⁵
 - 1) Basic fiduciary standards; and
 - 2) Specialized fiduciary standard for project management;
 - (iii) **Environmental and social risk category:** Minimal to no risk (Category C/I-3);⁶
- (b) **Conditions:**
- (i) None.

28. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 27 above, and agrees to the recommendation.

3.3 Additional remarks

29. The applicant is encouraged to seek readiness and preparatory support to assist it with: Undertaking the recommendations in paragraph 26 (b) – (c) above.

⁴ As per Annex I to decision B.08/03, “small” is defined as: “ maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US\$ 10 million and up to and including US\$ 50 million for an individual project or an activity within a programme”.

⁵ Decision B.07/02.

⁶ As per Annex I to decision B.07/02, Category C is defined as 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”.