

## Annex IX: Accreditation assessment of Applicant 006 (APL006)

### I. Introduction

1. Applicant 006 (APL006) is an international organization that works together with its partners in developing countries in order to identify projects/programmes which promote sustainable development. With a development mandate that receives funding from both public and private sector organizations, the applicant's activities largely focus on climate change adaptation and mitigation activities. These activities include improving water supply, securing food provision, increasing energy efficiency, employing renewable energies and others. The applicant's climate finance activities include a range of financial instruments, including grants, loans, equity and guarantees. Building on its existing knowledge, experience and tools, the applicant seeks accreditation to the Green Climate Fund (the Fund) in order to develop projects and programmes, including the targeted mobilization of private finance through risk mitigation mechanisms, and the setting up of project development facilities and structured investment funds. The applicant seeks accreditation in order to expand and develop additional adaptation projects and programmes focused on ecosystem-based adaptation, natural hazard early warning systems, climate risk insurances as well as urban flood protection infrastructure.
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 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 Directorate-General for Development and Cooperation – EuropeAid of the European Commission (EU DEVCO);
  - (c) **Size of project/activity within a programme:** Large;<sup>1</sup>
  - (d) **Fiduciary functions:**<sup>2</sup>
    - (i) Basic fiduciary standard;
    - (ii) Specialized fiduciary standard for project management;
    - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms;
    - (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)).<sup>3</sup>

<sup>1</sup> 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".

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

<sup>3</sup> 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 EU DEVCO entity. 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 APL006 is eligible for, and applied under, the fast-track accreditation process as an EU DEVCO 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 EU DEVCO entity, Section 4.2 with the exception of Item 4.2.5, Anti-money laundering and anti-terrorist financing policies, was not identified, as per decision B.08/03, as a gap to be addressed in the application for accreditation to the Fund.

6. The basic fiduciary standard concerning transparency and accountability in Section 4.2 for items other than Item 4.2.5 is considered to have been met by way of the fast-track accreditation.

7. Regarding Item 4.2.5, the applicant provided its related policies and also provided its policy related to know your customer (KYC) due diligence and its mechanisms to trace/monitor electronic transfer/wiring of funds. The applicant utilizes standard software to analyze all transactions automatically. The applicant also provided sample copies of their reports on KYC due diligence.

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

8. Project preparation, appraisal, as well as monitoring and evaluation guidelines and procedures are mature and well established across the applicant's operations. APL006 undertakes a detailed and comprehensive assessment of the types of risks that it faces during the project identification and appraisal stages. It examines various aspects of the proposed projects, including technical, financial, economic, legal, environmental, social and climate change aspects. This practice has resulted in a good track record for the applicant, as further evidenced by a sample of project appraisals undertaken in the past three years.

9. The financial statements provided demonstrate that financial inputs and outputs are properly accounted for, reported, and administered transparently in accordance with prevailing regulations and laws, and with due accountability. The documented practice of recording project objectives, outcomes and key performance indicators is in-line with its procedures and guidelines as well as being appropriate for large-scale projects.

10. The applicant has a strong capacity to oversee project performance during implementation and operations and the risks that might arise, to regularly assess project expenditures, as well as to monitor and identify opportunities for improving project performance against its budget and timelines. Furthermore, the applicant provided sufficient information on project monitoring and quality control processes.

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

11. As APL006 is eligible for, and applied under, the fast-track accreditation process as an EU DEVCO entity, Section 5.2 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 grant award and/or funding allocation mechanisms in Section 5.2 is considered to have been met by way of fast-track accreditation.

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

12. The applicant provides on-lending or blended finance by raising capital funds and blending them with international donor funds. The funds that it raised on the capital markets are generally repayable by the project sponsor or promoter. By contrast, international donor funds are typically non-repayable and are used as a concessional/subsidy element to adjust the financing conditions within a particular blending/on-lending financing operation to the specific project needs. The need for international subsidy funds is assessed for each project as part of the project appraisal and is stipulated in the programme proposal to the international financial partner along with other assessment criteria.

13. The applicant has well-documented on-lending and blending policies, guidelines on on-lending and blending due diligence, and due diligence reports.

14. APL0006 provided detailed information on its project portfolio and recent projects. The project portfolio demonstrates sourcing from a number of international and multilateral funders and the use of various financing instruments, such as loans, equity and guarantees.

15. The financial management system, including development of the risk management strategies and preparation of the annual financial reports, is robust and well established. The applicant has a procedure in place in order to check whether its funds are channelled transparently and used effectively. Independent auditors regularly conduct audits of the funds to ensure compliance with the contractual agreements.

16. With the objective of providing transparency of information, the applicant publishes aggregated data for ongoing projects on its website.

## 2.2 Environmental and social safeguards

17. 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)<sup>4</sup> 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.

18. The applicant demonstrates a mature institutional capacity to anticipate and manage environmental and social safeguard (ESS) issues.

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<sup>4</sup> 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.

#### 2.2.1 **Section 6.1: Policy**

19. The applicant has a mature and comprehensive E&S policy that was endorsed by its executive board and which governs all of its operations and activities.
20. ALP006 additionally has sustainability guidelines at the institutional level, which are specific to its development-related activities. The institution-level guidelines, including a sustainability mission statement, sustainability principles and an overview of the sustainability management system.

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

21. The applicant's practices of identifying E&S risks and impacts for its activities is in line with its E&S and climate appraisal guidelines.
22. APL006 applies a checklist approach to project appraisal and the identification of E&S risks and impacts. The checklist is considered to be consistent with the requirements of the Fund's interim ESS. The applicant presented several examples of climate change mitigation project activities, which demonstrated that the guidelines addressing E&S risk and impact identification are implemented, projects are appropriately screened and their E&S risks are categorized against the E&S risk criteria through the use of the applicant's checklist.

#### 2.2.3 **Section 6.3: Management programme**

23. The applicant has established an institutional management programme in order to track and manage risks that have been identified during the preparation and appraisal of projects. The structure and procedures related to the management programme are contained within the sustainability guidelines applied to the institutional level and related to the applicant's development activities.

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

24. The applicant possesses a strong organizational capacity and competency in environmental and climate change related activities. The responsibility for the applicant's sustainability management systems across the institution lies with the Chief Executive Officer, who is supported operationally by an officer specific to environment and sustainability institutionally. Specific to the applicant's development activities, the applicant has a core group of staff that is headed by a sustainability officer and which includes E&S experts who have technical competency in the areas required by the Fund's interim ESS.

#### 2.2.5 **Section 6.5: Monitoring and review**

25. The applicant maintains monitoring and review procedures for ESS both at the institutional and project levels. At the project level, procedures on the regular supervision and monitoring of development financing activities are applied. Based on environmental and social impact assessments for individual projects, protection and offsetting measures are defined and an overall monitoring programme is developed for each project.

#### 2.2.6 **Section 6.6: External communications**

26. As a part of quality management at the institutional level, the applicant has established an in-house complaints management system that meets best practice standards for banks and service enterprises. The system defines principles, processes and quality standards, monitors compliance with these standards and offers support on resolving complaints. Individual complaints are handled on a decentralized level.

## 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**

27. To regulate gender-related issues across its operations, the applicant implemented an institutional gender strategy in 2005, which is periodically updated. The strategy provides for measuring the impact of the applicant's financial cooperation measures on improving gender equality. The gender strategy is supported by a policy that incorporates human rights, standards and principles, including gender, in programme proposals. The applicant also applies a gender equality guideline in order to identify the extent to which a project pursues the objective of promoting equality and women's rights. The applicant employs a gender specialist that is responsible for updating gender-related policies and procedures, as well as for providing training to personnel who conduct the analysis of gender specific issues within the project preparation and development processes.

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

28. Evidence of the implementation of the applicant's gender policy was provided through a number of illustrative examples of climate change mitigation and adaptation projects in the areas of energy efficiency, renewable energy, agriculture and infrastructure, which contained specific references to women and men as project beneficiaries. The benefits include terms of employment, receipt of loans, including micro credit, as well as improving livelihoods.

## III. Conclusions and recommendation

### 3.1 Conclusions

29. Following its assessment and noting that the applicant has applied under the fast-track accreditation process, the Panel concludes the following 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) The applicant 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 to implement its gender policy, and has demonstrated that it has experience with gender and climate change.

### 3.2 Recommendation on accreditation

30. The Panel recommends, for consideration by the Board, the applicant (APL006) for accreditation as follows:

- (a) **Accreditation type:**
- (i) **Size of an individual project or activity within a programme:** Large<sup>5</sup> (including micro, small, and medium);
  - (ii) **Fiduciary functions:**<sup>6</sup>
    - 1) Basic fiduciary standard;
    - 2) Specialized fiduciary standard for project management;
    - 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)<sup>7</sup> (including lower risk (Category B/I-2 and Category C/I-3));
- (b) **Conditions:**
- (i) None.
31. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 30 above, and agrees to the recommendation.

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<sup>5</sup> 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”.

<sup>6</sup> Decision B.07/02.

<sup>7</sup> As per Annex I to decision B.07/02, Category A is defined as 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”.