

## Annex XII: Accreditation assessment of Applicant 012 (APL012)

### I. Introduction

1. Applicant 012 (APL012) is a regional entity whose work is focused on small island developing States in the Caribbean and on improving the region's framework for and activities that address climate change. Key activities that the applicant engages in with its member states include raising awareness on climate change, building capacity to analyse climate change impacts across various sectors, and identifying adaptation and mitigation opportunities; developing and implementing mitigation and adaptation projects in the region; and providing policy advice and support during events such as the international climate change negotiations. The applicant has built strong relationships with institutions across the region and internationally in order to deliver effective solutions and projects. Over the next five years, it will manage climate change projects and programmes in the region of almost US\$ 50 million, including in areas that they already have experience in: early warning systems, water and energy security, agriculture and food security, resilient health-care facilities, climate-resilient buildings, and ecosystem-based adaptation. APL012 seeks accreditation to the Green Climate Fund (the Fund) to undertake and scale up both mitigation and adaptation projects across the region in order to drive a paradigm shift in the region's development patterns.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 26 January 2015. Stage I, Institutional assessment and completeness check, and Stage II (Step 1), Accreditation review, were concluded in June 2015. 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:** Normal track;
- (c) **Size of project/activity within a programme:** Small;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards;
  - (ii) Specialized fiduciary standard for project management; and
  - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
- (e) **Environmental and social (E&S) risk category:** Minimal to no risk (Category C/Intermediation 3 [I-3]).<sup>3</sup>

<sup>1</sup> As per Annex I to decision B.08/02, "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)".

<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".

## II. Accreditation assessment

3. The applicant has been assessed against the Fund's standards by the Accreditation Panel (AP).
4. As a part of this assessment, the AP has consulted the applicant's website and third-party websites to complement the information provided by the applicant in its application.

### 2.1 Fiduciary standards

#### 2.1.1 Section 4.1: Basic fiduciary standards: Key administrative and financial capacities

5. The applicant is a small organization with approximately 45 employees. It has an established financial management system commensurate with the scale of its historical activities and modalities of engagement with partners. In anticipation of accreditation to the Fund and recognizing that certain gaps exist in its internal control framework, it has already embarked on a process to fill these gaps.
6. The organization is funded by some of its member states, as well as by international (multilateral and bilateral) organizations and is supervised by a board of governors. It further sustains its operations with fee income realized from its project management role. In addition, its board recently established operational committees.
7. The applicant provided its business plan for 2013-2018, and its financial manual to demonstrate that it has a consistent and formal process by which to set financial objectives and to ensure that the chosen objectives support and align with the mission of the organization.
8. APL012's financial statements have been prepared and audited in accordance with internationally accepted accounting practices. The management letters and reports prepared by the external auditor recommended that the applicant strengthen its internal control framework.
9. In accordance with an external audit recommendation, an audit committee of the applicant's board has been established and includes three independent members in its composition. The audit committee has stated that it would provide a report on its work by the organization's next board meeting.
10. The applicant does not have an internal audit function with a track record of being implemented, however, an internal audit charter and terms of reference for the internal audit committee have recently been approved by its board. Moreover, a contractual agreement with an internationally recognized entity for providing internal audit services has been established.

#### 2.1.2 Section 4.2: Basic fiduciary standards: Transparency and accountability

11. The ethics provisions of the applicant's organization are regulated by the staff code of conduct that has been communicated throughout the organization, and which clearly defines the conduct expected of the organization and its employees. This code of conduct is supported by the declaration of the conflict of interest. The only currently functioning committee of the board is the finance committee, however, this will be addressed at the applicant's next board meeting, at which it is intended to establish an ethics committee.
12. The applicant maintains a complaints portal on its website and provides for complaints of a general nature as well as for project-related complaints. It has a well-structured complaints procedure with terms of reference and provides for the registering of a complaint.

13. APL012 is in the process of establishing a “know-your-customer” mechanism to trace electronic transfers as part of the applicant’s anti-money laundering and anti-terrorist financing procedure.

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

14. In addition to the gaps mentioned in paragraph 5 above, the applicant has undertaken an extensive exercise to codify its practices in respect of existing project management practices undertaken. Moreover, these practices have been aligned and cross-referenced to other project-related procedures and manuals. Although these codified procedures are recent, the experience and historical practices over the last decade substantially mirror what is contained in these documents.

15. The applicant has a strong track record as further evidenced by a sample of project appraisals undertaken in the past three years, including activities that promote climate change adaptation and mitigation objectives developed in cooperation with a wide range of multilateral and bilateral funding institutions.

16. Financial resources for projects with partners have been ring-fenced and accounted for separately in accordance with international standards.

17. Based on the information provided, it is assessed that the current documented practice of project preparation, appraisal, monitoring and quality review is appropriate for the small-scale project size that the applicant is applying for, and has been documented noting the applicant’s aspirations for growth.

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

18. The applicant allocates its resources based on a transparent system where proposals are received and assessed on an ongoing basis. This process is regulated by project-specific management procedures, including grants provided for technical assistance at the project preparation stage in conjunction with the project development process.

19. The decisions on grant allocation are taken by authorized parties in the organization and grant disbursement is regulated by the organization’s project due diligence procedures. The payments are undertaken in accordance with the grant contract agreements and are closely monitored by the project management function and donor organizations.

20. The applicant has developed a stand-alone grant framework together with a partner organization that meets the Fund’s standard where specific calls for proposals are anticipated for specific climate-related activities. The grant allocation procedure contains provisions for calls for proposals, criteria for exclusion, eligibility, selection and awards, as well as procurement procedures. This reflects the applicant’s emerging role as an implementing entity applying its own standards to all of its projects and programmes rather than applying those of different donors on a project-by-project basis.

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

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

## 2.2 Environmental and social safeguards

### 2.2.1 Section 6.1: Policy

22. The applicant indicated in its application that it is applying for assessment against the minimal to low E&S risk (Category C/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 relatively simple, and will not need to include all of the ESMS elements required for higher risk categories. While the applicant applied for Category C/I-3, its ESMS and E&S policy are commensurate with the medium E&S risk Category B/I-2, as further detailed in the sections below. Moreover, the applicant has provided information on its track record with regard to the number of successfully developed and implemented projects categorized as having a medium E&S risk level.

23. APL012 developed and codified a comprehensive ESMS, which is fully aligned with the requirements of the Fund's environmental and social safeguards (ESS) for Category B/I-2. The new E&S standards and policy within the applicant's ESMS have recently been approved. This policy is an update of the existing policies and practices that the applicant has already applied in projects and programmes. Given its regional status the applicant recognizes that there may be differences in the country level requirements and the Fund's standards, but it would apply the latter to projects and programmes funded by the Fund and this has been reflected in its E&S policy.

24. The E&S policy contains the provisions for E&S risk categorization that is consistent with the Fund's interim ESS, as well as provisions for the management programme, organizational competence, monitoring and review, stakeholder engagement, grievance mechanism and gender equality.

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

25. The applicant's ESMS includes an assessment process that is commensurate with the E&S risk and the scale of the project it would be financing. It provides for a process of categorization, stakeholder consultation and management of the projects throughout its life cycle. The applicant's processes for identifying E&S risks and impacts are fully aligned with the requirements of the Fund's ESS with respect to medium E&S risk Category B/I-2.

### 2.2.3 Section 6.3: Management programme

26. The recently approved E&S policy contains provisions for mitigation and performance improvement measures, and actions that address the identified E&S risks and impacts of the project. While the E&S policy codifies existing practices, projects have not yet been started or implemented using the new policy since its approval. The applicant has presented a strong track record on undertaking E&S assessments with respect to the medium E&S risk projects that it already undertakes prior to the approval of its E&S policy.

### 2.2.4 Section 6.4: Organizational capacity and competency

27. The applicant has demonstrated a strong organizational capacity and competency with regard to E&S aspects. It provided information on the qualifications of the staff members who will facilitate the implementation of the ESMS. The records provide evidence that the designated E&S specialists have significant experience, skills and knowledge in developing and assessing the projects of a medium E&S risk category. These resources will further supplement the well-documented standards and policy of the applicant. This fully meets the requirements of the Fund's ESS with respect to medium E&S risk Category B/I-2.

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

28. APL012 works with national authorities to monitor project impacts and projects are subject to the monitoring and review process outlined in the E&S policy. The specific scope and schedule of monitoring and inspections would be prepared for the specific project in accordance with the E&S policy. This fully meets the requirements of the Fund's ESS with respect to medium E&S risk Category B/I-2.

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

29. The applicant has a well-developed website that contains a significant amount of information on the projects it developed, as well as on the environmental and social risk assessment tools it has applied. In addition, the site provides contact information for the general public. Moreover, provision is made for complaints from the public regarding projects and other matters. This fully meets the requirements of the Fund's ESS with respect to medium E&S risk (Category B/I-2).

### 2.3 Gender

30. APL012 is in the process of developing its gender policy and has provided its outline of the same. Some competence in gender-related aspects has been gained through conducting projects and programmes that target women among other beneficiaries. However, capacity-building assistance following the approval of the gender policy is recommended. The applicant appears to intend to incorporate gender and climate change issues in its project assessment processes.

## III. **Conclusions and recommendation**

### 3.1 Conclusions

31. Following its assessment, the AP concludes the following in relation to the application:

- (a) The applicant partially meets the requirements of the Fund's basic fiduciary standards and fully meets the requirements for the specialized fiduciary standard for project management and specialized fiduciary standard for grant award and/or funding allocation mechanisms. In order to fully meet the requirements of the Fund's basic fiduciary standards, the applicant is required to:
  - (i) Adopt, through its audit committee, the audit charter as its frame of reference;
  - (ii) Submit its internal audit plan for the next financial year, 2016;
  - (iii) Submit internal audit reports annually for three consecutive financial years, starting with the financial year 2016; and
  - (iv) Establish a "know-your-customer" procedure as part of its anti-money laundering and anti-terrorist financing procedure;
- (b) APL012 may wish to institutionalize the grant award procedure developed with one of its partner institutions;
- (c) The applicant fully meets the requirements of the Fund's interim ESS in relation to minimal to no E&S risk Category C/I-3, which it applied for, as well as the medium E&S risk Category B/I-2; and

- (d) APL012 has demonstrated experience in climate change projects that take gender aspects into account, however, it should further work on developing its gender policy and strengthening its competencies in gender-related issues. The applicant is required to:
- (i) Adopt a gender policy consistent with the Fund's gender policy to be applied in projects and programmes funded by the Fund.

### 3.2 Recommendation on accreditation

32. The AP recommends, for consideration by the Board, the applicant (APL012) for accreditation as follows:

- (a) **Accreditation type:**
- (i) **Size of an individual project or activity within a programme:** Small (including micro);
- (ii) **Fiduciary functions:**
1. Basic fiduciary standards;
  2. Specialized fiduciary standard for project management; and
  3. Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
- (iii) **Environmental and social risk category:** Medium risk (Category B/I-2)<sup>4</sup> (including lower risk Category C/I-3); and
- (b) **Conditions:** The applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the conditions. The AP will thereafter assess whether the conditions have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes. The conditions are:
- (i) The applicant shall meet the requirements indicated in paragraph 31(a) (i),( ii) and (iv) and 31(d) (i) above prior to the first disbursement by the Fund for an approved project/programme to be undertaken by the applicant; and
- (ii) The applicant shall meet the requirements indicated in paragraph 31(a) (iii) on an annual basis for three consecutive years, starting with the financial year 2016. This condition is not required to be met prior to the first disbursement by the Fund for an approved project/programme to be undertaken by the applicant.

33. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 32 above, and agrees to the recommendation.

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<sup>4</sup> As per Annex I to decision B.07/02, Category B is defined as "Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures" and Intermediation 2 is defined as " When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented".

### 3.3 Additional remarks

34. The applicant is encouraged to seek readiness and preparatory support to assist it with:
- (a) Meeting the conditions identified in paragraph 32 (b) above; and
  - (b) Undertaking the recommendations in paragraph 31 (b) above.