

## Annex XV: Accreditation assessment of Applicant 015 (APL015)

### I. Introduction

1. Applicant 015 (APL015) is a public international financial institution established several decades ago. The applicant's mandate is to contribute to social and economic development through sustainable and inclusive growth, enhancing livelihoods and natural resource management. With operations in more than 90 developing countries across all regions, including the least developed countries and small island developing States, the applicant is actively engaged in climate change mitigation and adaptation actions across all sectors. The applicant made a commitment of almost US\$3 billion to climate finance last year, employing a range of financial instruments. The applicant has delivered projects and programmes in renewable energy, energy efficiency, public transport, disaster risk management in urban areas and water resources management, improving livelihoods and well-being, adaptive agriculture and forestry. The applicant seeks accreditation with the Green Climate Fund (the Fund) to utilize its experience in project delivery by offering support to national priorities in climate resilient development pathways. The applicant also seeks to promote direct access to climate finance by strengthening the institutional capacities of national and regional entities.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 23 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:** 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 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 (for loans and guarantees); and
- (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.08/02, "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 is eligible for, and applied under, the fast-track accreditation process as an EU DEVCO entity. Its application has been assessed against the Fund's standards by the Accreditation Panel (AP) in accordance with the requirements and gaps identified in decision B.08/03.

4. As part of this assessment, the AP has consulted the applicant's website, the applicant's credit rating by Standards & Poor and websites of international development funds that partner with the applicant as a means of gaining additional information 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. As per paragraph 3 above, the basic fiduciary standards concerning key administrative and financial capacities are considered to have been met by way of fast-track accreditation.

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

6. As per paragraph 3 above, the basic fiduciary standards concerning transparency and accountability, with the exception of item 4.2.5, Anti-money laundering and anti-terrorist financing, have been met by way of the fast-track accreditation.

7. Regarding item 4.2.5, the applicant is a regulated financial institution subject to banking regulations and supervision in all matters pertaining to anti-money laundering and countering the financing of terrorism (AML/CFT). The regulations place a legal obligation on the applicant to undertake the necessary due diligence before entering into a business relationship with an executing entity, and to verify the executing entity is not involved in money laundering or terrorism financing during the course of such a business relationship. The applicant has a comprehensive framework in place for ensuring compliance with the applicable banking regulations, and its policies and procedures for AML/CFT are set out in circulars which are widely disseminated throughout the institution. The applicant does not receive deposits from the general public, thus reducing the exposure to money laundering and terrorism financing risks.

8. The applicant provides training on AML/CFT to all of its employees, including those in its country offices. The applicant carries out "know-your-customer" due diligence checks on all prospective and existing executing entities to assure compliance with its AML/CFT policies.

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

9. The information provided by the applicant entity demonstrates a solid track record and experience in project management. The entity has robust policies, procedures and frameworks to guide its operations in all stages of the project cycle: identification, preparation, appraisal, and monitoring and evaluation (M&E).

10. The applicant provided key operational policies and procedures, as well documents that demonstrate compliance with and effective use of these policies and procedures. The entity exercises adequate oversight and control over the operations it finances, including the oversight of preparations for project implementation plans, budgets and the utilization of project funds.

11. Functioning M&E capacities based on recognized international M&E standards are in place, demonstrated through project M&E reports.

12. The applicant's disclosure policy of wide dissemination of M&E reports to the public is adequately implemented.

13. The applicant has demonstrated strong project risk assessment capabilities, guided by sound risk assessment policies and procedures, including procedures for the development and implementation of mitigation strategies for addressing the identified risks.

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

14. As per paragraph 3 above, the specialized fiduciary standard concerning grant award and/or funding allocation mechanisms 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**

15. The applicant provides on-lending or blended finance by raising capital funds and blending them with international donor funds. The strategy of blending these two sources of funds allows the applicant to implement the financing strategy best able to meet the specific needs of the beneficiaries in the countries in which it operates. The concessional funds provide enhancements to the financial structures (i.e. technical cooperation, interest rate subsidies and investment grants) benefiting the recipients of the blended loans and have proven an effective mechanism for attracting additional investors.

16. The applicant has well-established on-lending and blending policies and procedures that provide assurance of its capacity. Furthermore, as a regulated institution, the applicant is subject to supervision by the national regulators; this provides additional assurance regarding the effective management of on-lending and blending operations.

17. The applicant has demonstrated that it has thorough due-diligence processes in place, as well as an effective monitoring function for all of its on-lending and blending operations.

18. The applicant has a centralized risk management function that is responsible for assessing, monitoring and controlling risks. This risk management function provides assurance of the effectiveness of, and compliance with, the established risk guidelines. Furthermore, the applicant is subject to external audits by national audit entities.

19. The applicant has an established information disclosure policy that assures relevant information is disclosed to its stakeholders. Evidence of information disclosure demonstrating the applicant's commitment to transparency and accountability was provided.

20. The applicant provided information on the funds it raises from financial markets, as well as funds it manages on behalf of international development finance institutions. This demonstrates that the applicant is able to effectively manage the funds it receives.

## 2.2 Environmental and social safeguards

2.2.1 **Section 6.1: Policy**

21. The applicant has developed and implemented a comprehensive E&S policy framework, which includes economic, sustainability, environmental and social principles, as well as thematic E&S standards. This framework is applied in all of its operations during the 2012-2016 period. As a part of this framework, the applicant has a strategic E&S policy supported by project-specific E&S procedures, methodological guides, checklists, risk assessment tools and plans that the applicant uses in its operations. The E&S standards are fully consistent with the Fund's environmental and social safeguards (ESS).

22. Moreover, the applicant has developed a carbon footprint tool to apply to its projects, a strategy on the issuance of green bonds and impact assessment tools for climate change mitigation projects.

23. The applicant is in the process of developing a new overarching E&S policy framework document for the period following 2016. The policy is expected to be available at the end of 2015.

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

24. The applicant's E&S risk management procedure contains the principles and provisions for assessing, managing and monitoring the E&S risks of its operations, including projects it directly finances, programmes financed through multiple sources, and financial intermediation of projects. The procedure is supported by the corresponding methodological guide and tool for E&S risk classification. The E&S risk categorization system regulated by the procedural framework and applied by the applicant at the organizational level, is fully consistent with the Fund's interim ESS.

25. Each project categorized as having high (category A/I-1) or medium (Category B/I-2) E&S risks is required to undergo a comprehensive E&S impact assessment study. The entity also presented several examples of sustainable development projects of high and medium risk that are screened and categorized against the E&S risk criteria using the risk assessment tools.

#### 2.2.3 Section 6.3: Management programme

26. The applicant's ESS are managed through clearly established procedures and assignment of roles. The applicant operates a formal mechanism in order to manage E&S risks and impacts throughout the project preparation and implementation stages. The applicant assigns responsibilities for the project appraisal, due diligence and risk mitigation strategy, as well as monitoring progress and compliance with the applicant's ESS standards.

27. The applicant has a clear organizational structure with respect to E&S management. The E&S team is dedicated to identifying E&S risks and developing mitigation measures during project appraisal and implementation. The project approval process is based on the mature decision-making process and involves senior management committee resolutions.

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

28. The applicant has demonstrated a strong organizational capacity based on the experience and competence of staff members working in the division supporting the project E&S assessment and evaluation. The designated technical specialists are responsible for identifying E&S risks and impacts at all stages of the project cycle, confirming a project's E&S categorization and reviewing relevant safeguard reports.

29. Moreover, the applicant has developed and implemented training programmes on their E&S policy and methodological framework for new staff. It also has started a web-based training session for staff in its country offices, and plans to run this training twice a year.

#### 2.2.5 Section 6.5: Monitoring and review

30. The entity maintains monitoring and review procedures for E&S safeguards at both the individual project level and the programme level. The monitoring plan is developed on the basis of the E&S impact assessment for each individual project/programme. Monitoring includes tracking progress in the implementation of mitigation measures and achievements. Monitoring reports from executing entities are recorded and the applicant's project managers perform quality reviews of the reports.

31. Supervision of the projects is undertaken by the E&S division specialists, who assess the implementation of E&S mitigation measures. The applicant, in cooperation with executing entities, also performs ex-post evaluations aimed at measuring the effectiveness of the risk mitigation measures.

#### 2.2.6 Section 6.6: External communications

32. Stakeholder consultation is part of the applicants' E&S approach to ensure that various stakeholders, including government, local authorities, associations, non-governmental organizations, etc., have been informed and involved in project design and implementation. The applicant is in the process of approving and establishing a formal complaints mechanism. The mechanism is expected to be deployed in late 2015. The applicant has, however, provided examples of projects where external stakeholder communications were received and addressed.

### 2.3 Gender

33. The applicant has a well-developed gender policy and experience in undertaking gender initiatives for gender equality and women's empowerment. The applicant implemented a strategic document that outlines its commitment to gender quality and equity, and the need to allocate resources to both climate change mitigation and adaptation activities. The applicant has gender specific indicators. Moreover, it has developed a training programme in order to strengthen internal capabilities on gender-related issues for its staff members. The applicant has two specialists with gender-related competencies and experience. Evidence of the gender policy implementation was supported by a number of illustrative examples in climate change adaptation, microfinance, education, and health and livelihood improvement.

## 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 AP concludes the following in relation to the application:

- (a) The applicant fully meets the requirements of the Fund's basic fiduciary standards, 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 for loans and guarantees;
- (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. The AP recommends that the applicant finalize the implementation of its stakeholder response mechanism and make the contact information for submitting and registering a complaint publically available on its website; and
- (c) The applicant has demonstrated that it has policies, procedures and competencies found to be consistent with the Fund's gender policy, and has also demonstrated that it has experience with gender consideration in the context of climate change activities.

### 3.2 Recommendation on accreditation

35. The AP recommends, for consideration by the Board, the applicant (APL015) for accreditation as follows:

- (a) **Accreditation type:**
- (i) **Size of an individual project or activity within a programme:** Large (including micro, small and medium);
  - (ii) **Fiduciary functions:**
    1. Basic fiduciary standards;
    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 and guarantees); and
  - (iii) **Environmental and social risk category:** High risk (Category A/I-1) (including lower risk (Category B/I-2<sup>4</sup> and Category C/I-3<sup>5</sup>)); and
- (b) **Conditions:**
- 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.

### 3.3 Additional remarks

37. The applicant is currently developing a new ESS procedural framework for the period following 2016 and is requested to submit it to the Fund when it is ready.

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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”.

<sup>5</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”.