

Annex XVII: Accreditation assessment of Applicant 017 (APL017)

I. Introduction

1. Applicant 017 (APL017) is an international entity with the mandate to promote transition towards a sustainable, open market economy and to foster innovation. Its work includes project investment, technical assistance, institutional capacity-building, and policy advisory services with a regional focus on Central Asia, south east Mediterranean and Eastern Europe. The applicant's work is strongly focused on the private sector and micro, small and medium-sized enterprises, and uses a broad range of financing instruments, mainly loans, equity investments and guarantees. The areas of investment for mitigation activities are energy efficiency, infrastructure, the power sector, renewable energy, sustainable energy financing facilities and carbon market development. The areas of investment for adaptation activities are water supplies, water efficiency, hydropower, and coastal and port infrastructure. If accredited, the applicant seeks to support the Green Climate Fund (the Fund's) paradigm shift objective by delivering effective, transformational and innovative mechanisms with sustainable development impact.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 27 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 Global Environment Facility (GEF) and the Adaptation Fund;
- (c) **Size of project/activity within a programme:** Large;¹
- (d) **Fiduciary functions:**²
 - (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, equity and guarantees); and
- (e) **Environmental and social (E&S) risk category:** High risk (Category A/Intermediation 1 (I-1)).³

¹ 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".

² Decision B.07/02.

³ 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 a GEF agency and as an accredited entity of the Adaptation Fund. 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 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. 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 have been met by way of fast-track accreditation.

2.1.3 Section 5.1: Specialized fiduciary standard for project management

7. As per paragraph 3 above, the specialized fiduciary standard for project management 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

8. It is assessed that the applicant fully meets the requirements of the specialized fiduciary standard for grant award and/or funding allocation mechanisms. The applicant is a well-established organization with long-standing experience in providing development finance and execution of funding allocation to its target countries. Although it does not operate a competitive grant award scheme, the applicant has a mature set of standards and procedures for the allocation of funds for various types of projects and programmes, such as to provide technical assistance to support the implementation of credit lines, projects and energy efficiency audits.

9. The applicant has a track record in implementing its standards and procedures for funding allocation. Specifically, it utilizes donor-funded grants to channel technical assistance and technical cooperation for consultancy assignments. Projects and programmes undertaken by the applicant are identified in partnership with the governments of countries in which the applicant operates.

10. The grant award mechanism implemented by the applicant is transparent with formally documented procedures for assessing grant proposals. The applicant monitors the implementation of funded programme activities, may undertake site visits, and actively supports its executing entities through the provision of counselling and advice.

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

11. It is assessed that the applicant fully meets the requirements of the specialized fiduciary standard for on-lending and/or blending. The applicant has a banking credit process and due diligence procedures and guidelines in place to conduct its financing operations, which comprise donor-funded, commercial and other concessional, typically co-financing activities. It also has a strong track record of accessing multilateral climate finance or concessional loan grant resources typically blended to support projects with a high impact in terms of transition to efficient markets and low carbon development.

12. The applicant conducts financial due diligence before engaging in financing operations of intermediaries and has a project approval and monitoring cycle in place. Monitoring and reporting mechanisms of the subloan portfolios are established to ensure that the credit facilities extended to partner institutions as intermediaries are actually on-lend towards sustainable executing entities/projects on the ground. Teams of experts assist the partner banks in developing, implementing and reporting on subprojects.

13. In addition, APL017 engages in the financing of clean energy projects through participation in multi-donor funds. Thus the applicant blends its commercial financing with grant joint financing and technical assistance in order to increase the affordability and accelerate the implementation of projects.

14. The applicant is 'AAA' rated with a stable outlook, which all three major rating agencies recently reaffirmed (Moody's, Standard & Poor's and Fitch).

2.2 Environmental and social safeguards

2.2.1 **Section 6.1: Policy**

15. The applicant has a well-developed E&S policy, which is published on its website. All relevant staff members with responsibilities for implementing the E&S policy are provided with periodic training on this policy. The day-to-day implementation of the E&S policy lies within the responsibility of an environmental and sustainability department, which has around 50 staff and reports to senior management.

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

16. APL017's E&S policy and operational procedures are mature and fully implemented. The E&S risk categories under the applicant's process include four categories: Categories A to C and financial intermediaries, which are found to be comparable to that of the Fund's environmental and social safeguards (ESS). The applicant provided an extensive track record of E&S risk identification and categorization. The risk category is tracked across the project pipeline and the number of projects categorized in each category is reported annually in the applicant's sustainability report. The E&S risk categorization for each project is determined by a team of E&S specialists, reviewed by a reviewer and signed off by the E&S department's management team.

2.2.3 **Section 6.3: Management programme**

17. The applicant's ESS are managed through clearly established procedures. The applicant operates due diligence mechanisms to manage E&S risks at the project development stage, and assigns responsibilities to its intermediaries in cases of on-lending. The relevant units within the applicant's organization perform due diligence as well as the monitoring of progress and compliance with its E&S policy.

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

18. The applicant provided its organizational structure clearly attributing responsibilities for implementing its E&S policy, which are further specified in its E&S procedures. Moreover, it has implemented a training programme to support the roll out of its recently revised E&S policy. To date, the programme has trained a total of 400 staff across various teams and regional offices. This programme is ongoing.

2.2.5 **Section 6.5: Monitoring and review**

19. The applicant has a mature mechanism for monitoring safeguard implementation and projects. This covers monitoring activities being undertaken by executing entities as well as monitoring those undertaken by the applicant's staff through the review of reports received, site visits and third-party monitoring information. The project monitoring activities are also described in the annual sustainability reports, which include data on the number of projects visited and Category A project performance ratings, and are published on the applicant's website.

2.2.6 **Section 6.6: External communications**

20. The applicant has implemented a public information policy which provides for both disclosure of E&S information as well as the receipt of external communications from the public. The policy sets out the general procedures for handling information requests and the types of information that will typically be provided. Project-related complaints are dealt with separately through an independent project complaints mechanism.

2.3 Gender

21. The applicant has a mature gender policy, and has developed gender initiatives for gender equality and women's empowerment. The applicant implemented a strategic gender initiative, which was approved in early 2013 and aims to identify and develop projects with either a gender component or a gender focus in order to promote access by women to employment and skills, finance and services. The first report was prepared for the applicant's board. The applicant established a gender team in 2012, which is responsible for the development, implementation and provision of guidance on gender mainstreaming institutionally across the applicant's organization. APL017 provided examples of where its gender team developed gender assessments in projects. For example, it developed lending credit lines for women-led small and medium-enterprises so as to contribute to reducing gender gaps in access to finance.

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 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, equity 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; and
- (c) The applicant has demonstrated that it has policies, procedures and competencies in place in order to implement its gender policy, which is found to be consistent with the Fund's gender policy, and has demonstrated that it has experience with gender consideration in the context of climate change activities.

3.2 Recommendation on accreditation

23. The AP recommends, for consideration by the Board, the applicant (APL017) 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, equity and guarantees); and
 - (iii) **Environmental and social risk category:** High risk (Category A/I-1) (including lower risk (Category B/I-2⁴ and Category C/I-3⁵)); and
- (b) **Conditions:**

None.

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.

⁴ 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".

⁵ 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".