

Annex XVIII: Accreditation assessment of Applicant 018 (APL018)

I. Introduction

1. Applicant 018 (APL018) is an international entity with several decades of experience in promoting poverty reduction, economic growth, private sector development and in fostering regional integration and trade in developing countries in the Latin American and Caribbean region. The applicant has a successful track record in implementing projects and programmes in clean energy, health-care sectors, agricultural development and natural resources management. Last year, the applicant committed nearly US\$ 2.5 billion to climate change mitigation and adaptation actions. It has delivered projects and programmes, including the reduction of carbon emissions through low-carbon transport systems, climate-resilient agricultural development, integrated watershed modelling tools and early warning systems. Building on its existing experience, knowledge and strong presence in the region, the applicant seeks accreditation to the Green Climate Fund (the Fund) in order to catalyse the regional impact of its climate change mitigation and adaptation projects and programmes, paying particular attention to vulnerable communities. In addition the applicant seeks to strengthen the institutional capacities of national entities in the region to enable them to access climate finance directly.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 24 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 Adaptation Fund. During the review of the application, following information related to eligibility for fast-tracking as a Global Environment Facility (GEF) agency, the applicant was thereafter assessed under fast-track as both a GEF agency and an accredited entity of 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 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 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 has emphasized that it is seeking accreditation for grant awards and/or funding allocation mechanisms to further enhance its capacity to provide technical assistance in its region of operation. The identification and selection of technical assistance support opportunities is aligned with the applicant's annual programming exercise and identification of country needs.

9. Additionally, the applicant has experience in awarding grants through a public competitive bidding process in which bids are called for, evaluated and awarded in a transparent manner. Examples of such grant award processes were provided.

10. All grants and funding allocations received by the applicant are managed under a single organizational unit within the applicant's organization in order to ensure proper control and accountability.

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 over 45 years of experience providing financial support in its region of operation. During this period, the applicant has developed processes and procedures so as to manage financial resources.

12. The applicant has an extensive track record in working with international and multilaterals sources of funds, and evidence of the cooperation agreements in which it has participated was provided.
13. It has been rated 'AAA' since its inception, and its AAA rated status has been recently reaffirmed by all three major rating agencies (Moody's, Standard & Poor's and Fitch).
14. The applicant provided documentation on its on-lending/blending processes and procedures, which provide assurance that it has well-developed capacities for undertaking on-lending and blending operations. The procedures implemented by the applicant, for loans and guarantees include detailed guidelines for initial assessment, due diligence, approval, closing, monitoring and repayment of on-lending/blending operations. The applicant also has procedures in place to ensure that its loan portfolio is monitored for compliance with the guidelines established in its risk framework.

2.2 Environmental and social safeguards

2.2.1 Section 6.1: Policy

15. APL018 has a well-developed E&S policy (approved by its board) and implementation guidelines (approved by senior management), which are available to the public. The applicant's strategic planning department is responsible for monitoring the performance of its environmental and social safeguards (ESS) compliance. The day-to-day implementation of the E&S policy lies within the responsibility of the environmental safeguards unit, which is responsible for ensuring the environmental viability of projects.

2.2.2 Section 6.2: Identification of risks and impacts

16. The applicant's E&S policy and operational procedures guide technical staff in identifying risks and impacts through screening and assessment processes. The 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 interim ESS. The applicant provided a track record showing a consistent implementation of its standards, policies and procedures related to E&S risk identification and categorization. The applicant has its own unit in place that is responsible for conducting due diligence exercises and impact assessments, and designing and supervising risk management and mitigation activities throughout the project cycle.

2.2.3 Section 6.3: Management programme

17. The applicant's ESS are managed through clearly established procedures. Its management programme requires development and implementation of an E&S management plan for all operations under Categories A and B. For all other operations, an E&S review mechanism has to be applied. Furthermore, the applicant has showcased examples that demonstrate the effectiveness of its E&S management programmes.

2.2.4 Section 6.4: Organizational capacity and competency

18. APL018 provided its organizational structure clearly attributing responsibilities for implementing its E&S policy. In its environment safeguards unit, it has a dedicated unit to ensure that operations follow the applicant's ESS policies. The unit endorses E&S sustainability standards, provides safeguards training for its own staff and executing entities, and reports on the E&S sustainability of the applicant's operations. The unit chief reports directly to senior management.

2.2.5 **Section 6.5: Monitoring and review**

19. The applicant has a mature mechanism for monitoring safeguard implementation and projects. Monitoring is implemented based on internal and external reviews. Projects that do not meet the applicant's performance requirements are required to develop and implement a corrective action plan. Performances are periodically reported on, at least twice a year, to senior management. Evidence of the implementation of the monitoring and review process, including communication of the results to senior management and their reviews, has been evidenced.

2.2.6 **Section 6.6: External communications**

20. APL018 has an independent consultation and investigation mechanism in place, which provides a formal external communication channel by which to receive and register communications from the public on specific projects or programmes. For comments not related to a specific project or programme, the applicant has established a web-based system through which complaints or grievances can be submitted.

2.3 Gender

21. The applicant has a mature gender policy. To ensure the successful implementation and monitoring of the policy, the applicant approved a three-year gender action plan for operations that is currently being implemented. APL018 has a team of over 25 staff and consultants who focus on gender issues and provide gender mainstreaming support. It has a gender and diversity division in place that is leading the implementation of the gender policy and action plan in coordination with gender focal points in each division and country office. The applicant provided examples of mainstreaming gender in different types of climate change projects. It invests in projects that foster gender equality in the workplace and enable women-led small businesses to reach their full potential. It has developed sector-specific guidelines that facilitate the integration of methods that promote gender equality into interventions on climate change.

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 by which to implement its gender policy, which is 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

23. The AP recommends, for consideration by the Board, the applicant (APL018) 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”.