

Annex XX: Accreditation assessment of Applicant 020 (APL020)

I. Introduction

1. Applicant 020 (APL020) is an international organization with a strong global presence and mandate to reduce poverty by promoting sustainable economic development. The applicant works in partnership with developing countries through national governments in order to support the coordinated delivery of its projects and programmes in various sectors and through the use of various financial instruments, including grants, loans and guarantees. Over the past few years, the applicant has provided over US\$ 30 billion in finance for climate change related activities globally. It is engaged in climate change mitigation across all sectors and regions. Its work in mitigation covers renewable energy generation, energy efficiency and access, forestry and sustainable transport projects and programmes. In addition, it has supported the least developed countries, small island developing States and other vulnerable countries in climate change adaptation by financing projects in disaster risk reduction and ecosystem services in sectors such as fisheries and water resources management. Bringing with it its experience in climate change mitigation and adaptation programming, and utilizing its knowledge and delivery infrastructure to enhance direct access to climate finance by developing countries, the applicant seeks accreditation to the Fund.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 10 February 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 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 is 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 has 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 several decades of experience in providing development finance to developing countries. The total financing envelope under these arrangements is in the range of billions of United States dollars. The applicant has various projects in almost all sectors, mostly co-financed and generally does not engage in stand-alone projects with third-party resources.

9. Grant resources are sourced from contributions from donor countries and from the applicant's net income. The grant award mechanism implemented by the applicant is transparent with formally documented procedures for assessing and approving grant proposals, as well as for implementation and monitoring. Potential grant funding proposals are identified in partnership with donors and country governments, and are then assessed by a group, including senior management. The applicant monitors the implementation of funded activities, undertakes site visits, and supports beneficiaries through counselling and advice. In accordance with its procedures, the applicant also executes grants from a wide range of trust funds. APL020 provided evidence that it has a substantial track record in implementing its procedures and standards for the allocation of funds.

10. All grants, as well as loans, provided by the applicant are subject to its anti-corruption and anti-fraud policy, which prohibits all forms of corrupt practices. The applicant has the right to investigate all projects that it has financed in the case of credible complaints of corruption during the implementation of the project, including the right to inspect and audit the accounts of the project and the relevant executing entity.

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 mature set of operational policies for on-lending and blending activities. For on-lending, the provisions for assessments and due diligence for financial intermediaries cover areas of financial performance, governance structure, risk and funds flow. Whether directly or through an intermediary, the applicant typically invests in high-quality assets. Decisions on specific funding activities are made publicly available. Monitoring and evaluation provides information to verify progress made and results achieved, supports learning from experience, and promotes accountability. The applicant conducts financial due diligence during the assessment of the project and of the executing entity, and has an extensive and systematic review process during the project implementation phase involving the recipient government, executing entity and its own staff. APL020 has various management committees in place, which oversee asset and liability, and risk management, and has a robust financial and risk management system.

12. The applicant has a strong track record, experience and capacities for on-lending and blending with resources from its own sources, as well as from international and multilateral sources and global trust funds. Its executing entities cover a large number of developing countries that have received financing in a range of several billions of United States dollars per year. The applicant also provides guarantees as credit enhancements for eligible projects in order to cover risks that the project and its commercial co-financing partners cannot easily absorb or manage on their own.

13. The applicant is an 'AAA' rated entity (Fitch) with a superior track record in credit and financial management.

2.2 Environmental and social safeguards

2.2.1 Section 6.1: Policy

14. The applicant has a well-developed environmental and social safeguards (ESS) policy supplemented by a series of manuals and sourcebooks to guide implementation. The policy requires the applicant to undertake environmental assessments of potential projects and programmes in order to ensure that they are environmentally sound and sustainable, and sets out operational procedures for who and how the policy is implemented. The group to which the applicant belongs also has developed a separate policy that facilitates financing for private-sector-led economic development projects by applying E&S policy standards that are more specific to the private sector.

2.2.2 Section 6.2: Identification of risks and impacts

15. The applicant's E&S policy and operational procedures guide technical staff in identifying E&S risks and impacts through screening and assessment processes. The four risk categories under the applicant's process are: Categories A to C and financial intermediaries. The applicant utilizes clear procedures and tools for E&S risk categorization, and the approval involves multiple reviews by different parts of the organization. The E&S risks and impacts identification process set out in the environmental assessment document is consistent with performance standard 1 of the Fund's ESS, and is designed to accommodate performance standards 2 to 8. The E&S risk categorization system outlined in the performance standards for private sector entities is fully consistent with the Fund's ESS.

2.2.3 Section 6.3: Management programme

16. 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, and assigns responsibilities to the applicant's relevant units for due diligence as well as the monitoring of progress and compliance with the applicant's safeguard policies. Moreover, APL020 demonstrates that it has a safeguards compliance review mechanism that is followed from the project concept phase to implementation.

17. Additionally, there are internal arrangements to supervise a project's E&S aspects on the basis of the E&S provisions and the executing entity's reporting arrangements as agreed in the project's legal documents.

2.2.4 Section 6.4: Organizational capacity and competency

18. The applicant has a clear organizational structure with respect to E&S management. ESS are integrated into its investment operations, with oversight at the senior management level. Designated technical specialists provide quality control on the proper application of environmental and social safeguards at all levels of the project cycle, review the proper identification of risks and impacts, confirm a project's E&S categorization, and review and clear relevant safeguard documents. Regular training is provided to staff and E&S experts on the E&S policies generally and on specific issues.

2.2.5 Section 6.5: Monitoring and review

19. APL020 has a mature mechanism for monitoring the safeguards' implementation and projects, including through an internal portfolio performance monitoring system. During project implementation, the executing entity is required to report on compliance with measures agreed with the applicant on the basis of the findings and results of the environmental assessment, including implementation of any E&S management plan, as set out in the project documents, the status of mitigating measures, and the findings of monitoring programmes. Safeguard monitoring reports prepared for individual projects are available publically through the applicant's website.

2.2.6 Section 6.6: External communications

20. The applicant demonstrated a functioning external communication system, and inquiries, complaints or issues are registered and duly responded to. External communication is governed appropriately and the management of public input is elaborated in the operational procedures. The policy is outlined on its website. Communities and individuals affected by the applicant's projects may submit complaints regarding a project at any level of the institution, both in country and at its headquarters. The applicant has a corporate grievance redress service that centralizes grievances and ensures that complaints received are promptly reviewed in order to address project-related concerns.

2.3 Gender

21. The applicant has a policy and strategy for mainstreaming gender-responsive actions into its development assistance work. The gender and development policy framework comprises investment policies relevant for investment lending in general, for development policy lending, and for safeguard policies, and each is supported by a designated unit responsible for the coordination and monitoring of implementation and results. The applicant is also committed to incorporating considerations of gender equality in the analysis, content and monitoring of all projects, programmes and country strategies. In addition, in all projects, it

implements gender equality action plans. The applicant has gender experts working at its headquarters as well as in its national offices. It provided evidence of its experience in applying gender approaches, including in climate change related projects and programmes. It also demonstrated the application of its gender policies in various poverty reduction and infrastructure projects.

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 and guarantees;
- (b) The applicant is aligned largely with 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 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 (APL020) 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

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- (ii) **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.

3.3 Additional remarks

25. The applicant is currently undertaking a review and possible revision of its own ESS and is requested to keep the Fund informed of developments in this respect.

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”.