

Annex VIII: Accreditation assessment of Applicant 008 (APL008)

I. Introduction

1. Applicant 008 (APL008) is a national entity and an environmental fund located in a developing country in Africa. It was established with a mandate of being a sustainable source of funding for the development and implementation of environmentally sustainable development projects and programmes in partnership with both public and private sector organizations. The applicant was officially established in 2001, and began operations in 2011. The results of its activities overlap with the results areas of the Green Climate Fund (the Fund) in the areas of natural resource management, green technology and low carbon development, nature-based tourism, and capacity-building. Building on its experience, the applicant seeks accreditation to the Fund in order to maximize the impact of the climate change and mitigation projects and programmes it implements whilst promoting social and economic benefits.
2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 16 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, national. 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:** Micro;¹
 - (d) **Fiduciary functions:**²
 - (i) Basic fiduciary standards;
 - (ii) Specialized fiduciary standard for project management; and
 - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms;
 - (e) **Environmental and social (E&S) risk category:** Medium risk (Category B/Intermediation 2 (I-2)).³

II. Accreditation assessment

3. The applicant has been assessed against the Fund's standards by the Accreditation Panel (AP).

¹ As per Annex I to decision B.08/02, "micro" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of up to and including US\$ 10 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 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".

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 has, in its formative years, worked towards establishing a governance and oversight structure to a standard that would facilitate the scaling up of its activities. While developing this structure, the applicant has taken on board lessons learned and continues to work on gaps that have been identified as a result of its operations. In this respect, it has recognized the necessity for an internal audit function and recently procured the services of an internationally recognized auditing firm to provide this function on an outsourced basis. The applicant is also implementing a new information technology system in order to address gaps in its control framework, and confirmation of its successful implementation should be reported to the Fund once its functionality is fully operational.

6. The financial statements of the applicant are audited annually and prepared in accordance with accepted international financial reporting standards.

7. The entity has a procurement policy in the form of procedural guidelines, which it is in the process of redrafting for alignment across its operations. Moreover, this document intends to achieve alignment with national laws.

8. Furthermore, it is noted that the entity's sustainability is limited by the extent of its initial capitalization and the extent to which progress is made on accessing sources of revenue to sustain its operations. This has been recognized by the applicant and steps to address this have been included as part of its five-year strategic plan.

9. APL008 partially meets the Fund's basic fiduciary standards related to key administrative and financial capacities, and where gaps exist the process to close them is at an advanced stage of completion.

2.1.2 Section 4.2: Basic fiduciary standards: Transparency and accountability

10. The applicant fully meets the basic fiduciary standards with respect to transparency and accountability. It has both a code of ethics and disclosure of interest policy and these have been communicated to its staff. APL008 also has a complaints mechanism transparently visible on its website and, based on feedback from the applicant, no complaints have been received via this portal. The complaints portal would benefit from terms of reference and clarity on how the complaint would be escalated within the organization.

11. It has provided information on three instances of potentially fraudulent acts and corrective actions have been implemented in these cases. The establishment of the internal audit function should be leveraged so as to identify gaps and recommend the preventative measures to employ so as to avoid their potential future occurrence.

2.1.3 Section 5.1: Specialized fiduciary standard for project management

12. APL008 substantially meets the Fund's requirement for the specialized fiduciary standard on project management. It has detailed policies, procedures and processes to provide for a direct project management role, which involves the management of a project from inception to completion. However, implementation of a project management function across a large portfolio of relatively small grants is impaired due to a lack of human resources, and measures to address the gap are being tested.

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

13. The applicant has a transparent procedure for awarding grants and has provided some information on its website in this regard. Internally, it has developed a template for screening proposals, which are processed by management and referred to a panel of technical experts for review and recommendation to the Board. APL008, however, does not have a stand-alone grant policy and procedure, but the relevant information is contained in its operations manual and other documents. The applicant would benefit from the development of a single document to clearly delineate this part of its operations.

14. It should be noted that the applicant additionally has developed a fiduciary standard for its grantees.

15. APL008 is assessed in respect of its procedures to directly manage grants, and is found to substantially meet the standard.

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

16. The applicant did not apply for assessment against this standard at this time. However, it has commenced on a process of on-lending with a local bank and is piloting this approach. The scope of the lessons learned should ideally encompass this programme for potential future accreditation against this standard.

2.2 Environmental and social safeguards

2.2.1 **Section 6.1: Policy**

17. APL008 is a young institution with its environmental and social safeguards (ESS) experience just developing. Many of its policies have been recently put in place, and capacity to implement them will be evident in the coming years. The applicant is introducing new models for financing environmental conservation and enterprises, but most projects funded/financed by the applicant have no or minimal environmental risks.

18. The applicant only partially meets the requirement on E&S policy in relation to medium E&S risk Category B/I-2. It has a new E&S policy that was approved in late 2014, but this is still being implemented within the institution and operationalized in projects conducted with its partner organizations. The policy shows consistency with the Fund's ESS, and provides a comprehensive approach to E&S risks and impacts. Prior to having an E&S policy, APL008 followed the national laws and regulations on environmental management within the country that it operates; this policy mainly addresses environmental assessments and an official environmental clearance certificate for certain types of projects. The applicant has no track record of implementing projects with medium risk characteristics.

19. Commensurate with the fit-for-purpose accreditation approach and the nature of Category C/I-3 as being of minimal to no environmental and social risk, an E&S policy within an institutional environmental and social management system is not required for the Category C/I-3 level of risk. The applicant, however, does have an E&S policy that includes overall E&S policy principles, four safeguards, a project screening tool, and provisions on monitoring and reporting. The applicant meets this requirement in relation to minimal to no E&S risk Category C/I-3.

2.2.2 Section 6.2: Identification of risks and impacts

20. The applicant partially meets the Fund's ESS with respect to this requirement in relation to medium E&S risk Category B/I-2, but fully meets the requirement with respect to minimal to no E&S risk Category C/I-3. The new E&S policy provides guidelines for screening and categorization of projects. The guidelines have been tested internally, but since APL008 has not yet funded a medium E&S risk level project, it has no experience with E&S impact assessments or in developing mitigation measures for medium level projects. The project documentation it provided indicates that projects are small in size and fall under minimal to no E&S risk Category C/I-3 in accordance with the Fund's ESS. It is recommended that the applicant institutionalizes the screening guidelines and builds experience in screening and categorizing the projects that it considers for funding. The applicant should seek assistance from experts or external parties in order to develop capacity to ensure that the projects they fund have minimal or no E&S risks.

2.2.3 Section 6.3: Management programme

21. The applicant partially meets the Fund's ESS with respect to this requirement for a management programme in the context of medium E&S risk Category B/I-2, however, it fully meets the requirement with respect to minimal to no E&S risk Category C/I-3. In the last two years, APL008 has developed new manuals and frameworks to address E&S issues. However, as the applicant only has experience in funding or implementing projects with minimal or no E&S risk thus far, it is unable to offer evidence of a functioning programme for managing higher E&S risk projects throughout the project cycle.

2.2.4 Section 6.4: Organizational capacity and competency

22. The applicant does not meet this requirement in relation to medium E&S risk Category B/I-2, but does meet it for minimal to no E&S risk Category C/I-3. It is a young and relatively small organization, with limited staff. Although it has assigned responsibility for environmental and social safeguards, it has not filled all positions that are required in order to ensure that the required environmental and social policy is implemented. APL008 is recommended to fill the positions related to E&S with competent staff, and to pursue its plans to develop the organization's E&S capacity to implement the new E&S policy.

2.2.5 Section 6.5: Monitoring and review

23. The applicant partially meets this requirement in relation to medium E&S risk Category B/I-2. Monitoring and review of projects is guided by APL008's operational manual and a monitoring and evaluation (M&E) framework as well as the new E&S policy. Project M&E reports that have been assessed indicate a need for consistency in the reporting format, and lack of experience with medium E&S risk level projects is again noted. However, it is noted that the applicant has recruited an M&E officer, whose remit includes monitoring and review of E&S performance. This is deemed sufficient for projects with minimal to no E&S risks and impacts, and APL008 is found to meet this requirement in the context of this category. It is recommended that the applicant consistently implements the monitoring and review procedures set out in its policies and procedures.

2.2.6 Section 6.6: External communications

24. The applicant meets the requirement for external communications in relation to medium E&S risk Category B/I-2. It has established a communications policy, a complaints and feedback procedure, as well as a disclosure policy. The applicant has submitted a log of queries and complaints received to date, which indicates that the mechanism is operational.

2.3 Gender

25. The applicant has experience with gender considerations in climate change projects, although its policy/charter has only been recently formalized. For a young institution, its gender programme is still being developed, but progress in this area is recognized. APL008 has provided evidence of project experience where women are key beneficiaries or engaged in projects in a meaningful manner. Given the recent adoption of the charter, the applicant still needs to include the principles of the charter in its procedures.

III. Conclusions and recommendation

3.1 Conclusions

26. 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 substantially meets the requirements for the specialized fiduciary standard for project management and the 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) Undertake an initial internal audit of its operations. The items to be addressed in the internal audit should include:
 - 1. A sample review of three grant awards, including contractual arrangements for risk, assessed against its procedures;
 - 2. Confirmation that its procurement practice complies with national law; and
 - 3. A review of the new information technology control framework;
 - (ii) Submit the 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;
 - (iv) Submit the revised procurement policy and procedures.

In order to fully meet the requirements of the Fund's specialized fiduciary standard for grant award and/or funding allocation mechanisms, the applicant is required to:

- (v) Publish information on its grant award mechanism and process on its website;
- (b) It is recommended that the applicant continues to develop its grant mechanism, including the compilation of a process and procedure manual that incorporates all the mechanism's elements.
- (c) The applicant does not fully meet the requirements of the Fund's interim ESS in relation to the medium E&S risk Category B/I-2 against which the applicant is seeking accreditation. However, it does fully meet the requirements for minimal to no E&S risk Category C/I-3. It is recommended that the applicant seeks to deepen its knowledge of the Fund's interim ESS while further developing its E&S management system in order to support a potential future upgrade of its accreditation for medium E&S risk level Category B/I-2; and
- (d) APL008 meets the gender requirements, with both a new gender policy and experience in taking into account gender considerations in climate change projects. It is

recommended that the applicant includes the principles of its new gender charter in its internal procedures manuals.

3.2 Recommendation on accreditation

27. The AP recommends, for consideration by the Board, the applicant (APL008) for accreditation as follows:

- (a) **Accreditation type:**
 - (i) **Size of an individual project or activity within a programme:** 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;
 - (iii) **Environmental and social risk category:** Minimal to no risk (Category C/I-3);⁴
- (b) **Conditions:** The applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the conditions listed below. The AP will thereafter assess whether the conditions have been met to the satisfaction of the Fund. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes.
 - (i) The applicant shall meet the requirements indicated in paragraph 26 (a) (i), (ii), (iv) and (v) 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 26 (a) (iii) on an annual basis for the 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.

28. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 27 above, and agrees to the recommendation.

3.3 Additional remarks

29. The applicant is encouraged to seek readiness and preparatory support to assist it with:
- (a) Meeting the conditions identified in paragraph 27 (b) above; and
 - (b) Undertaking the recommendations in paragraph 26 (b)–(d) above.

⁴ 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”.