

## Annex IX: Accreditation assessment of Applicant 009 (APL009)

### I. Introduction

1. Applicant 009 (APL009) is a national entity, specifically a public sector ministry, located in a least developed country in Africa which is responsible for environment, climate change and natural resources management at the local and national levels. The applicant, in partnership with national stakeholders, has a strategy in place to support national development goals, particularly in green growth, climate resilience, and the sustainable management and consumption of natural resources. The applicant's goal is to provide solutions to the environmental and resource challenges faced, including the imbalance between population and natural resources that has serious impacts on sectors such as agriculture, energy, infrastructure, land, water resources and forestry, in achieving national long-term sustainable development. Currently, the applicant has a climate change project portfolio of approximately US\$ 120 million, which includes activities such as reducing vulnerability to extreme climate and weather events through the implementation of relevant priority adaptation measures. Accreditation to the Green Climate Fund (the Fund) will be an opportunity for the applicant to continue to drive sustainable development and green growth as envisaged in its national strategies and to scale up its climate change projects and programmes, but will also be a platform for it to support other developing countries in developing and implementing their national climate change strategies.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 18 January 2015. Stage I, Institutional assessment and completeness check, and Stage II (Step 1), Accreditation review, were concluded in May 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:** Fast-track under the Adaptation Fund;
- (c) **Size of project/activity within a programme:** Small;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards; and
  - (ii) Specialized fiduciary standard for project management; and
- (e) **Environmental and social (E&S) risk category:** Medium risk (Category B/Intermediation 2 (I-2)).<sup>3</sup>

<sup>1</sup> As per Annex I to decision B.08/02, "small" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US\$ 10 million and up to and including US\$ 50 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 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".

## II. Accreditation assessment

3. The applicant is eligible for, and applied under, the fast-track accreditation process 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, with the exception of item 4.2.4, investigation function, have been met by way of fast-track accreditation.

7. Regarding item 4.2.4, the applicant provided information regarding the national public sector legal framework that regulates its internal audit function, the investigation of financial mismanagement, the public procurement processes and the sanction mechanisms to be imposed in cases of financial mismanagement. Additionally, it provided information regarding the results of internal audits and procurement reviews so as to demonstrate the application of the framework. The applicant provided information that confirms the presence of a framework for the review and assurance of proper financial management at the national level, as well as its application at the applicant's level. However, this does not demonstrate that the Fund's fiduciary standard concerning transparency and accountability has been fully met by the applicant.

8. The applicant's investigation function is mainly performed by its internal audit department and only partially complies with the Fund's standard in the following aspects:

- (a) The public availability of the terms of reference of its audit functions;
- (b) The presence of an independent internal audit function;
- (c) The presence of an audit committee at the applicant level, mandated by its national law;
- (d) The availability of a legal framework with a clear procedure for managing incidents once detected by the internal audit function; and
- (e) A clear procedure for applying sanctions when wrongdoing is demonstrated;

9. However, the audit function does not provide a clear procedure for receiving and managing complaints and there is no procedure in place for periodically reporting investigation case trends (i.e. distinct from periodic audit reports).

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

10. 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**

11. The applicant did not apply for assessment against this standard at this time.

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

12. The applicant did not apply for assessment against this standard at this time.

## 2.2 Environmental and social safeguards

### 2.2.1 Section 6.1: Policy

13. The applicant is guided by the country's overarching E&S laws in which it is located; these are further supplemented by legislation covering specific sectors and guidelines for environmental assessments. The guidelines, having been institutionalized for almost a decade, have facilitated the establishment of the current environmental and social management system (ESMS). The ESMS encompasses:

- (a) Project impact assessments;
- (b) Public consultation; and
- (c) Monitoring and evaluation of a project over its life cycle.

14. Moreover, as evidence of implementing these laws and guidelines, the applicant provided information on its work with a number of international financing institutions on projects that covered aspects contained in the subsequent Sections 2.2.2 to 2.2.6 below.

15. These laws are found to be partially aligned with the Fund's environmental and social safeguards (ESS). However, in order to determine the gaps at the project level (performance standards 2-8), if any, an equivalence assessment of the country's legal framework would have to be undertaken. It is recommended that the applicant consider undertaking such an assessment with respect to projects and programmes funded by the Fund in order to further the development and application of ESS within the country.

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

16. The applicant, as required by law, undertakes an environmental impact assessment (EIA) process for all projects regardless of the risk category, before authorization for its implementation is obtained. The EIA process assesses environmental and socioeconomic risks and impacts. The applicant demonstrated experience in assessing a range of risk categories.

### 2.2.3 Section 6.3: Management programme

17. APL009 has an agency within its organization that was established by law to oversee the implementation of policy. It oversees the EIA process which includes, where relevant, mitigation plans supplemented by an environmental management plan.

### 2.2.4 Section 6.4: Organizational capacity and competency

18. The applicant, given the cross-cutting nature of its projects, has an agency within its organization to coordinate the capacity and competency for implementation. For large and complex projects, a unit that is resourced with skills and competencies drawn from other public sector entities and departments is formed to manage the project. This process has been successfully applied in projects, but resource constraints are recognized as a risk, given the

mobility of suitably qualified staff. This qualification, however, does not detract from the applicant meeting the Fund's ESS for this item.

#### 2.2.5 **Section 6.5: Monitoring and review**

19. It has various cross-cutting review structures spanning public sector entities and departments and is also mandated to report on such reviews by law. Monitoring and review forms an integral part of the applicant's EIA process and covers the project life cycle, including the operational and decommissioning phases where applicable. Moreover, the process anticipates a dual project monitoring role by the developer of the project and the affiliated agency or decentralized authority.

#### 2.2.6 **Section 6.6: External communications**

20. The applicant holds public hearings in the EIA process and also has a comprehensive website that facilitates the communication of its activities. The website has a mechanism through which the public can make contact and a central secretariat to assign actionable items to the responsible person.

### 2.3 Gender

21. APL009 has a national constitution that states its commitment to ensuring equal rights. Moreover, a gender monitoring office ensures that fundamental principles are adhered to by way of its monitoring and supervision role. The principles of gender equality have also been codified in laws relating to land tenure amongst others. Gender considerations form part of the key development indicators of departments and ministries.

22. The applicant provided information on gender-related competencies, and examples of projects and research where it jointly worked with other entities, including civil society, in furthering gender parity. Furthermore, gender-based priorities are evidenced and resourced where the promotion of gender and family matters are entrenched at the ministerial level.

## III. **Conclusions and recommendation**

### 3.1 Conclusions

23. 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 substantially meets the requirements of the Fund's basic fiduciary standards and specialized fiduciary standard for project management. In order to fully meet the Fund's basic fiduciary standards, improvements relating to the investigation function for the purpose of transparency and accountability (item 4.2.4 of the application for accreditation) are required as described below:
  - (i) Publishing on its website, the instructions and appropriate forms through which to log a complaint;
  - (ii) Preparing quarterly reports on case trends and maintaining a formal record of all complaints received; and
  - (iii) Submitting a report of the incidents recorded to its Office of the Ombudsman for investigation on a monthly basis;

- (b) The applicant partially meets the requirements of the Fund's interim ESS in relation to the medium E&S risk Category B/I-2. In its assessment, the AP judges that whereas the entity has a wide-ranging ESMS (performance standard 1), it has limited experience in applying the full scope of project-specific performance standards 2 to 8. The applicant is recommended to consider undertaking an equivalence assessment of the country's legal framework with respect to the Fund's project-specific performance standards 2 to 8, which would apply to projects and programmes funded by the Fund. The applicant is required to:
- (i) Use external support, including from co-financiers, acceptable to the Fund, to help to prepare projects or programmes that invoke any of performance standards 2 to 8; and
- (c) The applicant has demonstrated that it has policies, procedures and competencies, which are 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

24. The AP recommends, for consideration by the Board, the applicant (APL009) for accreditation as follows:

- (a) **Accreditation type:**
- (i) **Size of an individual project or activity within a programme:** Small (including micro);
- (ii) **Fiduciary functions:**
1. Basic fiduciary standards; and
  2. Specialized fiduciary standard for project management;
- (iii) **Environmental and social risk category:** Medium risk (Category B/I-2) (including lower risk (Category C/I-3)<sup>4</sup>); and
- (b) **Conditions:** The applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the conditions. The AP will thereafter assess whether the conditions have been met. 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 23(a) (i-iii) 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 requirement in paragraph 23(b) (i) above in respect of any project/programme funded by the Fund that invokes any of performance standards 2-8 until a mid-term review during the five-year accreditation period is undertaken for the purposes of determining the applicant's competency in meeting the Fund's ESS at the project level.

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<sup>4</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".

25. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 24 above, and agrees to the recommendation.

### 3.3 Additional remarks

26. The applicant may wish to seek readiness and preparatory support to assist it with:
- (a) Meeting the conditions identified in paragraph 24 (b) above; and
  - (b) Undertaking the recommendation made in paragraph 23 (b) above. The outcome of this assessment could rule out the necessity for the condition contained in paragraph 24 (b) (ii).