

## Annex XVIII: Accreditation assessment of Applicant 028 (APL028)

### I. Introduction

1. Applicant 028 (APL028), the European Investment Bank (EIB) headquartered in Luxembourg, is an international financial entity whose main objective in developing countries is to provide finance and expertise for sound and sustainable investment projects, in both the private and the public sector, provide social and economic infrastructure, and address climate change, among others. The applicant is currently operating in over 150 countries and has a mandate to operate in any developing country. Climate action is one of the top policy priorities for the applicant, which integrates climate considerations across all its activities, in addition to financing climate mitigation and adaptation projects, thereby contributing to low-carbon and climate-resilient growth around the world and supporting the transition to a sustainable low-carbon future. The applicant targets 25 per cent of its portfolio as climate action projects and programmes. In 2014, its total investment in climate action projects and programmes was more than US\$ 20 billion. Additionally, the applicant regularly provides capacity-building support in many sectors and specific technical assistance focused on developing local skills to support project development and implementation, as a way of strengthening country ownership. If accredited, the applicant seeks to support the paradigm shift objective of the GCF by making use of its network of trusted partners in the public and private sectors and non-governmental organisations to optimize the applicant's collaborative work in tackling climate change, and would help to overcome investment hurdles, in particular those faced by the private sector.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 15 January 2015. Stage I, institutional assessment and completeness check, and Stage II (Step 1), accreditation review, were concluded. It has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** international access;
- (b) **Track:** fast-track under the Directorate-General for International Development and Cooperation of the European Commission;
- (c) **Size of an individual project or activity within a programme:** large;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (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 risk category:** high risk (Category A/Intermediation 1 (I-1)<sup>3</sup>).

<sup>1</sup> As per annex I to decision B.08/03, "large" is defined as "total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 250 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 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

## II. Accreditation assessment

3. The applicant qualifies for the fast-track accreditation process as a Directorate-General for International Development and Cooperation of the European Commission entity. Its application has been assessed against the standards of the GCF by the Accreditation Panel (AP) in accordance with the requirements and gaps identified in decisions B.08/03 and B.10/06.

4. As 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 4.2.5, anti-money laundering (AML) and countering the financing of terrorism (CFT) policies, are considered to have been met by way of fast-track accreditation.

7. Regarding item 4.2.5, the applicant provided, in its application, evidence which indicates that it meets the requirements of the basic fiduciary standards of the GCF related to the "anti-money laundering and anti-terrorist financing policies". The applicant has a comprehensive and mature AML/CFT framework procedure providing the scope, objectives, applicability and description of the counterparty due diligence process. In its AML due diligence process the applicant applies various measures based on risk-sensitivity and taking into account the type of counterparty, business relationship, product or transaction and country of operation involved.

8. At the project appraisal stage, the applicant identifies the project beneficiary and conducts AML due diligence, which involves examination of all of the integrity aspects of the business relationship with the counterparty, in order to avoid entering into business relationships structured for the purposes of criminal activities or co-financed through funds of possibly illicit origins.

9. In addition to these checks, the applicant continuously undertakes monitoring, including that of electronic transactions, in order to detect possible money laundering, financing of terrorism and other related integrity risks that may arise throughout the life of its business relationships with counterparties.

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

10. The information provided by the applicant demonstrates a long track record of and experience in project management. The applicant has robust policies, procedures and frameworks that guide its operations at all stages of its project cycle: from project identification to monitoring and evaluation (M&E).

11. The applicant provided key operational policies, procedures and documents that demonstrate compliance with an effective use of these policies and procedures. The entity

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include, substantial financial exposure to activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented".

exercises adequate project oversight and control over the operations it finances, including oversight of preparation of project implementation plans, quality reviews, budgets and utilization of project funds. The applicant has M&E capacities based on recognized international standards, which were demonstrated through project M&E reports and annual consolidated reports on the results of its operations. Evidence of effective implementation of project management procedures is supported by an extensive track record of project appraisal and implementation. The examples of project documentation provided also demonstrate the applicant's broad experience in managing a number of climate change mitigation and adaptation projects.

12. Furthermore, the applicant has demonstrated strong project risk assessment, monitoring and evaluation capabilities guided by policies and procedures, including procedures for the financial risk management and credit risk policy guidelines.

13. The entity's project monitoring and review reports are available on the applicant's website as per its information disclosure policy.

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

14. As per paragraph 3 above, the specialized fiduciary standard for grant award and/or funding allocation mechanisms is considered to have been met by way of fast-track accreditation.

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

15. The applicant provides on-lending or blended finance by raising capital funds and blending them with international donor funds. The strategy of blending these two sources of funds allows the applicant to implement a financing strategy that is able to meet the specific needs of the beneficiaries in the countries in which it operates. The concessional funds provide enhancements to the financial structures such as technical cooperation, interest rate subsidies and investment grants that benefit the recipients of the blended loans and have proven to be an effective mechanism for attracting additional investors. The organization manages a number of trust funds that undertake investments in projects and programmes.

16. The applicant has well-established on-lending and blending policies and procedures that provide assurance of its capacity. Its investment guidelines define the principles of the funded activities, eligible investments and equity investments structure, due diligence procedures, investments appraisal and approval processes, monitoring and reporting rules.

17. The applicant has a process for the appraisal of the intermediary selected to serve as a partner in developing a project or programme in a specific region or country. The applicant provided examples of the appraisal reports that include an evaluation of project parameters, such as relevance to national policies, effectiveness through the achievement of operational objectives, financial and economic performance, and analysis of environmental and social sustainability. The applicant has an information disclosure policy that demonstrates the applicant's commitment to transparency and accountability.

18. The applicant has also provided information regarding the equity funds it raises from capital markets, as well as trust funds it manages on behalf of international development finance institutions. The evidence presented demonstrates the applicant's ability to effectively manage the GCFs it receives from various financial sources.

19. In addition to providing blended finance for specific project activities, the applicant has developed other climate finance mechanisms and instruments such as financial guarantees, climate awareness bonds and risk-sharing products which leverage public funds to allow other financial institutions and capital market investors to co-invest in projects.

20. The annual financial reports provided in the application demonstrate that the applicant aligns its management systems with best practices, and adherence to those practices is monitored by the designated audit committee.

## 2.2 Environmental and social safeguards

### 2.2.1 Section 6.1: Policy

21. The applicant has an environmental and social (E&S) policy with guiding principles and standards in place, on which an E&S manual is based. The policy is aligned with the interim environmental and social safeguards (ESS) policy of the GCF in related to accreditation. The policy was endorsed by the applicant's board and is published on the applicant's website. The roles and responsibilities of specialized units or individuals who collectively ensure the conformance of operations with the applicant's E&S policy are clearly assigned. The applicant has a specialized unit, which is responsible for policy development in the area of E&S and climate change. Implementation of the E&S policy is performed by individual project teams.

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

22. The applicant's E&S policy and operational procedures are mature and fully implemented. The E&S risk categories under the applicant's risk identification process were found to be comparable to those of the interim ESS of the GCF and scaled risk-based approach. The applicant provided information on its track record of projects that have been identified and categorized in accordance with its E&S policy. An assigned project team has overall responsibility for overseeing project operations, including E&S aspects of a project, and is supported by the specialized E&S unit. Further support is provided by sector specialists from an environmental assessment department who work to ensure that the quality and consistency of the E&S due diligence throughout the applicant's project cycle and across all sectors is maintained and implemented.

### 2.2.3 Section 6.3: Management programme

23. The applicant has a tried and tested environmental and social management system. Its E&S policies and standards are operationalized through clearly established procedures. The applicant has in place due diligence mechanisms to manage E&S risks and may additionally use the support of external consultants to carry out certain appraisal and monitoring tasks, if needed. In the case of intermediated loans (such as lines of credit) and framework loans, responsibilities are assigned to the applicant's intermediaries to ensure that all mitigation measures are put in place and monitored.

### 2.2.4 Section 6.4: Organizational capacity and competency

24. The organizational structure of the applicant defines the roles and responsibilities for implementing its E&S policy and procedures. Core responsibility for E&S issues lies with a designated unit to ensure information dissemination, training and the development and monitoring of the application of sustainable development policies and procedures. The applicant conducts regular training on E&S and climate-related topics, which is provided by in-house and external experts.

### 2.2.5 Section 6.5: Monitoring and review

25. The applicant has procedures in place to carry out E&S monitoring of operations. Assigned project teams define the format, actions, resources and schedules for monitoring E&S issues identified at the project appraisal stage. Monitoring activities are required from project promoters and intermediaries, as well as the applicant's staff, who conduct monitoring through the review of reports received, site visits and third-party monitoring information. The

monitoring activities of the applicant's operation are also summarized in the annual corporate responsibility reports and report on results of operations. These reports are published on the applicant's website. The applicant also has an independent evaluation to help ensure that the lessons learned from past operations are fed into those of the future.

#### 2.2.6 Section 6.6: External communications

26. The applicant has a mature public information policy which includes principles of disclosure of project information and 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 be provided on a standardized basis. Information on avenues that can be used to submit project-related complaints and evidence of complaints that have been handled through an independent project complaints mechanism were provided.

### 2.3 Gender

27. The applicant's operations are guided by its E&S performance standards, which stipulate equal treatment and equal opportunity, disallowing discrimination based on gender. To further enhance its gender-specific approach, the applicant is currently working on the development of a strategic approach to mainstream gender, both in terms of its safeguards-based due diligence and the impact of its lending operations. This approach will effectively help mainstream gender in the applicant's operations, including a gender action plan as a key element. Lastly, the applicant demonstrated its monitoring of gender activities and gender-related data in its operations in documentation provided in its application.

## III. Conclusions and recommendation

### 3.1 Conclusions

28. 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 meets the requirements of the GCF 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 meets the requirements of the interim ESS of the GCF in relation to the high E&S risk, Category A/I-1; and
- (c) The applicant has demonstrated that it has competencies in and is in the course of developing its strategic approach to gender, and has also demonstrated that it has experience with gender and climate change.

### 3.2 Recommendation on accreditation

29. The AP recommends, for consideration by the Board, applicant APL028 for accreditation as follows:

- (a) **Accreditation type:**

- (i) **Size of an individual project or activity within a programme:** large (including micro,<sup>4</sup> small<sup>5</sup> and medium<sup>6</sup>);
  - (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
  - (i) **Environmental and social risk category:** high risk (Category A/I-1) (including lower risk (Category B/I-2<sup>7</sup> and Category C/I-3<sup>8</sup>)).
- (b) **Conditions:** none.
30. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition(s), as described in paragraph 29 above, and agrees to the recommendation.

### 3.3 Remarks

31. The applicant is encouraged to further enhance its strategic approach to gender with a view to integrating a formalized gender-sensitive approach in its ongoing operations. The applicant is invited to share such a strategy with the GCF once it is finalized and formally adopted.

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<sup>4</sup> 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 GCF, of up to and including US\$ 10 million for an individual project or an activity within a programme”.

<sup>5</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 GCF, of above US\$ 10 million and up to and including US\$ 50 million for an individual project or an activity within a programme”.

<sup>6</sup> As per annex I to decision B.08/02, “medium” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 50 million and up to and including US\$ 250 million for an individual project or an activity within a programme”.

<sup>7</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”.

<sup>8</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”.