

Annex XX: Accreditation assessment of Applicant 030 (APL030)

I. Introduction

1. Applicant 030 (APL030), the Unidad Para el Cambio Rural (Unit for Rural Change, UCAR) based in Argentina, is a national entity, specifically a government agency within a ministry, located in a developing country in Latin America and the Caribbean, which is responsible for implementing environmental and social (E&S) sustainable projects financed totally or partially by external resources at the national and provincial levels. The applicant offers a wide variety of public investments in rural services and infrastructure through grants, concessional loans and guarantees. The applicant, in partnership with national stakeholders, has a strategy in place to support national sustainable development and growth, particularly in the forestry, agriculture, sugar industry, fisheries, aquaculture, training and innovation sectors. The applicant currently has a climate change project portfolio worth more than US\$ 467.5 million: taking into account programmes related to increasing adaptive capacities, the applicant's portfolio is worth over US\$ 1.3 billion. Accreditation to the GCF will provide an opportunity for the applicant to: incorporate a climate change focus into all of its projects/programmes; further develop adaptation projects in its existing programmes; work on maximizing the impact of the funds; and continue to incorporate gender-focused E&S benefits into projects/programmes.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 27 July 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:** 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 an individual project or activity within a programme:** small;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

¹ As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "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".

² Decision B.07/02.

- (e) **Environmental and social risk category:** medium risk (Category B/Intermediation 2 (I-2)).³

II. Accreditation assessment

3. The applicant is eligible for, and applied under, the fast-track accreditation process as an Adaptation Fund 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 consulted the applicant's website and third-party websites to complement the information provided in the 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 evidence in support of its own investigation function, which is part of the investigation function established within the national system for investigations in the public sector in the country in which the applicant is located. The applicant's investigation function is regulated by the local laws and regulations that establish the mechanisms for the internal and external audit of the public sector. The internal audit of the public sector is overseen by the National Internal Audit Office and operationalized through the Internal Audit Department of the ministry of which the applicant is a part. The external audit of the public sector is overseen and conducted by the National External Audit Office. The policies and procedures for executing investigation activities, including the reception of complaints, the procedure for investigating cases and reaching resolutions, as well as the procedure for implementing the appropriate sanctions, if applicable, are clearly established in the applicable regulations.

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

8. As per paragraph 3 above, the specialized fiduciary standard for project management is considered to have been met by way of fast-track accreditation.

³ As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), 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".

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

9. The applicant has a proven track record of developing, implementing and executing grant programmes in collaboration with multilateral development banks and international development agencies.
10. The applicant's scope of activities is focused on supporting the development of the national agriculture sector. The impact of investments made by the applicant in infrastructure for the agriculture sector is enhanced by awarding investment grants to private farmers for improvements in their productive capacity. The grant awards serve the purpose of supporting private farming investments that could not have been undertaken without grant support. However, the grant awards do not cover the entire amount of the private investment; the private farmer is responsible for securing the funds for the larger portion of the investment. For example, in some grant programmes the grant portion is limited to a maximum of 30 per cent of the total investment amount.
11. With the assistance of multilateral development banks and international development agencies, the applicant has well-established and effective mechanisms to publicize its grant programmes, as well as the required mechanisms to assess grant requests and the appropriate grant approval procedures (including a qualified evaluation committee) that provide assurance that grants are awarded in a transparent manner using consistent award criteria.
12. The applicant serves as the coordinating unit for the grant award programmes executed at the regional (provincial) level. The applicant has demonstrated that the regional evaluation committees function effectively. Furthermore, the sample of independent evaluation reports provided by the applicant demonstrate that the grant award process is a well-functioning mechanism to enable investments that have a positive impact on the agricultural productivity of the regions benefited by the grants.
13. The applicant has proven procedures to ensure that expenses are appropriately evaluated before they are reimbursed, via the funds of the grant award, as well as for ensuring that there is no duplication in the awarding of grants.
14. The procedures established by the applicant for the awarding of grants have the required provisions to ensure appropriate monitoring and evaluation of grant activities, and the mechanisms to evaluate the impact of the grant programmes.
15. The multilateral development banks that currently fund the applicant's main grant programmes require that a no-objection (from the funding institution) be obtained prior to the final approval of every grant operation. This is noted by the AP as an element to be considered at the time of project/programme appraisal.

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

16. The applicant has provided information regarding the single on-lending programme it currently manages, which is for the benefit of a specific agriculture sector. The on-lending programme assigns responsibility for credit analysis, and disbursement and collection of funds to a trust that is managed by a State-owned bank. The applicant itself does not have the competencies to assess loan applications, nor does it have the required organizational infrastructure to manage the disbursements and collections of such a portfolio. However, the applicant has demonstrated that, in this particular programme, it has the ability to assess the feasibility of identifying, assessing and managing, including monitoring and evaluation, such programmes undertaken by other institutions.
17. The applicant's track record in on-lending operations is limited, and despite demonstrating that, with the support of third parties, it can effectively manage an on-lending

programme, it has not developed the required institutional capacity to meet the GCF specialized fiduciary standard for on-lending and/or blending.

2.2 Environmental and social safeguards

2.2.1 Section 6.1: Policy

18. The applicant has provided a copy of its formal E&S policy which includes an overarching statement of its E&S objectives and principles which guide the institution. The policy was endorsed by its senior management in June 2015. The policy documents are available on the applicant's website, thereby suggesting that they are publicly accessible. The applicant has also provided samples of past projects that it has implemented, which are in line with the GCF E&S policy objectives.

2.2.2 Section 6.2: Identification of risks and impacts

19. The applicant's E&S manual contains a comprehensive description of the identification and assessment procedures for E&S risks and impacts, including the due diligence approach. The applicant's eligibility criteria and the E&S procedures defined in the manual are compatible with those of the major multilateral development banks, including the World Bank, and are consistent with the GCF interim environmental and social safeguards (ESS) performance standards 1 to 8. The E&S manual describes an E&S risk categorization framework (i.e. categories A, B and C) in line with the GCF interim ESS, including the names and placement within the organization of the key staff with responsibility for E&S risk classification. Several documents provided by the applicant illustrate its track record of applying the procedures contained in the E&S manual, consistent with the GCF ESS performance standards 1 to 8.

2.2.3 Section 6.3: Management programme

20. The applicant's E&S manual describes the institutional process for managing mitigation measures and actions stemming from the E&S risk identification process. The applicant has provided sample project documents, which contain information on projects recently implemented by the applicant, including full E&S impact assessments. The applicant has also provided its guide for external environmental auditing and three sample external audit reports, which demonstrate its capacity to manage E&S mitigation measures and action arising from the E&S risk identification process.

2.2.4 Section 6.4: Organizational capacity and competency

21. The applicant has provided a copy of its organizational manual which contains organizational charts and also separately a list and biodata of key staff, including their responsibilities for E&S matters, indicating that the applicant has the capacity to undertake E&S Category B/I-2 projects/programmes.

2.2.5 Section 6.5: Monitoring and review

22. The applicant has provided information on its comprehensive and integrated management system that describes the monitoring and review of E&S programmes and sample project monitoring and evaluation reports, which demonstrate that it can meet the required GCF ESS for Category B/I-2 projects/programmes.

2.2.6 Section 6.6: External communications

23. The applicant has provided documents which describe the process for its external communications system, including assigned responsibilities. The applicant has a well-functioning website for external communications. It has also provided a register of external

enquiries/complaints received, along with responses from the past two years, which indicate that the enquiries were handled appropriately.

2.3 Gender

24. The applicant has provided a copy of its gender policy, which is in line with the GCF gender policy. The applicant has also provided information demonstrating its competency in implementing its gender policy and sample climate change projects with a focus on women.

III. Conclusions and recommendation

3.1 Conclusions

25. 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 and specialized fiduciary standard for project management, partially meets the specialized fiduciary standard for grant award and/or funding allocation mechanisms, and does not meet the specialized fiduciary standard for on-lending and/or blending for loans and guarantees;
- (b) The applicant meets the requirements of the interim ESS of the GCF in relation to the medium E&S risk (Category B/I-2); and
- (c) The applicant has demonstrated that it has policies, procedures and competencies to implement its gender policy, which is found to be consistent with the gender policy of the GCF, and has also demonstrated that it has experience with gender considerations in the context of climate change.

3.2 Recommendation on accreditation

26. The AP recommends, for consideration by the Board, applicant APL030 for accreditation as follows:

- (a) **Accreditation type:**
 - (i) **Size of an individual project or activity within a programme:** small (including micro⁴);
 - (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; and

⁴ 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".

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- (iii) **Environmental and social risk category:** medium risk (Category B/I-2) (including lower risk (Category C/I-3⁵)); and
- (b) **Conditions:** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the condition(s). The AP will thereafter assess whether the condition(s) has/have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes:
- (i) Condition(s) prior to the approval of the first funding proposal for a grant award programme submitted by the applicant to the GCF:
1. Further develop the current operations and procedures manual to incorporate the features expected to be applied in the grant operations that the applicant will undertake with GCF funds.
27. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition(s), as identified in paragraph 26 above, and agrees to the recommendation.

3.3 Remarks

28. The applicant is encouraged to seek readiness and preparatory support to assist it with:
- (a) Meeting the conditions identified in paragraph 26(b) above.

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”.