

## Annex VI: Accreditation assessment of Applicant 036 (APL036)

### I. Introduction

1. Applicant 036 (APL036), the Caribbean Development Bank (CDB), is a regional financial institution with a mandate to support social and economic development in small island developing States in the Caribbean. The applicant's main functions are to assist its borrowing member countries (BMCs) in optimizing the use of their resources by:

- (a) Developing their economies and expanding production and trade;
- (b) Promoting private and public investment in the Caribbean region;
- (c) Mobilizing financial resources from both within and outside the region for development; and
- (d) Providing technical assistance.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 9 July 2015. The Stage I institutional assessment and completeness check was completed on 3 September 2015 and was progressed to Stage II (Step 1), accreditation review, which was concluded on 25 April 2016. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** direct access, regional. The applicant received national designated authority or focal point nominations for its accreditation application from Barbados, Grenada and Saint Lucia.
- (b) **Track:** fast track (part way through Stage II (Step 1); previously under the normal track);
- (c) **Maximum size of project/activity within a programme:** small;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  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 equity); and
- (e) **Maximum 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.08/02 (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 USD 10 million and up to and including USD 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 (annex I to document GCF/B.07/11), 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. Stage I institutional assessment and completeness check

3. The applicant initially applied, and was assessed by the Secretariat during Stage I, under the normal-track process.

### 1.2 Legal status, registration, permits and licences

4. The Secretariat reviewed the information provided by the applicant regarding its legal status as well as relevant and applicable registrations, permits and licences.

### 2.2 Institutional presence and relevant networks

5. The applicant's membership includes 19 BMCs, 3 non-borrowing regional members and 5 non-regional members. The BMCs are Anguilla, Antigua and Barbuda, the Bahamas, Barbados, Belize, the British Virgin Islands, the Cayman Islands, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, and the Turks and Caicos Islands.

6. The applicant is seeking accreditation to the GCF as a regional entity in order to leverage its experience in environmental sustainability and disaster management by:

- (a) Supporting its regional member countries in preparing and adopting national climate change strategies and adaptation plans;
- (b) Building community resilience to adapt to climate change;
- (c) Performing research into climate change modelling and predictions; and
- (d) Supporting Caribbean small island developing States to access emerging climate change financing mechanisms.

### 2.3 Track record

7. The countries in which the applicant operates are among those most susceptible to the impacts of climate change. Thus, addressing the climate change challenge to the region is a strategic priority for the applicant. It has worked to mobilize concessional resources, and to design and implement activities to build its internal technical capacity, and that of its member countries, in order to effectively implement climate actions. Over the last three years, most of its investment operations have explicitly included climate considerations in their design or have included specific components that have addressed these issues. The applicant has mobilized concessional resources and technical assistance, as well as support for its climate action adaptation and mitigation agenda valued at an estimated USD 200 million.

8. Current activities include:

- (a) Implementing a climate finance readiness programme in the Caribbean;
- (b) Implementing a USD 65 million programme providing climate action lines of credit; and
- (c) Operating a EUR 4 million technical assistance grant programme, which provides support for project preparation in order to explicitly address climate vulnerability assessments as well as term sector vulnerability assessments and investment programming.

### III. Stage II accreditation review assessment

9. The applicant during Stage II (Step 1) became eligible for the fast-track accreditation process as an Adaptation Fund entity. Its application has been assessed by the Accreditation Panel (AP) during Stage II (Step 1) against the standards of the GCF in accordance with the requirements and gaps identified in decisions B.08/03, B.10/06 and B.12/30.

10. As part of this assessment, the AP consulted the applicant's website and various third-party sources to complement the information provided in the application.

#### 1.1 Fiduciary standards

##### 3.1.2 Section 4.1: Basic fiduciary standards: key administrative and financial capacities

11. As per paragraph 9 above, the basic fiduciary standards concerning key administrative and financial capacities are considered to have been met by way of fast-track accreditation.

##### 3.1.2 Section 4.2: Basic fiduciary standards: transparency and accountability

12. As per paragraph 9 above, the basic fiduciary standards concerning transparency and accountability, with the exception of item 4.2.4, investigation function, and item 4.2.5, anti-money laundering (AML) and countering the financing of terrorism (CFT) policies, have been met by way of fast-track accreditation.

13. Regarding item 4.2.4, the applicant has an objective investigation function, including a hierarchical process for the investigation of complaints regarding violations of the applicant's code of ethics or misconduct in the projects financed by the applicant. In addition, the applicant's board recently approved an elaborate anti-corruption/compliance framework, whistle-blower protection policies and a mechanism that allows the public to launch complaints through a dedicated webpage. The investigation function is carried out by an independent office to ensure integrity, compliance and accountability; this office reports directly to the applicant's premier oversight committee. In order to enhance accountability and transparency, cases of misconduct under investigation are reported to the oversight committee, the applicant's president as well as the heads of the units where misconduct is being investigated. The function has a defined process for periodically reporting case trends. Information on cases of misconduct reported and investigated in the past three years along with the current status of the investigation/action taken was provided.

14. Regarding item 4.2.5, the applicant has anti-money laundering and anti-terrorist financing policies which are described in a strategic framework for integrity, compliance and accountability, including a compliance policy to avoid violations of financial sanctions. Risk-based AML/CFT counterparty due diligence is carried out by the applicant's office for integrity, compliance and accountability, which uses Thomson Reuters World Check compliance software. Sample copies of recently undertaken 'know-your-customer' due diligence were provided. These included due diligence reports in the form of completed copies of the Wolfsberg Group Anti-Money Laundering Questionnaire.

15. The applicant has a sound mechanism for tracing electronic/wire transfers that targets regional and international correspondent banking counterparties with high transactional volume. Specifically, the mechanism aims to ensure that basic information on the originator and beneficiary of wire transfers is immediately available. Where this information is insufficient, the applicant either asks its commercial bank to contact the payer to obtain more information or it contacts the payer directly in order to obtain the required information.

16. Where the applicant acts as originator and beneficiary, financial institution-to-financial institution transfers and settlements account for almost all of the applicant's wire transfer traffic. Typically, these payments relate to the receipt of subscription payments from BMCs,

investment-related payments and receipts, and loan repayments received from BMCs. The applicant does not act as an intermediary financial institution for handling wire transfers.

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

17. As per paragraph 9 above, the specialized fiduciary standard for project management is considered to have been met by way of fast-track accreditation.

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

18. The provision of technical assistance, partly funded through grants, is a core function of the applicant whose mission is to contribute to the economic development of its member countries in the Caribbean region. Grants are designed with the full participation of the beneficiaries and must meet the applicant's quality of entry requirements taking into consideration issues of efficiency, transparency and sustainability. The applicant has well-documented governance structures and procedures manuals for its management of grant award mechanisms. These mechanisms follow the applicant's established operational policies and procedures, including those relating to project appraisal, implementation, monitoring and evaluation, procurement of goods and services, combating corruption and fraud, and environmental and social policy. Documentation and sample supervision reports on grant-funded technical assistance projects were provided as evidence of effective implementation of the policies and procedures. The applicant has provisions for the suspension, reduction or termination of grants in the event of a beneficiary failing to comply with its obligations under the grant agreement.

19. While the applicant meets all other GCF requirements for the specialized fiduciary standard for grant award and/or funding allocation mechanisms, it does not have, for the purposes of ensuring greater transparency in the use of funds by grantees, a system for providing the public with access to information on the periodic progress of individual projects/programmes. The applicant acknowledges this gap and has agreed to put such a system in place.

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

20. The applicant has an established track record of on-lending and blending of its own resources with other funds sourced from the multilateral development banks and bilateral development agencies. It also has comprehensive operational policies and procedures contained in an operational policies and procedures manual, which are accessible through its website. The manual includes guidelines for project appraisal with clearly defined roles and responsibilities and applicable formats/templates for assessing the capabilities of the recipient organizations. Compliance with the operational policies and procedures is demonstrated by sample appraisal/due diligence reports, which were provided.

21. The applicant has sound financial risk and management policies, procedures and governance/organizational structures that ensure appropriate segregation of duties of the treasury function and operations. The applicant has been rated by two of the three major rating agencies: "Aa1" by Moody's Investors Service and "AA" by Standard & Poor's.

## 3.2 Environmental and social safeguards

1.1.1 **Section 6.1: Policy**

22. The applicant has provided a document containing its environmental and social (E&S) review procedure (approved in 2014), which describes its E&S objectives, principles and compliance standards, and establishes responsibilities for the implementation of the procedures. This document is an updated version of a previous document, and reflects the lessons learned in implementing environmental and social management systems for over a decade. The new

procedure describes eight performance standards that are consistent with those of the GCF. The new E&S review procedures are complemented by a climate resilience strategy, and disaster management and operational guidelines, which together create the applicant's overall policy framework to address the environment and climate change.

#### 1.1.2 **Section 6.2: Identification of risks and impacts**

23. The applicant's E&S review procedures describe a process for the screening and categorization of projects. The E&S risk categorization for direct lending is similar to that of the GCF. Although its financial intermediation operations do not use an E&S risk categorization system, there is evidence that the applicant monitors conformance with E&S policies and procedures, and provides technical support to financial intermediaries where capacity is lacking.

24. The applicant demonstrates a sufficient track record of implementing Category A/Intermediation 1 (I-1) and Category B/Intermediation 2 (I-2) projects, and of addressing specific performance standards as they arise.

#### 1.1.3 **Section 6.3: Management programme**

25. The applicant has shown that a documented institutional process for managing mitigation measures and actions stemming from the E&S risk identification is in place. For Category A/I-1 and Category B/I-2 projects, the applicant has provided evidence that the institutional process to manage and monitor E&S risks and impacts is in place.

26. Samples of project monitoring reports, supervision mission reports and ex-post evaluation reports were reviewed. The reports demonstrate that the institutional procedures are sound and have been executed.

#### 1.1.4 **Section 6.4: Organizational capacity and competency**

27. The applicant provided an organizational chart, which indicates the units responsible for E&S safeguards, as described in the E&S review procedures, as well as job descriptions. Curriculum vitae of staff in the E&S units show adequate technical capacity to undertake tasks associated with projects and to support their clients.

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

28. The applicant has a monitoring/supervision process/procedure that instructs staff on how to systematically track the completion of mitigation and performance improvement measures. The applicant has recently upgraded its electronic project portfolio monitoring system to ensure that E&S performance is reported in a systematic manner. Project documents also demonstrate that E&S mitigation measures are monitored, and that capacity-building is provided to clients where institutional shortcomings are found. Ex-post evaluations are conducted by an independent evaluation unit, and reports are posted on the applicant's website.

29. In 2012, the applicant conducted an assessment of the effectiveness of mainstreaming environment, climate change and disaster management. The results of this assessment are reflected in the applicant's efforts to strengthen its policies and institution, showing the involvement of senior management in continuously improving the applicant's E&S performance.

#### 1.1.6 **Section 6.6: External communications**

30. The applicant's efforts to strengthen integrity, compliance and accountability include the development of a project complaints mechanism, which covers E&S accountability. In May 2015, the applicant established an interim online mechanism to receive project-specific complaints and inquiries, which is available through its main website. The interim mechanism is also linked to an independent network in order to enhance accountability mechanisms among international financial institutions. To date, the interim system has not received any complaints, and thus evidence of register and response was not available. The permanent mechanism for external

communications will be established as part of the mandate of the office for integrity, compliance and accountability.

31. The applicant demonstrates experience with project-level information disclosure and stakeholder engagement. It has provided samples of project documentation showing that borrowers and executing entities are implementing the requirements of the applicant in this regard. Current efforts to improve stakeholder awareness and communications are expected to strengthen the applicant's practice even further.

### 3.3 Gender

32. The applicant approved a gender equality policy and operational strategy in 2008. The policy calls for ensuring gender equality dimensions of economic and social issues in all policies, loans and projects; and promotion of gender equality as a means of supporting sustainable development, and reducing poverty and vulnerability. The applicant's operations policy and procedure manual also contains a gender equality section. Monitoring of the results of this policy and procedure indicate a steady maturing of gender mainstreaming throughout the organization and its portfolio.

33. Capacity for gender mainstreaming is deemed sufficient. The applicant has provided evidence that its gender checklists and gender marker tools are utilized at the project level. It has also provided evidence of experience in addressing gender and climate change at the project level.

## IV. Conclusions and recommendation

### 4.1 Conclusions

34. Following its assessment, 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 and specialized fiduciary standard for on-lending and/or blending for loans, and partially meets the requirements of the GCF specialized fiduciary standard for grant award and/or funding allocation mechanisms. The applicant does not have in place, for the purposes of ensuring greater transparency in the use of funds by grantees, a system for providing public access to information on the periodic progress of individual projects/programmes;
- (b) The applicant partially meets the requirements of the interim environmental and social safeguards of the GCF in relation to high E&S risk (Category A/I-1). The applicant has an interim online mechanism to receive project-specific complaints and inquiries, and a permanent mechanism for external communications will be established; and
- (c) The applicant has demonstrated that it has competencies, policies and procedures in order to implement its gender policy, which is found to be consistent with the gender policy of the GCF, and has demonstrated that it has experience with gender considerations in the context of climate change.

### 4.2 Recommendation on accreditation

35. The AP recommends, for consideration by the Board, applicant APL036 for accreditation as follows:

- (a) **Accreditation type:**

- (i) **Maximum size of an individual project or activity within a programme:** small (including micro<sup>4</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 and equity); and
  - (iii) **Maximum environmental and social risk category:** high risk (Category A/I-1) (including lower risk (Category B/I-2<sup>5</sup> and Category C/I-3<sup>6</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 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 first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:
    - 1. Establish an appropriate system for providing public access to information on the periodic progress of individual projects/programmes, including budget utilization, in relation to grant funding; and
    - 2. Demonstrate that the permanent external communications mechanism is fully functioning, in particular identifying the staff assigned to manage, document and respond to communications, questions or complaints on the environmental and the social performance of projects.
36. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition(s), as identified in paragraph 35 above, and agrees to the recommendation.

### 4.3 Remarks

37. The applicant is encouraged to seek readiness and preparatory support to assist it to:
- (a) Meet the conditions identified in paragraph 35(b) above.

---

<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 USD 10 million for an individual project or an activity within a programme”.

<sup>5</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>6</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”.