

Annex XII: Accreditation assessment of Applicant 041 (APL041)

I. Introduction

1. Applicant 041 (APL041), the International Fund for Agricultural Development (IFAD), is an international organization whose objective is to improve agricultural development and livelihoods in developing countries. Its projects and programmes are carried out in remote and environmentally fragile locations, including least developed countries and small island developing States. The applicant assists vulnerable groups such as smallholder farmers, pastoralists, foresters, fishers and small-scale entrepreneurs in rural areas by providing, among others, access to weather information, disaster preparedness, social learning and technology transfer that enables farmers to feed growing populations and increase the climate resilience of rural farming systems.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 26 June 2015. The Stage I institutional assessment and completeness check was completed on 5 July 2016 and was progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant 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 Adaptation Fund (AF) and the Global Environment Facility (GEF);
- (c) **Maximum size of an individual project or activity within a programme:** medium;¹
- (d) **Fiduciary functions:**²
 - 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
- (e) **Maximum environmental and social risk category:** medium risk (Category B/Intermediation 2 (I-2)).³

¹ As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), “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 USD 50 million and up to and including USD 250 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 (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”.

II. Stage I institutional assessment and completeness check

3. The applicant is eligible for, and applied under, the fast-track accreditation process as an AF entity and a GEF agency. Its application has been assessed by the Secretariat during Stage I in accordance with the requirements and gaps identified in decisions B.08/03, B.10/06 and B.12/30.

2.1 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. IFAD was created under the Agreement Establishing the International Fund for Agricultural Development, adopted by the United Nations Conference on 13 June 1976 and entered into force on 30 November 1977.

2.2 Institutional presence and relevant networks

5. The applicant, based in Italy, mobilizes additional resources and provides them on concessional terms in about 100 countries for agricultural development and poverty alleviation. In fulfilling this objective, IFAD provides financing primarily for projects and programmes specifically designed to introduce, expand or improve food production systems and to strengthen related policies and institutions within the framework of national priorities and strategies. The applicant has a long track record of empowering and supporting national governments, farmers' associations, commodity cooperatives, and formal and informal private sector actors in scaling up climate change mitigation and adaptation projects that enhance the livelihoods of farming communities.

6. The applicant seeks accreditation to the GCF in order to expand its projects and programmes that integrate climate resilience and benefit farming communities and ecosystems directly, in addition to supporting the institutional and policy frameworks and the value chains with which they are connected. Furthermore, the applicant seeks to advance the objectives of the GCF by focusing its activities on the most vulnerable groups whose livelihoods depend on climate-sensitive natural resources. IFAD intends to leverage its experience in managing projects in the areas of ecosystem-based natural resources management, land-use management, agribusiness, climate information and early warning systems. By continuing to select national institutions as its executing entities, the applicant will enhance country ownership while providing continuous capacity-building for project implementation, supervision, capacity enhancement and policy support.

2.3 Track record

7. As at August 2016, the applicant was managing USD 594 million in climate and environmental finance, with a focus on increasing the climate resilience of rural farming systems and value chains. The applicant mobilizes and catalyses financial resources from other multilateral international partners and bilateral agencies for the implementation of climate change mitigation and adaptation related projects in developing countries. IFAD funds two main sectors: agricultural development; and poverty alleviation. Its projects typically range from USD 10 million to USD 200 million, with a duration of 4 to 10 years. IFAD provides finance to its developing country members in the form of grants and loans.

8. The scope of projects related to climate change mitigation and adaptation financed by the applicant include:
- (a) USD 133 million of blended finance (grants and loans) for the “Climate adaptation and livelihood protection” project in Bangladesh;
 - (b) USD 116 million of blended finance (grants and loans) for the “Climate-resilient agricultural livelihoods programme” in Kenya;
 - (c) USD 83 million of blended finance (grants and loans) for the “Climate resilient post-harvest and agribusiness support” project in Rwanda; and
 - (d) USD 119 million of blended finance (grants and loans) for the “Livestock marketing resilience” project in Sudan, whose purpose is to increase the food security, incomes and climate resilience of poor households in pastoralist communities.

III. Stage II accreditation review assessment

9. The applicant is eligible for, and applied under, the fast-track accreditation process as an AF entity and a GEF agency. 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 third-party websites to complement the information provided in the application.

3.1 Fiduciary standards

3.1.1 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 4.2.5, anti-money laundering (AML) and countering the financing of terrorism (CFT) policies, have been met by way of fast-track accreditation.
13. Regarding item 4.2.5, the applicant has presented a comprehensive AML/CFT policy – a zero-tolerance policy towards fraudulent, corrupt, collusive or coercive actions in its activities and operations. The policy is found to be in full compliance with the GCF interim policy on prohibited practices. As a specialized agency of the United Nations, the applicant operates within the United Nations AML/CFT system that provides a number of well-developed policies with regard to the prohibition of money-laundering, terrorist financing and transnational organized crime activities, and regulates fraud and corruption.
14. According to its mandate, the applicant provides loans and grants to its developing member states and grants to other eligible entities. As such, the applicant does not execute payments against the loan or grant to final beneficiaries, but instructs these through commercial banks or central banks, if so decided by the member state, who then make the payments. These banks, through their internal policies and standards, ensure that AML/CFT regulations are adhered to, both internationally and in the jurisdictions where the payments are executed.

15. The applicant applies its code of conduct to all its employees, as well as to its suppliers, contractors and non-staff individuals, and prohibits any type of conflict of interest in its operations. Its employees and suppliers are expected to adhere to the applicant's core values, including qualities such as honesty, integrity, impartiality and incorruptibility.

16. The applicant has in place a dedicated division and well-developed procedures for investigations and publishes annual reports on investigation and anti-corruption activities on its website.

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 applicant has various projects in the agriculture, forestry, fisheries and food supply sectors, co-financed by other international organizations. Grant resources are mainly derived from the applicant's resources and are also supplemented by funds received from bilateral donors and multilateral facilities.

19. The competitive grant award mechanism implemented by the applicant is transparent and well-developed, with formally documented procedures for assessing and approving grant proposals, as well as for implementation and monitoring. The grant award mechanism is based on calls for proposals supported by specific guidelines, templates and questionnaires. Samples of the supporting documentation used in the grant approval process have been provided, confirming that the mechanism is operating effectively. Each grant proposal must follow the applicant's rules, which are sometimes established in cooperation with the particular sponsor/country.

20. The roles of the appropriate grant technical review groups and the grant award committee are clearly defined. Grants are awarded by the designated technical group, under the leadership of the Vice-President, on the basis of established evaluation criteria. The grant award committee selects the grant recipient following the recommendation of the technical expert panel that prepares the summary of the evaluation scores, such as technical content, value for money, implementation capacity and regional and thematic experience, for each of the applicants.

21. The grant award activities are subject to transparent procurement rules and annual external audits and subject to risk-based internal audit coverage.

22. The applicant closely supervises the projects for which it provides grants and undertakes regular supervision missions to the project sites. Documentation and supervision reports on project implementation were provided as evidence of the implementation of the corresponding policies and procedures.

23. The results of the grant award process, as well as the outcomes of the projects implemented, are published on the applicant's website. The project terminal evaluation reports prepared by the external institutions provide evidence of the applicant's highly satisfactory performance and track record.

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

24. The applicant is funded by member states' contributions through a replenishment process (a three year cycle), as well as supplementary funding and unrestricted complementary contributions. Recently the applicant has borrowed limited funds from its member countries in accordance with its sovereign borrowing framework. Resources are subsequently provided as

loans and grants, or a blend of both, to its developing country members. The funds per country are distributed according to the performance-based allocation system, a mechanism developed in-house on the basis of both the applicant's and publicly available parameters, and on the basis of its annual commitment capacity. The applicant does not lend to intermediary organizations, and therefore does not undertake intermediary performance evaluations.

25. The applicant manages its liquidity (cash funds not needed immediately for operations or administrative expenditures) financial resources in the context of an investment policy framework document. This policy document defines the basic principles, guides the applicant's investment activities and is approved annually by the applicant's executive board. The applicant has a mature and well-developed set of operational policies for funding activities. For concessional loans, the provisions for assessment of the potential investment projects and due diligence of the executing entity/partner institution cover the areas of financial performance, governance structure, track record and various country- and institution-related risks.

26. Decisions on specific funding activities are contained in the decisions of the applicant's executive board and are made publicly available. The results of monitoring and evaluation functions provide information to verify progress made over the course of the implementation of the project and the results achieved, support learning from experience and promote accountability. The applicant conducts financial, technical and environmental due diligence both during the assessment of the project and of the executing entity, and has an extensive and systematic review and supervision process during the project implementation phase involving the recipient government, the executing entity and the applicant's own staff.

27. The applicant exercises the same standards when investing on behalf of donor partners as it does with respect to the administration and management of its own resources, maintaining a series of control frameworks, due diligence checks, procurement procedures, project supervision and risk management procedures. Also, for some supplementary donors such as the European Union, the applicant complies with more stringent procedures as required under the relevant donor agreement. The applicant's financial statements are externally audited on the accuracy of the accounts and also on the effectiveness of internal controls over financial reporting.

28. The applicant publishes supervision and terminal evaluation project reports on its website. The project reports provided by the applicant contain complete information on the actual and planned results/outcomes, and on adherence to budgets, costs and timelines. The applicant periodically reviews its entire portfolio globally and reports annually on portfolio performance to its board.

29. The applicant has two high-level committees in place: one to assist its President in determining the overall investment strategy and prepare recommendations on strategic financial matters; and the other to assist its Associate Vice-President of the Financial Operations Department in making decisions on investment and financial matters that are under the department's authority.

3.2 Environmental and social safeguards

3.2.1 Section 6.1: Policy

30. The applicant's board approved the revised Social, Environmental and Climate Assessment Procedures in 2014, based on its experience during the period 2009–2014. The 2014 version of the procedures is better aligned with the applicant's Environment and Natural Resource Management Policy (2011) and with evolving international standards. The procedures consist of 9 guiding values and principles (e.g. sustainable use of natural resources),

and national and international standards (e.g. the GEF policy on agency minimum standards on environmental and social safeguards that include vulnerability and adaptation priorities of rural indigenous people), 13 guidance statements (e.g. physical and economic resettlements), and various accompanying 'how-to-do' notes (e.g. free, prior and informed consent, climate risk assessment and value chains, and measuring climate resilience). These are consistent with the GCF interim environmental and social safeguards (ESS).

31. The borrower/grantee, with support from the applicant's country and project staff, will implement the applicant's Social, Environmental and Climate Assessment Procedures and in doing so, will be consistent with GCF interim ESS. Furthermore, the applicant's climate change strategy supports innovative approaches to help smallholder women and men agricultural producers build resilience to climate change.

3.2.2 **Section 6.2: Identification of risks and impacts**

32. The applicant uses an innovative twin, simultaneous screening process: one to identify the environmental and social (E&S) risks and impacts; and another to identify climate risks and impacts. The result is an E&S risk categorization and a climate risk classification, which informs the follow-up studies to strengthen and address the applicant's safeguard standards.

33. The country programme manager, with other experts' inputs, determines the project E&S risk category and climate risk classification, and the decision is approved by experts in the Environment and Climate Division and Policy and Technical Advisory Division. Co-financiers and executing entities apply the same procedure. The screening results are documented in a review note, which is part of the project file that is tracked during the entire project cycle. The applicant provided a list of E&S risk categorization and climate risk classification results for many projects and two "review notes/screening reports" to demonstrate its track record.

3.2.3 **Section 6.3: Management programme**

34. The environmental, social and climate management plan (ESCMP) is systematically integrated into every operation and is updated as needed during the environmental and social impact assessment (ESIA), final design, implementation, supervision and completion. The system requires that executing entities analyse the impacts of associated facilities, cumulative impacts and alternatives, and apply a mitigation hierarchy.

35. The applicant's intranet provides all the necessary templates to enable staff to conduct E&S and climate risk analysis. The country programme management team for each programme oversees the implementation of the ESCMP at each step of the project cycle, with the support of staff based at the applicant's headquarters, as needed. When corrective actions are identified, supervision missions check on their implementation, as demonstrated in the reports provided by the applicant.

3.2.4 **Section 6.4: Organizational capacity and competency**

36. The applicant established an environment and climate division at its headquarters in 2010 within its programme management department, as well as a policy and technical advisory division and regional climate and environment specialists network. The applicant's organograms show the environmental, social and climate (ESC) reporting lines.

37. The terms of reference for junior, senior and lead ESC specialists show well-defined and communicated ESC roles and responsibilities, and the associated curriculum vitae and work samples provided show the relevant qualifications, expertise and competence to effectively manage the ESS-related work.

38. The ESC training programme and e-learning courses ensure ongoing capacity development for the applicant's staff, project staff and executing entities.

3.2.5 Section 6.5: Monitoring and review

39. The applicant's ESC monitoring and evaluation system uses appropriate metrics. These metrics are revised in line with evolving best international practice. ESC monitoring and evaluation is conducted during project implementation, performance review and evaluations. Suitable guidance manuals and report templates are available to support each type of monitoring and evaluation function. Reviews are also conducted on ESC review notes, ESIA's, climate risk assessments, resettlement action frameworks and corrective action plans, in an effort to improve ESC policy implementation and effectiveness.

40. The applicant's best practices include submitting an annual synthesis of all types of monitoring and evaluation work to senior management for subsequent action, and making all the assessments publicly available in an evaluation database. A 2016 evaluation of the applicant's environmental and natural resource management projects further commits the applicant to moving its development portfolio from "avoiding harm" by assessing risks/impacts, towards investments that "do good", for increased sustainability and improvement of data management and monitoring.

3.2.6 Section 6.6: External communications

41. The applicant adopted a free prior and informed consent approach as an operational principle for its public consultations, especially for projects that might affect access to land and rights to land use. The applicant has had an information disclosure policy in place since 1998. The revised 2010 information disclosure policy explicitly adopts a 'presumption of full disclosure' principle: documents are either available on the applicant's website or available on request.

42. For the ESC system, draft ESIA's, environmental and social management frameworks, resettlement action plans and frameworks, mitigation plans and other ESC documents are disclosed during appraisal, implementation and evaluation. The applicant's executing entities and co-financiers also apply the same policy.

43. The applicant's policy for disclosing project documents complies with the GCF information disclosure policy regarding Category B/Intermediation 2 projects/programmes, which is the E&S risk category for which the applicant has applied. The applicant's documents are disclosed for four weeks prior to discussion at its board (and for at least 30 days if it was a GCF project). The disclosure of proposals also needs to be in line, where relevant, with approval procedures under the lapse-of-time modality, which is governed by the rules of procedure of the applicant's executive board. (N.B. The lapse-of-time modality is a procedure to streamline the project/programme approval process: proposals meeting explicit criteria – e.g., not-for-profit grants or proposals under USD 25 million – can simply be posted on the applicant's website and communicated to Board members. A proposal is considered approved by the Executive Board if there is no request to formally discuss the proposal at a Board session by a specific deadline date). At the project level, disclosure is also aligned with national and local regulations.

44. The applicant has a written procedure to register, manage and resolve internal and external information requests or complaints. The procedure can be accessed through its website and by telephone, mail or face-to-face contact. Concerns can be resolved at the country, regional or headquarters level, as needed. A dedicated E&S complaints web portal was established in January 2015. No E&S complaints were received for the period January 2012 to August 2016, but three audit reports were provided to demonstrate how internal and external complaints with respect to the applicant's projects were registered and resolved (e.g. fraud allegations).

3.3 Gender

45. The applicant has integrated gender equality in its operations since 1978 and is now at the forefront with respect to gender-responsive adaptation for rural development and agriculture. Its comprehensive 2012 gender equality and women's empowerment policy meets the requirements of the GCF gender policy. Gender is integrated into the applicant's strategic objectives, principal outputs and policy dialogue, and is also a cross-cutting theme in its other policies (e.g. gender is integrated into its targeting policy and ESC policy). The targeting policy guides the applicant to use a gender-sensitive, poverty and livelihood analysis to identify beneficiaries.

46. All programmes and projects are screened for gender issues by conducting gender analysis, and gender-sensitive monitoring and evaluation is also conducted.

47. Gender tools are provided to integrate, measure and report on gender aspects, including gender-responsive checklists for project design. Gender performance is reported at all levels of the organization and to the board on an annual basis. Gender performance at the project level was rated as moderately satisfactory or better in 90 per cent of its projects during the period 2012–2014. Women account for about half of all project beneficiaries.

48. The applicant has gender-dedicated staff, divisional gender focal points, gender focal points in country offices, project units and government offices, and a roster of gender consultants. Gender competency training for staff and partners is routine, as is developing and disseminating gender knowledge and publications, especially through its web portal on gender. There is a corporate approach to support and improve the gender and diversity balance at headquarters and in the field offices.

IV. Conclusions and recommendation

4.1 Conclusions

49. 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);
- (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 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

50. The AP recommends, for consideration by the Board, applicant APL041 for accreditation as follows:

- (a) **Accreditation type:**
- (i) **Maximum size of an individual project or activity within a programme:** medium (including micro⁴ and small⁵);
 - (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
 - (iii) **Maximum environmental and social risk category:** medium risk (Category B/I-2) (including lower risk (Category C/I-3⁶)); and
- (b) **Conditions:** none.
51. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition(s), as identified in paragraph 50 above, and agrees to the recommendation.

4.3 Remarks

52. In the course of the accreditation review assessment, the AP noted that the applicant is in the process of finalizing the first major revision to its financial management administration manual – a comprehensive financial management framework document released in 2012. The updated manual contains fundamental provisions regarding the types of financing provided by the applicant, the project cycle overview, financial management at project design and approval, the financing agreement and its negotiation process, project supervision, the withdrawal and disbursement process, audit and financial reporting requirements, conditions on loan repayments and debt services, financial management and disbursement of grants. However, the new manual is pending the approval of the applicant’s executive board. The financial management administration manual is a document for staff, consultants and cooperating institutions where applicable. Updates are issued under the authority of the Director, Financial Management Services Division and this updated manual will be issued by the end of 2016.
53. The applicant may wish to consider:
- (a) Informing and submitting to the GCF the updated financial management administration manual approved and released to staff and consultants by the Director of the Financial Management Services Division.

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

⁵ 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 USD 10 million and up to and including USD 50 million for an individual project or an activity within a programme”.

⁶ 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”.