

Annex X: Accreditation assessment of Applicant 047 (APL047)

I. Introduction

1. Applicant 047 (APL047), Fundación Avina, is a regional non-profit organization with a mandate to support sustainable development in the Latin American region. Its regional programmes focus on two broad themes: climate change and the economy; and governance and public goods. Its activities aim to enable climate action in sectors, cities and biomes, including on access to water and energy, resource management, and promoting climate-compatible development. The applicant achieves this through a broad network of grass-roots and community-based organizations, national and local governments, non-governmental organizations, the scientific community and the private sector.
2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 4 December 2015. The Stage I institutional assessment and completeness check was completed on 5 September 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:** direct access, regional. The applicant received national designated authority or focal point nominations for its accreditation application from Chile, Ecuador, Paraguay and Peru;
 - (b) **Track:** normal track;
 - (c) **Maximum size of an individual project or activity within a programme:** micro;¹
 - (d) **Fiduciary functions:**²
 - (i) Basic fiduciary standards;
 - (ii) Specialized fiduciary standard for project management; and
 - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
 - (e) **Maximum environmental and social risk category:** minimal to no risk (Category C/Intermediation 3 (I-3)).³

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

² Decision B.07/02.

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

II. Stage I institutional assessment and completeness check

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

2.1 Legal status, registration, permits and licences

4. The applicant provided documents on its establishment and licences to operate, if any and where relevant, as part of the application. The applicant explained that it was created in 1994 and that it is legally registered as a regional organization in Panama.

2.2 Institutional presence and relevant networks

5. The applicant operates in 20 countries with a network of 13 related legal entities in Argentina, Bolivia (Plurinational State of), Brazil, Chile, Colombia, Costa Rica, Ecuador, Guatemala, Mexico, Nicaragua, Panama, Paraguay and Peru. The applicant has been operating in the region for over 20 years and mobilizes its regional network of over 7,000 partners from the public, social and business sectors in pursuit of its mission of sustainable development in the region through the promotion of strategies which contribute to low-emission, climate-resilient, inclusive development. With in-depth knowledge and experience of the region, the applicant leverages on its diverse network of partners to create and support collaborative processes that produce effective cooperation among governments, municipalities, entrepreneurs, companies, civil society organizations and academia, facilitating the contribution of these partners to sustainable development.

6. The applicant seeks to contribute to the objectives of the GCF by availing training, financial resources and information to public, private and civil society stakeholders in its region to enable them to enhance social and technological innovations. It seeks to leverage its experience of implementing projects that facilitate climate change mitigation and adaptation in land use, forestry, ecosystem services, institutional systems, enhancing livelihoods and awareness-strengthening. In addition, the applicant intends to continue supporting national and local governments in Latin America to help strengthen their climate policies, as well as climate action.

2.3 Track record

7. The applicant mobilizes financial resources for its climate change projects and programmes by partnering with its diverse network of partners which includes public, private and subnational entities. The applicant intends to continue cooperating with public and private sector organizations in order to implement climate change adaptation and mitigation projects.

8. The applicant undertakes climate-resilient sustainable development by mainstreaming climate change mitigation and adaptation in the sectors in which it operates. The applicant's track record in financing sustainable development and climate change related projects to date includes the following, which fall within the GCF "micro" size category:

- (a) USD 2.84 million (grant) for the “Access to water” project;
- (b) USD 6.35 million (grant) for the “Strategy for the Amazon biome” project; and
- (c) USD 0.7 million (grant) for the “Sustainable and inclusive natural resources management in the South American Chaco” project.

III. Stage II accreditation review assessment

9. The applicant has been assessed by the Accreditation Panel (AP) during Stage II (Step 1) against the standards of the GCF under the normal-track process.
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. The applicant has an organizational and corporate governance structure that is appropriate for the size and scope of its activities. The applicant’s board of directors has four oversight committees: audit, risk, compensation, and governance and nomination. The applicant has a process for setting long- and short-term objectives derived from an understanding of its overall mission; a process for preparing annual budgets and monitoring of such budgets; and a process for assessing the performance of business plans against the set objectives.
12. The applicant’s annual financial statements for the years 2012, 2013 and 2014 were prepared in accordance with the International Financial Reporting Standards. In addition to financial statements, examples of the quarterly internal reports and reports to the applicant’s board of directors that cover the expected financial metrics such as assets, income, expenditure, cash and liabilities were provided. The applicant has transparent and consistent payment and disbursement systems in place with documented procedures and clear allocation of responsibilities.
13. The applicant has an established internal audit process under which activities are directly and regularly monitored by the applicant’s board audit and risk committees. The internal audit function is supported by an internal audit charter, which sets out the requirement for independence, the necessary qualifications of staff members, the reporting frequency, and the responsibility for disseminating information. The operation of the internal audit in accordance with the applicant’s audit charter is demonstrated by appropriate evidence such as minutes of meetings, audit plans, sample reports and status reports provided by the applicant. The applicant complies with the international standards and code of ethics of the Institute of Internal Auditors. The applicant has appointed an external auditor to independently review financial statements at a country level and at an overall organizational level. Depending on the jurisdiction, the accounting standards of the International Financial Reporting Standards or the United States Generally Accepted Accounting Principles are applied. The auditor’s terms of reference set out the requirements of management in relation to providing information and resources.

14. The applicant has a well-developed internal control framework which includes a matrix of responsibilities showing legal entity and unit administration roles. The functions that make up the internal control framework include a broad range of controls; for example, banking, petty cash, currency, budgeting and internal audit. An assessment of the adequacy of the applicant's internal controls relating to the core financial management areas is undertaken by the applicant's external auditors during the annual audit exercise. Management reports describe the overall controls as well as the specific control gaps identified in the exercise.

15. The applicant has procurement policies and procedures that are found to be appropriate and adequate for its own procurement activities. The procedures include guidelines for approval of expenditures at different levels. The applicant has developed a procurement policy for the grantees that receive grants exceeding USD 3,000. The grant contracts contain the standardized procurement rules to be followed by the beneficiary in relation to the grant funding.

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

16. The applicant has in place the appropriate processes, authorities and key documents for supporting the ethical behaviour of its employees, such as an ethics committee, a code of ethics and relevant guidelines. The code of ethics also addresses issues related to the conflict of interest.

17. Prevention of financial mismanagement is managed by the specific set of internal financial standards, as well as by the policies for ethical behaviour including whistle-blower procedures and confidentiality provisions. The applicant's management team has committed to a "zero tolerance" policy in relation to fraud, that is in line with the GCF General Principles on Prohibited Practices.

18. The applicant has provided evidence that the investigative function is carried out by its ethics committee. The functions of the committee, which are included in its terms of reference and reporting requirements, are outlined in the appropriate procedures. The implementation protocol for the code of ethics outlines the notification process, guaranteed confidentiality, requirements for the analysis of all complaints, auditing, communication and reporting, and corresponding responsibilities. The ethics committee reports to the chief executive officer, and is required to report to the executive management team on the number and outcomes of investigations.

19. The applicant has provided a statement confirming that there have been no fraud or corruption-related investigations in the last three years.

20. The applicant provided its anti-money laundering (AML) and countering the financing of terrorism (CFT) policy that was approved by its board of directors. The policy establishes eligibility criteria for the evaluation of the donors of grant funds, as well as the exclusion list of the types of activities funded and developed by the applicant. This policy is found to be in a full compliance with the GCF interim policy on prohibited practices.

21. Moreover, existing grant approval procedures require specific checks of relevant documentation and management processes from partner entities. The checks are conducted using a specific checklist. Legal entities cooperating with the applicant are also required to conform to AML and CFT laws in their respective countries.

22. The applicant has a well-established in-house electronic system for undertaking ‘know-your-customer’ due diligence, as well as for close monitoring of fund transfers.

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

23. The applicant has a substantial track record in climate change mitigation and adaptation projects and programmes developed under various grant award mechanisms in cooperation with national authorities in Latin America, as well as international organizations and large private companies operating in the region.

24. The applicant has offices and staff distributed throughout the Latin American region to enable the organization to work closely with project proponents in the preparation of project documents and the provision of feedback and support to the beneficiaries throughout the grant award process. The applicant has detailed policies and procedures that guide its project identification, appraisal, management, monitoring and evaluation, and closure functions.

25. The provisions for project management are contained in the applicant’s grant management policy, which is supported by project proposal and accountability templates and project appraisal tools that are used to standardize the process for project preparation and ensure compliance with the policy in a clear and organized manner. The format of the appraisal template includes the requirements for timelines, budget, narrative and financial reports, as well as the matrix on how the monitoring of the project should be undertaken. The score calculation tools that are used in the project appraisal process serve as a basis for senior management approval.

26. The applicant has established an in-house electronic monitoring and reporting system to record and analyse all project and programme information, as well as to ensure the uniformity of data from approved and developed projects. The system supports the preparation of internal reports and analysis, including project evaluation reports based on the inputs available in the system. It also contains guidance on providing information on set project objectives and outcomes, and ensures that the correct amounts of project financing are disbursed in a timely manner.

27. The applicant has well-established project-at-risk procedures and systems in place with clearly defined roles and responsibilities for identifying and recording problems identified in projects. The electronic system requires that project risks/problems be identified, recorded and addressed in a timely and efficient manner, which has been demonstrated in documentation provided by the applicant. However, the applicant does not have a general stand-alone policy for project risk identification; the specific risk identification and mitigation protocol is established at a certain level for each project or programme. The project risks are identified and analysed on a case-by-case basis by the applicant’s staff members in cooperation with the project partner organization at the project preparation and implementation stages, and corresponding mitigation measures are subsequently developed and implemented.

28. The applicant provided evidence of the effective implementation of policies and the electronic monitoring and reporting system by presenting appraisal, implementation and monitoring reports of specific projects, as well as by demonstrating the design and contents of the system to the AP assessment team members at an in-person meeting. In addition, the

applicant provided appropriate evidence of undertaking comprehensive oversight of the projects and conducting on-site visits to project locations.

29. In the course of the assessment it was found that, although the applicant publishes information on the results of projects developed under the grant award programmes on its website and in its annual reports, it does not have in place some of the procedures required by the GCF fiduciary standards, namely procedures for public disclosure of project implementation reports, including budget utilization and project evaluation reports.

30. In order to address these gaps, the applicant is developing a comprehensive grant information disclosure procedure, which is scheduled to be approved by its board before the end of 2016.

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

31. The applicant's grant award mechanism procedural framework is found to be mature and well-developed. The grant management procedure and its supporting guidance documents include clear, standardized provisions for evaluating proposals and awarding grants, eligibility criteria for projects, due diligence procedures, as well as roles and responsibilities for grant disbursements and reporting.

32. The applicant's grant management procedure also includes standardized provisions for the recovery of funds paid to grantees, in respect of expenditures which are unauthorized or fall outside the scope of the funding for projects; procedures for suspension, reduction, or termination of grants in the event of the beneficiary failing to comply with its obligations; and systems to prevent irregularities in the use of grant funds.

33. The specific rules for competitive grant award programmes managed by the applicant are established in close cooperation with the corresponding grant donors and all decisions relating to grant awards are governed by the respective grant award committee. The terms of reference and records of the work of ad hoc groups and evaluation committees were provided and contain evidence of the competence and independence of their members.

34. Information on all projects managed by the applicant is recorded by the applicant in its well-developed electronic monitoring and reporting system.

35. The applicant has provisions for the periodic external audit of its grant award activities and has provided the audit reports for the last two years. In addition, the applicant provided reports prepared by its donor partners, for example multilateral organizations, containing positive observations and conclusions on the performance of the applicant in respect of its management of projects and funds provided.

36. Although the applicant publishes information on grant award notices, as well as on results and lessons learned from projects and programmes implemented under the grant award mechanisms on its website and in annual reports, it does not have in place some of the procedures required by the GCF specialized fiduciary standard for grant award and/or funding allocation mechanisms.

37. In order to address these gaps, the applicant is developing a comprehensive grant information disclosure procedure, which is scheduled to be approved by its board before the

end of 2016. However, in order to fully meet the GCF specialized fiduciary standard for grant award and/or funding allocation mechanisms, the applicant would need to demonstrate the effective implementation of this public disclosure procedure for the aforementioned points.

38. Overall, following the assessment, it has been concluded that the grant award mechanisms implemented by the applicant are mature and well-established and can be applied to GCF-funded activities with some minor updates.

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

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

3.2 Environmental and social safeguards

3.2.1 **Section 6.1: Policy**

40. While an environmental and social (E&S) policy is not required for any applicant seeking the E&S risk Category C/I-3, the applicant provided its risk protocol for managing institutional risk, which defines risks as “any and all situations which threaten the reputation or capacity of the applicant to achieve its institutional objectives”. The applicant’s mission is to advance its own contribution to the global transition towards low-emission, resilient and inclusive development in the Latin American region by invoking collaborative processes that leverage social and technological innovation. The applicant has not traditionally implemented projects directly, but rather has sought to provide technical, strategic and financial support to partners in their work to promote shared aims. As such, it is applying for risk Category C/I-3, where projects/programmes will be executed indirectly through executing entities.

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

41. The applicant has complemented its risk protocol with a new E&S risk assessment procedure involving the identification and categorization of E&S risks, which was approved by its board in June 2016. The new procedure classifies each risk according to its probability of occurrence and potential severity. The level of E&S risk is determined as either low, medium or high, and further complemented by a checklist indicating the associated mitigation measures to be undertaken and to be closely monitored. The new E&S risk assessment procedure is in line with the GCF interim ESS.

42. The E&S risk categorization decisions are, generally, firstly made by a staff member who identifies the risk and proposes an initial categorization based on their on-the-ground analysis and interpretation of the risk in the field. The ultimate conclusion regarding the categorization of risks is made with the participation of the applicant’s chief executive officer and validated by the corresponding committee of the board of directors which supervises the chief executive officer.

43. The applicant provided examples of projects which demonstrate that its projects generally support positive expected E&S outcomes consistent with its application for risk Category C/I-3 (i.e. execution indirectly through executing entities). The applicant has indicated that it does not yet have examples of the implementation of its new E&S risk categorization procedure since it will be implemented during the latter half of 2016. An internal training

session to be conducted later in 2016 is also planned in order to communicate the new E&S risk assessment procedure to staff.

3.2.3 **Section 6.3: Management programme**

44. Until now, the applicant's existing risk protocol has not explicitly distinguished between different types of E&S risk through an E&S risk assessment process. However, the examples provided attest to the applicant's capacity to effectively identify, analyse and manage risks which may negatively affect the successful implementation of projects with positive intended E&S outcomes. Going forward, the complementary E&S risk and impact identification procedure proposed in section 3.2.2 above would serve to further strengthen the applicant's existing risk identification and management measures in ways that are consistent with the GCF interim ESS. The applicant has indicated that it does not yet have examples of the application of the new procedure, which will be implemented during the latter half of 2016.

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

45. The applicant provided its organizational chart, which includes its risk management committee with responsibility for general monitoring of the applicant's existing risk system. For the purposes of climate change related projects and assessing E&S risks, the director of the climate change programme is invited to participate in the risk management committee, together with relevant sector staff as needed. The applicant provided data on risk management committee members indicating their competency and samples of their work.

3.2.5 **Section 6.5: Monitoring and review**

46. The applicant's new E&S risk and impact assessment procedure approved by its board in June 2016 includes a description of the monitoring of E&S risks from the inception of the project design to the project evaluation phase. The applicant's monitoring and review of projects is led by its team based in the field who are in direct and often day-to-day contact with its local partners. This local presence and the strong relationships of trust built over years of collaboration with local partners allow it to capture learning and adjust approaches in real time, and ensure that there have been no changes in scope or unanticipated impacts/risks that require mitigation.

47. Ongoing evaluations of all risks are conducted on a monthly and quarterly basis, with results shared throughout the organization and reported to its board of directors. The applicant has not been able to provide examples of project monitoring based on the implementation of its new E&S risk impacts assessment system.

3.2.6 **Section 6.6: External communications**

48. The applicant's external communications system is comprised of several distinct digital platforms which are used both to receive communications from and to communicate proactively with external audiences regarding topics of institutional and programmatic interest. A description of the system, the location of the system and information regarding enquiries and complaints were presented in the applicant's supporting documents. The applicant indicated that it has no unresolved or problematic issues that have arisen. The applicant provided its new web page initiated in the first quarter of 2016 which ensures greater communication and

interaction with the external public via interactive surveys, dialogue, further integration of social networks and an interactive menu.

3.3 Gender

49. The applicant has included gender equality and women's empowerment as a cross-cutting theme across its programme portfolio, and the applicant also has various protocols and policies to guarantee non-discrimination and equal opportunities in its operations. The applicant has provided its stand-alone gender policy, which was approved by its board of directors in June 2016 and is currently being implemented. The applicant provided examples of its lending operations that specifically address both men and women among project/programme beneficiaries, and demonstrated its competency in gender mainstreaming. The examples also provide evidence to show that projects to which the applicant lends funds have non-discriminatory practices in terms of benefits and remuneration for both men and women employees. Examples of requirements related to gender and climate change were also provided.

IV. Conclusions and recommendation

4.1 Conclusions

50. 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, and partially meets the specialized fiduciary standard for project management and the specialized fiduciary standard for grant award and/or funding allocation mechanisms. In this regard, the applicant needs to strengthen its public disclosure procedures and provide evidence of the implementation of such procedures;
- (b) The applicant meets the requirements of the interim ESS of the GCF in relation to the minimal to no E&S risk (Category C/I-3); 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

51. The AP recommends, for consideration by the Board, applicant APL047 for accreditation as follows:

- (a) **Accreditation type:**
 - (i) **Maximum size of an individual project or activity within a programme:** micro;

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- (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
- (iii) **Maximum environmental and social risk category:** minimal to no risk (Category C/I-3); 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. Develop its public disclosure procedures on:
 - (a) Project implementation reports, including information on budget utilization;
 - (b) Project evaluation reports;
 - (c) Grant award policy; and
 - (d) Decisions on grant awards, including, for individual grants, information on:
 1. The name, address and nationality of the beneficiary;
 2. The purpose of such grants; and
 3. The grant amount awarded and, where applicable, the maximum co-financing rate of the cost; and
 2. Demonstrate the effectiveness of the above public disclosure procedures, provide evidence of the publication of the grant award policy, one grant award decision taken, one project implementation report and one project evaluation report.
52. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition(s), as identified in paragraph 51 above, and agrees to the recommendation.