

## Annex VII: Accreditation assessment of Applicant 060 (APL060)

### I. Introduction

1. Applicant 060 (APL060), the Sahara and Sahel Observatory (OSS), is a regional entity in Africa that aims to serve as an international framework for partnership and dialogue in the fight against desertification and in the attenuation of the effects of drought, the adaptation to climate change and the protection of biodiversity. The applicant supports the efforts of its member countries in the Sahara-Sahel region in the fields of natural resource management and sustainable development, particularly on key themes such as land degradation, desertification, drought and the adverse impacts of climate change on ecosystems and populations.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 11 February 2016. The Stage I institutional assessment and completeness check was completed on 30 June 2017 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 a national designated authority or focal point nomination for its accreditation application from Tunisia;
- (b) **Track:** fast-track under the Adaptation Fund;
- (c) **Maximum size of an individual project or activity within a programme:** micro;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards;
  - (ii) Specialized fiduciary standard for project management;
  - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
- (e) **Maximum environmental and social risk category:** medium risk (Category B/Intermediation 2 (I-2)).<sup>3</sup>

### II. Stage I institutional assessment and completeness check

3. The applicant is eligible for, and applied under, the fast-track accreditation process as an Adaptation Fund accredited entity. Its application has been assessed by the Secretariat during Stage I in accordance with the requirements and gaps identified in decision B.08/03.

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<sup>1</sup> 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”.

<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 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 Legal status, registration, permits and licences

4. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. OSS was established as an international organization in Paris, France, on 15 May 1992, under the Declaration of the Inaugural Conference on the creation of the Sahara and Sahel Observatory. The agreement on the establishment and functioning of OSS was later concluded in Paris on 18 June 1999 between the Government of the Tunisian Republic and the United Nations Educational, Scientific and Cultural Organization, and has been ratified by Law No. 2000-12 of 7 February 2000.

## 2.2 Institutional presence and relevant networks

5. Based in Tunis, Tunisia, since 2000, the applicant has a strong regional presence in Africa and comprises 22 Member States in Africa,<sup>4</sup> six non-regional countries,<sup>5</sup> 13 member organizations<sup>6</sup> (including subregional organizations representing West Africa, East Africa and North Africa and non-governmental organizations) and various financial partners. OSS primarily operates in the Sahel and Sahara region (Burkina Faso, Cape Verde, Chad, Côte d'Ivoire, Djibouti, Egypt, Eritrea, Ethiopia, Gambia, Guinea-Bissau, Kenya, Libya, Mali, Mauritania, Morocco, Niger, Senegal, Somalia, Sudan, Tunisia and Uganda), but also in the Middle East and North Africa region (Algeria, Egypt, Jordan, Libya, Morocco and Tunisia).

6. In order to advance the objectives of the GCF, the applicant aims to catalyse impact beyond a one-off investment, by: ensuring environmental, social and economic co-benefits, as well as gender and youth-sensitive development impacts; addressing vulnerability; and being country-driven and country-owned. It also intends to provide a framework for international partnerships dedicated to sustainable development in the Sahara-Sahel region. In particular, OSS plans to focus its activities on:

- (a) Water: to promote cooperation on shared water resources and to bridge knowledge gaps on the Sahara-Sahel region's transboundary aquifer basins;
- (b) Land: to provide the knowledge base for natural resource management, and to strengthen national systems of environmental observation and monitoring-evaluation; and
- (c) Cross-cutting themes: climate and populations.

7. The applicant intends to focus its GCF-funded activities on the following GCF key results areas:

- (a) Adaptation: ecosystems and ecosystem services; livelihoods of people and communities; food, water security and health; and infrastructure and the built environment; and
- (b) Mitigation: land use, deforestation, forest degradation and transforming energy generation and access.

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<sup>4</sup> Algeria, Burkina Faso, Cape Verde, Chad, Côte d'Ivoire, Djibouti, Egypt, Eritrea, Ethiopia, Gambia, Guinea-Bissau, Kenya, Libya, Mali, Mauritania, Morocco, Niger, Senegal, Somalia, Sudan, Tunisia and Uganda.

<sup>5</sup> Belgium, Canada, France, Germany, Italy and Switzerland.

<sup>6</sup> Arab Maghreb Union, Centre d'Actions et de Realisations Internationales, Community of Sahel-Saharan States, Environment Development Action in the Third World, Food and Agriculture Organization of the United Nations, Intergovernmental Authority on Development, Lake Chad Basin Commission, Pan African Agency of the Great Green Wall, Permanent Inter-State Committee for Drought Control in the Sahel, Regional Center for Remote Sensing for North Africa States, Réseau Sahel Désertification, United Nations Convention to Combat Desertification, and United Nations Educational, Scientific and Cultural Organization.

## 2.3 Track record

8. With a focus on supporting the efforts of its member countries in the Sahara-Sahel region in the fields of natural resource management and sustainable development, the applicant's activities are in areas of climate change adaptation and resilience, environmental monitoring, joint management of transboundary aquifers, integrated water resources management, disaster-risk reduction, support for the implementation of multilateral environmental agreements, land degradation and desertification issues, socioeconomic and agricultural aspects pertaining to water demand, and transitioning to a green economy. Such activities fall within the GCF environmental and social (E&S) risk Category B/I-2 or lower E&S risk levels.

9. The applicant's track record in financing climate change-related projects includes the following, which fall within the GCF micro size category:

- (a) USD 5.36 million (grants) for Resilience Improvement of West African Populations to Environmental Changes;
- (b) USD 2.6 million (grants) for Système Aquifère du Sahara Septentrional III Operational Recommendations for a Sustainable Management of the Water Resource of the Northern Sahara Aquifer System;
- (c) USD 1.5 million (grants) for Building Resilience through Innovation, Communication and Knowledge; and
- (d) USD 1 million (grants) for the Middle East and North Africa Desert Ecosystems and Livelihoods Knowledge Sharing and Coordination project.

## III. Stage II accreditation review assessment

- (a) The applicant is eligible for, and applied under, 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 decision B.08/03.
- (b) 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

10. As per paragraph 10 above, the basic fiduciary standards concerning key administrative and financial capacities is considered to have been met by way of fast-track accreditation.

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

11. As per paragraph 10 above, the basic fiduciary standards of the accreditation application concerning transparency and accountability have been met by way of fast-track accreditation, with the exception of item 4.2.4, investigation function, and item 4.2.5, anti-money laundering and countering the financing of terrorism policies.

12. Regarding item 4.2.4 of the accreditation application, the applicant has an investigation function and policies in place, as well as anti-fraud and anti-corruption policies which all the staff members of the organization as well as internal and external auditors are committed to uphold.

13. The applicant has incorporated controlling and preventive systems aimed at eliminating all forms of financial malpractice and mismanagement. The applicant has a designated bureau in place that has a mandate within the applicant's executive board to investigate potential incidents of fraud and corruption in an efficient and timely manner.
14. The whistle-blower protection policy, the investigation procedure and the mechanism that allows the public to launch complaints are available on a dedicated webpage. All staff members have to sign the declaration of non-acceptance of all forms of prohibited practices. Examples of forms signed by accounting and procurement staff members were provided.
15. The applicant has provided a statement that, due to the strict adherence to the anti-fraud and anti-corruption policies, there have been no fraud or corruption-related investigations in the three years prior to the submission of the application.
16. Regarding item 4.2.5 of the accreditation application, the applicant adheres to its internal procedure on prohibited practices (fraud prevention), which is available on the applicant's website, as well as to the anti-money laundering and countering the financing of terrorism policies contained in the regulations of the host country where the applicant's headquarters is located with regard to the operations of the commercial banks.
17. The applicant's policy on prohibited practices is found to be fully in line with the GCF interim policy on prohibited practices.
18. The regulations of the host country where the applicant's headquarters are located require banks to verify the origin of funds and the existence of pre-trade and financial relationships supporting the flow of all cash exceeding a threshold of USD 1,500. All of the cash flows are cross-checked against the original invoice to justify the transaction. For incoming transactions to the applicant's account a declaration is issued by the customs office before entering the host country territory. The applicant's policy bans the use of cash in order to comply with the regulation of the host country where the applicant's headquarters are located and with the applicant's statutes.
19. To ensure the absence of incidents of fraud, corruption, money-laundering and financing of terrorism, each project is managed by different experts with the applicant's organization, for which there are separate bank accounts, and each project must meet the requirements for the control of expenditures as specified in the relevant funding agreement. The designated financial controller of the applicant, together with the executive secretary, signs all of the payment orders that correspond to the disbursement schedule of the projects.
20. Due to the small amount of the payments, the applicant has not deemed it necessary to develop a complex in-house electronic payment system. However, the applicant's current system is considered adequate and acceptable by the AP given the size of the institution and the scale of projects/programme activities under the specialized fiduciary standard for project management and specialized fiduciary criteria for grant award and/or funding allocation mechanisms for which the applicant is seeking accreditation.

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

21. As per paragraph 10 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

22. The applicant has extensive experience and knowledge in working with the developing countries in the region regarding the grant award and funding allocation mechanism. It supports the governments of its member countries in the development of projects and

programmes for further submission to various donors and multilateral organizations to seek appropriate financing.

23. In its operations the applicant has been approaching the governments of member countries directly by official letters and using the regional/geographical approach for selecting the specific countries for the development of funding proposals. Also, it has been initiating the preparation of the concept notes for specific projects, and then developing them further with the particular governments into project proposals for potential grant funding.

24. To comply with the GCF specialized fiduciary standard for grant award and/or funding allocation mechanisms, the applicant has established a new procedural framework and corresponding supporting guidance documents that include provisions for the competitive grant mechanism, including guidance for conducting calls for proposals, evaluating proposals and awarding grants, eligibility criteria for projects and potential grantees, due diligence procedures of the beneficiaries, and has defined roles and responsibilities for grant disbursements and reporting.

25. As the new procedural framework has been recently adopted, the applicant has not yet demonstrated any experience in publishing the calls for proposals for the on-granting mechanism on its website. Therefore, a corresponding condition of accreditation is recommended in paragraph 47(b) below to address this gap in meeting the GCF specialized fiduciary standard for grant award and/or funding allocation mechanisms.

26. Within the new procedural framework the applicant has established a grant proposal evaluation procedure that contains the information on the grant proposal evaluation process, including the requirements for the objectivity and impartiality of the decision-making process and competence of the decision-making committee. However, there are no records on the actual operation of the newly formed Grant Evaluation Committee for any of the projects/programmes selected for grant funding. Therefore, a corresponding condition of accreditation is recommended in paragraph 47(b) below to address this gap in meeting the GCF specialized fiduciary standard for grant award and/or funding allocation mechanisms.

27. The applicant's grant award management procedure also includes standardized provisions for the recovery of funds paid to the grantees, in respect of expenditures which are unauthorized or fall outside the scope of funding for the projects, and procedures for the 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.

28. The applicant has provisions for the periodic review of its grant award activities and has provided examples of the monitoring and evaluation reports of the programmes implemented in the three years prior to the submission of the application. In addition, the applicant provided reports compiled by its donor partners (multilateral organizations) containing positive observations and conclusions on the performance of the applicant regarding its management of projects and grant award programmes.

29. The applicant conducts close monitoring of the activities implemented under its grant award programmes and undertakes regular site visits. The applicant also conducts thematic workshops to support its beneficiaries, disseminate best practices and maintains good relations with the grant awardees. Examples of such site visit and workshop reports were provided to demonstrate the effective implementation of the applicant's monitoring procedures. The reports of the grant award results and the monitoring reports have not yet been published on the applicant's website, in accordance with the new procedures. Therefore, a corresponding condition of accreditation is recommended in paragraph 47(b) below to address this gap in meeting the GCF specialized fiduciary standard for grant award and/or funding allocation mechanisms.

30. Overall, following the assessment, the AP concludes that the grant award mechanisms implemented by the applicant are mature and well established and can be applicable to GCF-

funded activities subject to the fulfilment of the accreditation conditions recommended in paragraph 47 (b) to address the gaps identified.

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

31. 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**

32. The applicant's E&S policy was formally adopted by its General Assembly in April 2016. The E&S policy describes the key E&S objectives and principles guiding the applicant in the management of the environmental, social and gender impacts during the preparation and implementation of programmes and projects. The applicant's E&S policy articulates ten performance standards, which include Performance Standards 1 to 8 of the International Finance Corporation (which have been adopted as the GCF interim environmental and social safeguards), on gender equity and women's empowerment, and access and equity and protection of human rights. In addition to the applicant's performance standards, the E&S policy also conforms to the applicant's national laws and local laws/regulations applicable to the applicant's beneficiary countries. The applicant has established a technical committee comprising internal and external experts with the knowledge necessary to provide policy advice for the consideration of E&S matters. The E&S policy was published on the applicant's website and has been communicated to all levels within the organization. The E&S policy underwent public consultation during its development.

33. The applicant's E&S policy requires that the E&S assessments and design and mitigation planning conducted by the executing entities that the applicant oversees include the following elements: assessment of cumulative impacts; assessment of associated facility impacts; and analysis of alternatives, baseline data standards and mitigation hierarchy. The applicant provided sample project documents as evidence of its track record for ensuring that these specific elements are adequately included in project E&S assessments.

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

34. The applicant has developed a process for the identification and assessment of E&S risks and impacts which is in line with good international industry practices, including the Performance Standards 1 to 8 of the interim environmental and social safeguards (ESS) of the GCF. The main objective of the applicant's procedure is to lead to a categorization of projects/programmes. A checklist in the procedure is used to guide in the screening and identification of preliminary potential E&S risks and impacts. Based on the results of this screening, projects/programmes are categorized according to three E&S risk categories, A (high), B (medium) or C (low), which is similar to the categorization system in the interim ESS of the GCF. The applicant's environment and water programme managers coordinate the development of project proposals and involve the staff/consultants responsible for E&S risks, as well as the gender/population officer in the identification of E&S risks. The applicant provided example of projects it has implemented as evidence of its capability in implementing its E&S risks and impact identification procedure.

### 3.2.3 **Section 6.3: Management programme**

35. The applicant's E&S policy addresses its institutional process for managing mitigation measures and actions stemming from the E&S risk identification process provided, distinguishing between different categories of E&S risk. The applicant provided documents from

the projects that it has implemented and executed that were funded by the World Bank, the Adaptation Fund and the Global Environment Facility as examples of how the applicant addressed and managed the potential E&S risks, including the mitigation measures.

### 3.2.4 Section 6.4: Organizational capacity and competency

36. The applicant provided its institution's organization chart and a description of the roles and responsibilities of its key staff dealing with E&S matters. The key staff have undergone the necessary training to support the capacity of its staff in the implementation of the E&S policy via a one-week training that was organized in January 2016, and implemented in the context of the Climate Finance Readiness Programme of Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH.

### 3.2.5 Section 6.5: Monitoring and review

37. The applicant's E&S policy describes the executing entities' roles and responsibilities for the monitoring and evaluation (M&E) of projects/programmes supported by the applicant. The applicant is required to address all E&S risks identified by executing entities during project/programme assessment, design and implementation. The E&S policy requires that the executing entities' annual project/programme performance reports include a section on the status of implementation of any environmental and social management plan, including any measures required to avoid, minimize or mitigate E&S risks. The applicant requires that its M&E reports also include a description of any corrective actions that are deemed necessary. The mid-term and terminal evaluation reports are also required to include an evaluation of the project/programme performance with respect to E&S risks.

38. The applicant indicated that, due to the recent adoption of the E&S policy (April 2016), it does not currently possess sample M&E reports on actions taken for E&S risk mitigation and performance improvement measures in line with its performance standards. The applicant indicated that it plans to apply its new M&E procedure to a project funded by the Adaptation Fund which involves enhancing the resilience of communities to climate change through catchment-based integrated management. An M&E report for this project is expected to be available in early 2018. In the meantime, the applicant provided a sample of M&E reports on its climate resilience projects, which showed that the applicant did evaluate the E&S indicators relevant to the projects.

### 3.2.6 Section 6.6: External communications

39. The applicant has avenues/channels including a provision on its website to receive and register external communications. The applicant provided its updated (June 2017) external communication procedure which reflects its policy to require the applicant itself and executing entities that the applicant oversees to publicly disclose and conduct consultations on E&S assessment documents. This policy is found to be in line with the GCF Information Disclosure policy requirements on the public disclosure of E&S information. The external communication procedure also specifies the requirement for grievance and redress mechanisms to be applied by the applicant's executing entities.

40. During the implementation of projects and programme activities, the applicant receives different kinds of enquiries and requests from project stakeholders and local populations. Those enquiries are generally submitted through semi-formal or informal means, such as letters sent to the applicant's headquarters, emails sent to the project/programme implementation unit and verbal enquiries submitted during meetings and workshops. The received enquiries are processed on a case-by-case basis by project managers and teams. The applicant indicated that it has not received enquiries or complaints, and therefore its register of enquiries connected to the online grievance mechanism is currently empty. However, the applicant indicated that

following the adoption of the new external communication procedure, enquiries and complaints will be managed in a more centralized and systemic way. The applicant indicated its willingness to maintain a register of external enquiries/complaints on E&S matters received along with responses for GCF-funded projects/programmes.

### 3.3 Gender

41. The applicant's gender policy was adopted by the applicant's General Assembly in April 2016. The purpose of the applicant's gender policy is to provide the applicant with a framework for guiding its efforts to achieve gender equality, and particularly to support the diverse roles of women in the different development programmes and projects. The policy specifies the applicant's goal and vision relating to gender equality and outlines an accountability structure for ensuring policy oversight and the achievement of results. It accompanies and complements the applicant's E&S policy and responds to the investment guidelines and performance and reporting standards of international financial partners. The gender policy also includes an action plan to integrate and formalize all current actions that are already being carried out to integrate gender within the institution and within the projects that the applicant is implementing. The applicant's Strategy 2020 also integrates gender as one of the key objectives in the section on "society and the socio-economics of the environment".

42. In 2011, the applicant created a four-person gender working group with the necessary competencies and who were assigned, respectively, to the applicant's following four units: water, environment, communication and executive secretary. The applicant provided a sample of three projects it has implemented to demonstrate its experience with gender and climate change. The projects implemented by the applicant also provide evidence to show that projects and programmes managed by the applicant have non-discriminatory practices in terms of benefits and remuneration for both male and female employees.

43. Considering the above, the applicant's gender policy is assessed to be in line with the GCF Gender policy.

## IV. Conclusions and recommendation

### 4.1 Conclusions

44. 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, and partially meets the requirements of the specialized fiduciary standard for grant award and/or funding allocation mechanisms. The applicant could not provide evidence of the launch of the call for proposals for the competitive grant scheme, because until recently it has been working on grant proposals directly with the governments of its member countries. Also, the applicant could not provide any records of the work of the newly established Grant Evaluation Committee, or evidence on the publication of the decisions of the committee on the awarding of grants. There is no evidence available with regard to the publication of the grant award results and periodic monitoring reports for the grant-funded projects on the applicant's website;
- (b) The applicant partially meets the requirements of the interim ESS of the GCF in relation to the medium E&S risk (Category B/I-2). The applicant could not provide evidence of the establishment of an external communication channel regarding E&S matters, which may include a website to receive, register and respond to E&S complaints. Also, the

applicant could not provide a sample M&E report on actions taken for E&S risk mitigation and performance improvement measures in line with the applicant's performance standards under its E&S policy (April 2016); 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 GCF Gender policy, and has demonstrated that it has experience with gender considerations in the context of climate change.

## 4.2 Recommendation on accreditation

45. The AP recommends, for consideration by the Board, applicant APL060 for accreditation as follows:

- (a) **Accreditation type:**
- (i) **Maximum size of an individual project or activity within a programme:** micro;
  - (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:** medium risk (Category B/I-2) including lower risk (Category C/Intermediation 3 (I-3)<sup>7</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 conditions. The AP will thereafter assess whether the conditions have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes;
- (i) Conditions to be met prior to the first disbursement by the GCF for the first approved project/programme to be undertaken by the applicant:
    - 1. Provide evidence of the launch of the call for proposals, records of work of the Grant Evaluation Committee on evaluating grant proposals received, and evidence of the publication of the grant award decisions of the said committee;
    - 2. Provide a sample M&E report on actions taken for E&S risk mitigation and performance improvement measures in line with the applicant's performance standards under its E&S policy (adopted in April 2016); and
    - 3. Provide evidence of the establishment of an external communication channel, which may include a website to receive, register and respond to E&S complaints; and
  - (ii) Condition to be met on an annual basis for three consecutive years starting after the twelfth month following the first disbursement by the GCF for the first GCF-

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<sup>7</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".

funded project/programme through a grant award and/or funding allocation mechanism to be undertaken by the applicant:

1. Provide evidence of the public disclosure of periodic monitoring and evaluation reports, including information on budget utilization in respect of the relevant GCF-funded project/programme.
46. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 47(b) above, and agrees to the recommendation.