

## Annex VIII: Accreditation assessment of upgrade application from Acumen Fund, Inc.

### I. Introduction

1. Acumen Fund, Inc. (Acumen), a private sector direct access entity headquartered in the United States of America and accredited through the direct access modality as an entity nominated by Kenya per decision B.09/07, is seeking to upgrade its accreditation type to include the specialized fiduciary standard for grant award and/or funding allocation mechanisms. With a strong global presence, the applicant raises charitable donations to invest patient capital in business models that deliver critical goods and services to the world's poor, mainly focusing on agriculture, energy, education, health, housing and water.

2. The applicant was accredited by the Board of the GCF on 26 March 2015 in decision B.09/07, paragraph (a)(iv)<sup>1</sup> for the following parameters, as recommended by the Accreditation Panel (AP), under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** direct access, regional. The applicant received a national designated authority nomination for its accreditation application from Kenya;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or activity within a programme:** micro;<sup>2</sup>
- (d) **Fiduciary functions:**<sup>3</sup>
  - (i) Basic fiduciary standards;
  - (ii) Specialized fiduciary standard for project management; and
  - (iii) Specialized fiduciary standard for on-lending and/or blending (for loans and equity only); and
- (e) **Maximum environmental and social risk category:** minimal to no risk (Category C/Intermediation 3 (I-3)).<sup>4</sup>

3. The applicant submitted its application for an accreditation upgrade of its fiduciary functions for the specialized fiduciary standard for grant and/or funding allocation mechanisms to the Secretariat via the Online Accreditation System on 2 January 2017.

4. The Stage I institutional assessment and completeness check was completed on 20 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;
- (b) **Track:** normal track;
- (c) **Fiduciary functions:**

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<sup>1</sup> Document GCF/B.09/23.

<sup>2</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>3</sup> Decision B.07/02.

<sup>4</sup> 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".

- (i) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
- (d) **All other criteria for which the applicant was accredited:**<sup>5</sup> no change.

## II. Stage I institutional assessment and completeness check

5. 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

6. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. It was incorporated in 2001 and its wholly owned subsidiary Acumen Capital Partners LLC was registered under the Limited Liability Company Agreement of Acumen Capital Partners LLC, in accordance with the Delaware Limited Liability Company Act.

### 2.2 Institutional presence and relevant networks

7. The applicant, headquartered in the United States of America, has six investment regions (East Africa, India, Latin America, Pakistan, the United States and West Africa), and seven regional offices across the world Bogota, Colombia, London, England; Accra, Ghana; Mumbai, India; Nairobi, Kenya; and Karachi, Pakistan.

8. In order to advance the objectives of the GCF, the applicant offers long-term investments to companies, leaders and organizations to change the way the world tackles poverty. The applicant's investments have a social impact and follow a financially viable business model. The investments have a high tolerance for risk and long-term payback of capital, and they create new markets or disrupt existing markets. The entity has invested USD 110 million in over 100 companies and reached over 125 million lives since 2001.

9. Acumen Capital Partners LLC, a wholly owned subsidiary of the applicant, manages the KawiSafi Ventures Limited (KSV) fund, a USD 100 million impact fund designed to change how the world views off-grid energy access. The fund will invest across the off-grid energy ecosystem to create sustainable and scaled companies bringing clean, affordable energy to more than 15 million people in East Africa and demonstrate the efficacy of decentralized renewable power as a strategy to fight energy poverty and avert long-term climate crisis.

10. GCF has approved USD 20 million in investment capital to KSV and USD 5 million of grant capital for the KSV Technical Assistance Facility (TAF). The applicant is currently in the process of upgrading its accreditation with GCF in order to award grants through the TAF. The purpose of the TAF is to amplify the effectiveness and efficiency of KSV's investments in driving large-scale energy access and climate impact. The USD 5 million in approved GCF technical assistance funding is allocated to two broad issue areas: USD 2 million for gender-specific interventions, in support of women; and USD 3 million for consumer protection.

11. Separate from the USD 5 million in approved GCF technical assistance funding, Acumen Capital Partners LLC is also intending to raise additional technical assistance grant funding from a mix of private and public institutions. This additional funding has not yet been raised; the

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<sup>5</sup> For example, the maximum size of an individual project or activity within a programme, fiduciary functions and environmental and social risk category.

target is an additional USD 5 million. It will be focused on critical capacity-building and business development support for the KSV portfolio companies.

## 2.3 Track record

12. Acumen has almost 15 years of experience in providing funding for small and medium-sized enterprises that serve low-income communities in developing countries, primarily in Africa and the Asia-Pacific region. Acumen has financed projects that ranged between USD 20,000 and USD 5 million, with a project lifespan of 1 to 12 years. The applicant has a successful track record in sourcing and executing equity investment opportunities in the clean energy, agriculture and health-care sectors, which provide environmental and livelihood impacts, with project sizes falling within the GCF micro size category.

13. The results of its activities overlap with the results areas and impacts of the GCF in a number of areas. The applicant's activities, for example, include the distribution of solar lanterns, solar home systems, smoke-free cooking stoves and formal financial services, such as providing home improvement micro loans for low-income women and families in developing countries in Africa and the Asia-Pacific region.

## III. Stage II accreditation review assessment

14. The applicant applied under the normal track accreditation process, and was assessed against the standards of the GCF by the AP during Stage II (Step 1).

15. As part of this assessment, the AP consulted the applicant's website and websites that comment on the track record and results of impact investment funds, and websites of foundations that have invested in funds managed by the applicant.

## 3.1 Fiduciary standards

### 3.1.1 Section 5.2: Specialized fiduciary standard for grant award and/or funding allocation mechanisms

16. The applicant's current grant award activities are focused on technical assistance grants provided directly to its investee companies. The existing grant award policies and procedures require further development to enable the applicant to appropriately manage separate technical assistance facilities (TAFs), such as that approved by the Board in decision B.11/11, paragraph (v), subject to an upgrade in Acumen's accreditation type for the specialized fiduciary criteria for grant award and/or funding allocation mechanisms.

17. The applicant's current grant award policies and procedures are suitable for the grant award activities it currently undertakes. Appropriate policies, procedures and guidance are in place to undertake due-diligence exercises, the evaluation of proposals and the awarding of grants. Furthermore, appropriate procedures are in place to monitor the correct use of grant funds, to ensure that funds which are not appropriately used can be recovered, and provisions are in place to ensure that the applicant can cancel, reduce or suspend grants in cases of misuse of funds.

18. The applicant's successful track record as an investment fund manager, and the information assessed during its initial accreditation process, provide a basis to conclude that the applicant has the requisite organizational controls and competencies to successfully implement the required improvements to its grant award policies and procedures, such that it is able to meet the GCF specialized fiduciary standard for grant award and/or funding allocation mechanisms.

19. The applicant has provided a detailed action plan for the implementation of the required improvements to its grant award policies and procedures, and this plan includes specific actions and completion dates. The action plan presented by the applicant addresses the following:
- (a) Terms of reference of the Technical Assistance Committee, including composition and functions of this governing body;
  - (b) Policies and procedures for the separate administration of the TAF funds;
  - (c) Development of the TAF Operational Manual. Furthermore, the applicant provided the proposed table of contents of this manual and, if properly implemented, the proposed operational policies and procedures would meet the GCF specialized fiduciary standard for grant award and/or funding allocation mechanisms regarding the management of grants awarded;
  - (d) Policies and procedures for procurement activities related to technical assistance financed through funds under a grant award and/or funding allocation mechanism;
  - (e) Procedures for the monitoring and evaluation of technical assistance activities financed through funds under a grant award and/or funding allocation mechanism, including guidelines for periodic reviews, reporting of results and evaluation of technical assistance impact;
  - (f) Policies and procedures for the publication of the grant award activities undertaken by the TAF, including a clear definition of the information to be published, the channels to be used and the timing of reporting; and
  - (g) A policy regarding the external audit of the TAF. The applicant will include provisions in its grant award procedures to ensure that the TAFs it manages are periodically audited, and that an external audit report is available, at least, on an annual basis.

## IV. Conclusions and recommendation

### 4.1 Conclusions

20. Following its assessment, the AP concludes the following in relation to the application:
- (a) The applicant partially meets the requirements of the GCF specialized fiduciary standard for grant award and/or funding allocation mechanisms. However, upon full implementation of the action plan provided in its application, the applicant will meet the GCF requirements in relation to this standard.

### 4.2 Recommendation on accreditation

21. The AP recommends, for consideration by the Board, Acumen for an upgrade in its accreditation type as follows:

- (a) **Accreditation type:**
  - (i) **Fiduciary functions:**
    1. Specialized fiduciary standard for grant award and/or funding allocation mechanisms; 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;

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- (i) Conditions to be met prior to the first disbursement by the GCF for the first approved project/programme that has a grant award and/or funding allocation mechanism to be undertaken by the applicant:
    - 1. Fully implement all actions which are listed in the action plan provided in the “Implementation Roadmap” document as having a target completion date on or before the end of the second quarter of 2018; and
    - 2. Provide documentary evidence of the implementation of the actions mentioned above; and
  - (ii) Condition to be met within one year of the first disbursement by the GCF for an approved project/programme that has a grant award and/or funding allocation mechanism to be undertaken by the applicant:
    - 1. Provide evidence that the applicant has engaged an external auditor to review the TAF; and
  - (iii) Other condition to be met by the applicant:
    - 1. Submit the first audit report of the TAF within 120 days of year-end of the first year of TAF grant-making activity utilizing GCF funds.
22. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition(s), as identified in paragraph 21(b) above, and agrees to the recommendation.

### 4.3 Remarks

23. The action plan provided by the applicant references the TAF approved by the Board in decision B.11/11, paragraph (v), subject to an upgrade in Acumen’s accreditation type for the specialized fiduciary criteria for grant award and/or funding allocation mechanisms. It is understood, by the AP, that all of the grant award policies and procedures to be implemented under the referenced action plan, will be applicable to all TAFs developed by the applicant and funded by the GCF.