

## Annex VIII: Re-accreditation assessment of the Peruvian Trust Fund for National Parks and Protected Areas for the second accreditation term (RAPL002)

### I. Introduction

1. The Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE) is a national direct access entity located in Peru with experience in catalysing domestic and international financing for biodiversity conservation, sustainable development and climate change mitigation and adaptation actions in Peru. The accredited entity (AE) has partnered with donors at the local, national and international levels to provide stable and long-term funding to develop and implement climate change projects and programmes.

2. PROFONANPE was accredited by the Board on 26 March 2015 in decision B.09/07, paragraph (b), 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, national. The AE received a national designated authority (NDA) or focal point nomination for its accreditation application from Peru;
- (b) **Track:** fast track under the Adaptation Fund (AF);
- (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; and
  - (ii) Specialized fiduciary standard for project management; and
- (e) **Maximum environmental and social risk category:** minimal to no risk (category C).<sup>3</sup>

3. PROFONANPE applied for an upgrade in its accreditation scope which was approved in decision B.21/16, paragraph (d), for the following parameters:

- (a) **Fiduciary functions:**
  - (i) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
- (b) **Maximum environmental and social risk category:** medium risk (category B/intermediation 2 (I-2)).<sup>4</sup>

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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, 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.”

<sup>4</sup> As per the Environmental and Social Policy adopted in decision B.19/10, category B is defined as “Activities with potential limited adverse environmental and/or social risks and impacts that individually or cumulatively, are few, generally site-specific, largely reversible, and readily addressed through mitigation measures,” and intermediation 3 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 impacts that are few, generally site-specific, largely reversible, and readily addressed through mitigation measures; and includes no activities with potential significant adverse environmental and social risks and impacts that, individually or cumulatively, are diverse, irreversible, or unprecedented.”

4. PROFONANPE signed its accreditation master agreement (AMA) with GCF on 19 July 2016, which became effective on 10 October 2016. With the AMA having become effective, the AE's first accreditation term was from 10 October 2016 to 9 October 2021. Due to the COVID-19 virus pandemic and in line with decision B.26/01, para. (h), the AE requested for, and was issued, an extension in the deadline to submit its re-accreditation application to GCF from 9 July 2020 to 9 October 2021. The AE submitted its application for re-accreditation to GCF via the digital accreditation platform on 10 August 2021. Accreditation fees were not applicable since the AE is seeking re-accreditation for the same accreditation scope that it was previously accredited for. Stage I was completed on 25 November 2021 and the applicant was progressed to the stage II (step 1) accreditation review by the AP, which has been concluded with the publication of this assessment.

5. The AE has applied for re-accreditation for the same accreditation scope that it was previously accredited for:

- (a) **Access modality:** direct access, national. The NDA or focal point nomination from Peru for the AE's first accreditation term remains in effect for the re-accreditation application;
- (b) **Track:** fast track under the AF;
- (c) **Maximum size of an individual project or activity within a programme:** micro;
- (d) **Fiduciary functions:**
  - (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:** medium risk (category B/ I-2).

## II. Stage I institutional assessment and completeness check

6. The AE was eligible for, and applied under, the fast-track re-accreditation process as an AF entity. 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, B.12/30, B.14/09, B.15/09, B.17/13, B.18/05, B.19/14, B.22/09, B.23/13, B.24/11, B.26/01, B.29/05 and B.30/05, and in accordance with the GCF policies and standards to the extent applicable to accreditation below:

- (a) "Updated Strategic Plan for the Green Climate Fund: 2020–2023" (decision B.27/06);
- (b) "Matters related to the accreditation framework" regarding the re-accreditation process (decisions B.24/13, para. (a), and B.26/01, para. (h), respectively);
- (c) "Guiding Framework and Procedures for Accrediting National, Regional and International Implementing Entities and Intermediaries, Including the Fund's Fiduciary Principles and Standards and Environmental and Social Safeguards" (decision B.07/02);
- (d) "Guidelines for the Operationalization of the Fit-for-purpose Accreditation Approach" (decision B.08/02);
- (e) "Policy on Prohibited Practices" (decision B.22/19);
- (f) "Anti-Money Laundering and Countering the Financing of Terrorism Policy" (AML/CFT Policy) (decision B.18/10);
- (g) "Policy on the Protection of Whistleblowers and Witnesses" (decision B.BM-2018/21);

- (h) “Environmental and Social Management System: Environmental and Social Policy” (decision B.19/10);
- (i) “Revised Environmental and Social Policy” (decision B.BM-2021/18);
- (j) “Comprehensive Information Disclosure Policy of the Fund” (decision B.12/35) regarding the disclosure of environmental and social (E&S) risk information; and
- (k) “Updated Gender Policy and Gender Action Plan 2020–2023” (decision B.24/12).

## 2.1 Legal status, registration, permits and licences

7. The AE provided documents on its establishment and licences to operate, where relevant, as a part of the application. [The AE confirmed that there had been no change in its legal status or licences to operate since the original accreditation application.]

8. As indicated in paragraph 4 above, the AE and GCF entered into the AMA for the AE’s first accreditation term from 10 October 2016 (date of AMA effectiveness) to 9 October 2021. With the deadline for the re-accreditation application submission having been extended until the end of the accreditation term at the request of the AE, the AE’s accreditation term has lapsed as of 9 October 2021 since its re-accreditation application was submitted at the end of the first accreditation term. As the AE has sought re-accreditation prior to the end of its first accreditation term, it shall remain designated as an AE during the period between its first and, if re-accredited and having a signed and effective amended and restated AMA, second accreditation terms.

9. Once re-accredited, the AE’s AMA would need to be amended and restated to account for the re-accreditation decision and any conditions of re-accreditation based on the AP’s assessment of the AE against the GCF standards and policies listed in paragraph 6 above, as well as to reflect the GCF policies and standards adopted by the Board that have become effective since the agreement between the GCF and the AE of the AMA for its first accreditation term.

10. The AE confirmed at the time of publication of this recommendation that it is willing to engage with GCF on amending and restating the AMA to account for new GCF policies that have become effective after the agreement between the GCF and AE of the AMA for the first accreditation term and that it will put in the necessary resources to review the draft amended and restated AMA.

## 2.2 Accredited entity performance in contributing to GCF programming results

### 2.2.1 **Approved GCF projects under implementation and national designated authority participatory monitoring**

11. The GCF-funded project “Building the Resilience of Wetlands in the Province of Datem del Marañón, Peru” (FP001) is presently the only ongoing funded activity with PROFONANPE as the AE. This pioneering mixed, micro-size project, which is the first project approved by GCF, was signed under the funded activity agreement in March 2017 and the first disbursement started in June 2017. The original USD 9.1 million in funding included USD 6.24 million in grants from GCF and USD 2.97 in co-financing (USD 1.8 million from the Korean International Cooperation Agency (KOICA) and USD 1.17 million from PROFONANPE). As of 31 December 2020, the project had spent USD 3.22 million: USD 2.04 million from GCF, USD 0.49 million from KOICA and USD 0.78 million from PROFONANPE.

12. The project has been under implementation since 2017 and is in the fourth year of a five-year implementation period. It has four components and is expected to contribute to the

GCF institutional core indicators by reducing greenhouse gases (GHG) resulting from deforestation and forest degradation by 1.3 megatonnes of carbon dioxide equivalent (MtCO<sub>2</sub>eq) for five years, and by improving the resilience to climate change and livelihoods of 20,400 beneficiaries from 120 mostly indigenous communities. It is also expected to contribute to improved resilience of 338,000 hectares (ha) of ecosystems and ecosystem services by recovering indigenous knowledge, strengthening natural resource management, vigilance and control, and improving land-use planning, governance and monitoring. With respect to the mitigation indicator, the project started the process for calculating carbon stock when 9,120 beneficiaries from 76 communities and neighbouring lands had been included in project activities and when the number of hectares of improved resilience of ecosystems and ecosystem services reached over 200,000 ha.

13. As a result of the formidable geography, institutional capacities and changes, evolution of GCF technical and administrative requirements, and differences in vision and culture among project stakeholders and participants, the project has experienced a number of setbacks during the first 2.5 years, which resulted in technical and financial sub-execution and low efficiency. Several mid-term goals had not been met at the point when the project had less than five months to closure. The annual performance report (APR) for 2018 indicated shortcomings or non-compliance with important planning processes and documents relating to stakeholder engagement, gender, social safeguards and the grievance mechanism.

14. The 2019 APR indicated concern about progress in relation to GCF environmental and social policies and safeguards; the status of carbon accounting; the need to be aware of the quality of the consultation process; the risk of benefits being captured by elite groups and the exclusion of some groups within the communities; the need for greater work with women leaders to improve inclusion; and the need to focus the grievance redress process on traditional, simple and accessible processes that are well-known and accepted by the communities.

15. However, since October 2019, owing to the changes in PROFONANPE leadership and field personnel and the large number of urgent tasks that were undertaken to reorient and reorganize the project, there has been increased institutional technical support, improved supervision and monitoring, adaptive management in the field, and improved coordination and relationships with local stakeholders have permitted the project to make up much lost ground, despite being hampered by the COVID-19 virus pandemic. There has been some progress in project implementation and delivery.

16. As noted in the interim evaluation report, the project has faced a lot of challenges, missing most of its mid-term targets. Key challenges include the following:

- (a) Weak project design assumptions at the funding approval stage;
- (b) Challenging geographical, socioeconomic, political and social context based on the remoteness and isolation of the project area and under-estimation of the local terrain and logistical needs leading to delays in implementation;
- (c) PROFONANPE institutional capacities and changes;
- (d) Changes in government and policies;
- (e) Evolution of GCF technical and administrative requirements and weak institutional capacities to adapt to the legal requirements;
- (f) Differences in vision and appreciation of the contextual challenges between KOICA and PROFONANPE co-financing constraints and limited capacity of the executing entities; and
- (g) The COVID-19 virus pandemic, which has also restricted travel and on-the-ground activities.

17. Proactive adaptive management has played a key role in project implementation and includes improved PROFONANPE administrative and supervisory procedures, increased institutional technical support, improved supervision and monitoring, reorganization of the bio-business component, and the hiring of more technical personnel and a more effective field team. Despite recent improvements, however, attaining the overall project goals is unlikely in the original time frame due to the large delays during the first 2.5 years. PROFONANPE has already submitted an extension request for an additional 21 months and 21 days based on the interim evaluation recommendation and approved by the Secretariat in December 2021.

18. **PROFONANPE as a delivery partner for the GCF Readiness and Preparatory Support Programme** In addition to its role as an AE, PROFONANPE is a delivery partner for the GCF Readiness and Preparatory Support Programme (Readiness Programme).

- (a) There are three grants under the Readiness portfolio, with one completed (PER-RS-002) and two under implementation being managed under the United Nations Office for Project Services (PER-RS-003 and PER-RS-00). The three approved grants are valued at USD 1.46 million, of which USD 960,000 has been disbursed. The readiness support delivered by PROFONANPE to date has been strategically geared towards strengthening the capacities of the entity to better manage future GCF investments during all project stages, either as an implementing or executing entity. Initial readiness support focused on positioning PROFONANPE to undertake more specialized fiduciary functions, such as grant awarding, and to achieve an accreditation upgrade of its environmental and social risk to category B. Through the completed grant (PER-RS-002), PROFONANPE's technical team benefited from a series of training sessions focused on (i) climate change, (ii) project management, (iii) monitoring and evaluation, (iv) environmental and social safeguards (ESS) and gender policy, among others. Under this initial grant, the direct access entity also received support to update its Manual of Operations and Procedures to ensure alignment with the GCF fiduciary standards and GCF interim ESS standards. Updating the Manual of Operations and Procedures also included the formation of an independent Ethics Committee to ensure that all of PROFONANPE's staff, consultants and project teams abide by its code of ethics;
- (b) Building on changes implemented using its initial support, PROFONANPE secured a subsequent readiness grant which focused on addressing the following key institutional gaps: (i) carrying out an audit of the environmental and social management system (ESMS) focused on institutional management effectiveness; (ii) increasing staff capacity for project design, institutional and project quality management, impact evaluation, applied statistics for monitoring, procurement specialization, and gender safeguards implementation; (iii) acquiring GIS software, ICT equipment and training to prepare project-related materials. In its most recent Readiness grant (PER-RS-005), PROFONANPE benefited from further strengthening its capacity to prepare for its upgrade in its accreditation scope. Key activities included a gap analysis and development of corresponding operational guidelines as well as updating PROFONANPE's institutional documents to be more aligned with GCF policies. This grant also included provisions for the development of an indigenous peoples engagement and mainstreaming plan for PROFONANPE; and
- (c) Implementation of the Readiness portfolio is generally satisfactory, although the portfolio is characterized by time extensions. Two grants currently under implementation have received two no-cost extensions each, including a COVID-19 blanket extension granted by GCF as an adaptive management strategy due to the pandemic. Overall, both projects have been extended for an average of 12 months – almost double their original duration.

19. **Reporting:** Insofar as quality and timeliness of APRs, overall Profonanpe has been providing its APRs per terms and conditions as included under the AMA and the applicable FAAs.
- (a) Overall, across both the funded activity and Readiness portfolios, PROFONANPE has largely not met reporting timelines stipulated in the funding agreements. Overall reporting by the AE has often been delayed, with 90 per cent of reports submitted late; and
- (b) For the Readiness portfolio, in terms of reporting timeliness, PROFONANPE has submitted three interim progress reports; the reports were submitted with some delay (<2 months on average) mostly due to the rescheduling of the original submission in order for the delivery partner to be able to submit a disbursement request. However, the quality of reporting under the Readiness portfolio is very satisfactory. Supporting documentation is always provided in a clear and efficient manner, while the turnaround time for additional clarifications as requested by United Nations Office for Project Services is short.
20. **Overall Performance:** Overall, the key performance parameters of PROFONANPE's performance on the first approved project are low in terms of the results delivery, disbursement rates, and also below average in terms of timely reporting for all reporting obligations when compared with other AEs. This is due to limited technical advances (about 60 per cent) and financial execution (about 56 per cent). This result is largely a product of underperformance during the first 2.5 years, especially of Components 1 and 2, followed by an uptick in project technical and financial performance during 2020, when project technical and financial performance, especially that of Component 3, improved notably.
21. Despite initial delays, the project is only gradually getting back on track with regards to project implementation (based on the 2020 APR and the interim evaluation report). It is noteworthy that, as the first approved project by GCF, it represents a learning experience for both GCF and the AE. Although implementation progress was limited during the first 2.5 years of the project (due to flaws in design, and inadequate supervision and governance), administrative changes and the hiring of a new field team have resulted in significant progress since the end of 2019. There is hope that an extension of the project would allow for the completion of project activities and meeting planned outcomes. The AE is encouraged to continue with the proactive adaptive management measures that can help to speed up project implementation.
22. For the Readiness portfolio, the projects are already completed but reports have not yet been submitted.
- 2.2.2. Inclusion of the work programme in the country programme, concept notes, funding proposals and Project Preparation Facility requests**
23. **Country programme/entity work programme:** As per the current country programming guidelines, only accredited regional direct access and international access entities are to develop an entity work programme. As a national direct access entity, PROFONANPE's engagement plan with GCF is incorporated in the Peru country programme. Peru's portfolio with the GCF includes one approved project with PROFONANPE. The country programme for the first replenishment period of GCF considers one project with PROFONANPE, identified as "Peruvian Amazon Eco Bio Business Facility (Amazon EBBF)". The funding proposal was received by the Secretariat in April 2021 and is under review.
24. **Concept notes/funding proposals:** PROFONANPE has two concept notes in the public sector pipeline for a total project value of USD 21 million seeking GCF funding of USD 18.86 million.

### 2.2.3. Risk flags incurred by the projects, accredited entity or country during the first accreditation term

25. **Financial risk:** At the time of the interim evaluation, approximately 3.5 years into the project cycle, budget execution was at 41 per cent, and the project has only made three out of five disbursement requests and will not be able to draw down on disbursements as its closing date has passed. Low financial efficiency (expenditures/annual operating budget programmed) is associated with underperformance during the first 2.5 years related to inadequate project supervision and turnover of personnel.

26. **Operational risk:** Due to frequent institutional changes, the project has had three project teams (field teams) since 2017 and although the second project team had experience in implementing conservation projects in rural areas, it did not have experience with indigenous communities in the Amazon. Also, the move of the project office from San Lorenzo to Yurimaguas distanced the project team from the local communities. In 2019, coupled with political changes in the country, PROFONANPE underwent institutional restructuring, where a new Executive Director was appointed with a total renewal of the project team, in order to fulfil PROFONANPE's commitments to the project objectives. This had important repercussions on the implementation of activities, reinforced by management difficulties along the way.

27. Also, the COVID-19 pandemic has had a profound impact on the Peruvian economy, travel within the country, the implementation and effectiveness of local and regional institutions, and the presence of the project team in the project area. Due to government-imposed travel restrictions, since October 2019, the current field team has spent 11 months in the project area and visits by PROFONANPE's technical support team from Lima have been limited to one field visit since February 2020. Periodic quarantines have prohibited travel and limited the types of meeting permitted.

28. **ESS risk:** The project has been on GCF watchlist for almost two years due to the non-completion of the action items relating to issues raised by the independent redress mechanism (IRM). In April 2019, the IRM notified the Secretariat that it had initiated a suo moto case regarding FP001. There were five action items that the IRM had requested updates on: (a) free, prior and informed consent (FPIC); (b) ESS risk categorization guidance; (c) project-specific information where the project required a qualified expert in land titling of indigenous communities to examine the impact of the Áreas de Conservación Ambiental (ACA) on collective land rights of indigenous people who are part of the project and their ongoing or future efforts to register title to those land rights; (d) FPIC documentation submitted by PROFONANPE for the establishment of the ACA is complete and compliant with the guidance; and (e) GCF's Secretariat monitoring of the above actions and updates presented to IRM. Four action items have been submitted. The action item on ACA monitoring still has a pending action; namely that, while one of the two existing ACAs has been strengthened, the other ACA is inactive, and the establishment of a new ACA is questionable due to land rights issues and the lack of resources. The AE has not been able to finalize the assessment due to the COVID-19 lockdown. The problems with the ACAs as a result of uncertainties in funding by the local municipalities and land use rights were also unanticipated as additional operational risks.

29. **Reputational risk:** Due to difference in vision and contextual differences between PROFONANPE and KOICA, it is important that adequate screening and communications with donors is undertaken to ensure that both parties are conceptually aligned, share a similar appreciation of challenges to the project, have access to information pertinent to decision-making and channels for sharing perceptions and discussing the differences that invariably arise.

30. Given the delays in project implementation and budget execution, and the good progress shown since October 2019, one recommendation of the interim evaluation was a two-year extension of the project, at no additional cost to GCF. This extension would enable the

project to continue progress towards the goals of the four components while consolidating the bases for future sustainability. Additional personnel costs entailed by the extension should be covered by PROFONANPE. The AE has accordingly submitted an extension request for 21 months and 21 days which was approved by the Secretariat in December 2021.

31. Risks and issues were identified in the 2020 APR submitted by PROFONANPE. There are opportunities for improvement in terms of compliance as well as adequate and timely reporting if/when COVID-19 related restrictions are lifted. The Secretariat will continue consultations with the AE to address the aforementioned opportunities.

### 2.3 Overall portfolio of activities of the accredited entity beyond those funded by GCF

32. As per the Updated Strategic Plan for the Green Climate Fund: 2020–2023 (USP), the re-accreditation process, and the monitoring and accountability framework, the Secretariat and the AP are requested to provide an assessment of the extent to which the overall portfolio of activities of the AE beyond those funded by GCF has evolved during the accreditation period, in order to advance the goal of GCF to promote the paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development.

33. PROFONANPE has been working to catalyse domestic and international financing for biodiversity conservation, sustainable development and climate change mitigation and adaptation actions in Peru for 25 years. PROFONANPE has managed to turn into a source of long-term funding and to build a reliable institutional mechanism to transparently manage and channel significant resources from multiple donors. During its first accreditation period with GCF, PROFONANPE established its institutional environmental, social and gender policies, together with its Manual of Operations and Procedures. Most of the projects in PROFONANPE's portfolio aim at protecting biodiversity and enhancing natural capital. Investments related to these goals increased from USD 2 million in 2016 to USD 15 million in 2020.

34. Through the AE's own 2014–2024 Strategic Plan, PROFONANPE hopes to increase its support to national efforts to counter expected scenarios of more frequent and intense climate events and enhance Peru's preparedness to climate change. PROFONANPE's new fundraising plan (for 2021–2031), developed to operationalize the goals of the National Environment Agenda, targets adaptation focusing on biodiversity protection, land use and land-use change, forestry, and water resources management. The plan also targets mitigation, with emphasis on sustainable use of forest resources, renewable energy and waste management, and continuing to work with the Ministry of Environment of Peru to meet the country's commitment to reduce its GHG emissions by 40 per cent by 2030.

35. The AE provided the following information with regard to guiding questions established in the GCF methodology for establishing a baseline of GHG emissions and climate resilience for the portfolio of AEs:<sup>5</sup>

- (a) Guiding question 1. Has the entity established policies or commitments in the short, medium or long term regarding investment in climate change projects?
  - (i) Since its accreditation, PROFONANPE has increased its portfolio of projects promoting low-emission and climate-resilient development pathways, mostly in relation to biodiversity and ecosystems conservation. There has been a continuous increase in nature-based solutions investments: from USD 2 million in 2016 to USD 15 million in 2020. This has been allocated mostly in protected

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<sup>5</sup> Document GCF/B.28/11/Add.02.



- areas (49 per cent of investments in the period), forests (16 per cent), marine zones (22 per cent) and water management zones (13 per cent);
- (ii) To date, five projects in different geographical areas are contributing to the increase of total hectares targeted by nature-based solutions. This has involves setting up of schemes for payment of environmental services, establishing conservation agreements, sustainable management of non-timber resources, restoring drug-cultivated degraded areas via reforestation, and restoration of Andean ecosystems. Up until 2020, PROFONANPE's projects had implemented nature-based solutions in 36,000 hectares in Peru;
  - (iii) By 2020, PROFONANPE had implemented thirteen projects that contributed to the adoption of climate-resilient technologies and/or practices (i.e. cooling systems; agro-pastoral practices and water management), with the number of such implemented technologies increasing from 1 in 2016 to 111 in 2020. A specific example is, in the Amazon region (through the GCF-funded project FP001), the sustainable use of aguaje and Brazil nuts by introducing agricultural management technologies to increase productivity and by engaging the local producers in preservation agreements. These actions have led to an increase in value-added activities such as processing these products in the form of aguaje pulp. Other examples include the Wetlands project that has invested in solar energy to power peeling, and pulping machines and is also powering an ice plant that helps in processing fresh fish for commercialization; watershed management, reforestation and the creation of a seed bank that supports farmers in Andean ecosystems; and, in the marine ecosystems, the use of sustainable fishing arts, the restoration of fish banks and aquaculture activities. These changes are increasing the resilience of fishing communities in two fishing areas, as well as promoting female artisanal production and its commercialization; and
  - (iv) During the first accreditation term from 2016 to 2021, PROFONANPE invested on average 57.60 per cent of its funding in climate-related projects; 27.51 per cent in non-climate related projects and 14.90 per cent in projects involving the development of rehabilitation plans for, inter alia, fossil fuel-based power and heat generation, as well as for the construction, transport and chemical sectors. With the merger between PROFONANPE and the National Environmental Fund (FONAM) in January 2020, all the remediation activities from FONAM were incorporated into PROFONANPE's portfolio. As a consequence, these non-climate related investment tends to maintain over the years.
- (b) Guiding question 2. Does the entity receive resources from third parties for the financing of climate projects?
- (i) PROFONANPE has provided substantive information on climate change related projects financed by 23 donors, such as the Global Environment Facility (GEF), US Forest Service, the World Wildlife Fund, Moore Foundation and Kreditanstalt für Wiederaufbau;
  - (ii) It has provided quantitative information on funds received over its first accreditation term (2016–2020), which totals USD 52.7 million and is distributed as follows: 39 per cent for cross-cutting activities; 52 per cent for adaptation; and 3 per cent for mitigation. As a result, the climate-related portfolio has grown from USD 4.6 million in 2016 to USD 26.4 million in 2021 (an increase of 473 per cent);
  - (iii) The AE also provided information on the relative size of the currently active portfolio of projects, indicating that 17 per cent of PROFONANPE's current

funding is climate-focused. Currently, around USD 24.7 million are invested in climate-resilient activities and more than USD 1.7 million in mitigation activities; and

- (iv) PROFONANPE has prepared a 10-year fundraising plan (2021–2031), taking into consideration Peru’s nationally determined contribution. In this regard, the plan has been elaborated by comparing the budget gaps found in the budgets of PROFONANPE’s main strategic partners (i.e. the Environment Ministry and the National Service for Protected Areas) and the goals of the National Environment Agenda. PROFONANPE, in its role as fundraiser, expects to contribute to closing that budget gap via international funds and by encouraging the participation of the private sector in environmental activities.
- (c) Guiding question 3. Does the entity calculate and reduce its GHG emissions?
- (i) PROFONANPE has calculated and offset its GHG emissions at a corporate level since 2019. A file indicating the GHG emission estimates was provided, indicating GHG emissions of approximately 11.34 tCO<sub>2</sub>eq in 2019 as a result of PROFONANPE’s operations (Scope 2) and 138.27 tCO<sub>2</sub> as indirect emissions (Scope 3). In addition, PROFONANPE reported buying carbon credits in the voluntary market to offset these emissions and indicated that calculation and purchasing carbon credits for 2020 is due in early 2022;
  - (ii) The AE’s estimates were done using the Peruvian Ministry of the Environment (MINAM) carbon calculator platform.<sup>6</sup> Under Scope 1 emissions, residential and commercial air conditioning is the major source; under Scope 2, it is electricity consumption. The AE does not yet estimate Scope 3 emissions. The AE has not adopted specific carbon footprint reduction targets; and
  - (iii) The AE has also begun to estimate the direct and indirect emission reduction impacts of its portfolio of projects. The following three PROFONANPE projects demonstrate the AE’s experience with calculating and tracking GHG emissions:
    - (1) Mitigating deforestation in chestnut concessions in Madre de Dios, Peru (2015–2019). This project is aimed at conserving and sustainably managing forests in nut concessions in order to reduce GHGs caused by deforestation and degradation. It was financed by a partnership with GEF via the Inter-American Development Bank and was managed and executed by PROFONANPE. An expert was hired in 2019 to calculate the deforestation rate and the GHG emissions before and after project implementation. As a result, it was found that the deforestation rate was lower in areas where conservation agreements and a system of incentives were put in place (1.52 ha/year) as opposed to areas where only control and vigilance activities were executed (1.55 ha/year). Furthermore, in control areas, with no project intervention, the deforestation rate was much higher (2.24 ha/year). The results show that deforestation decreased, as did GHG emissions (from 503,537 tCO<sub>2</sub>eq to 171,762 tCO<sub>2</sub>eq) in the project areas;
    - (2) Building Resilience in the Wetlands of Datem del Marañón Province, Peru (2017–2021) (FP001). This project aims at reducing GHG emissions and improving living standards for the beneficiary communities of the project. This project is funded by GCF and is managed and executed by PROFONANPE. An expert was hired to calculate the deforestation rate and the GHG emissions and

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<sup>6</sup> See <<https://huellacarbonoperu.minam.gob.pe/huellaperu/#/inicio>>.

sequestration before and after project implementation. As a result, it was found that the project intervention resulted in 234,106,975.44 tCO<sub>2</sub>eq stored within the forest ecosystem (9.18 per cent of the total carbon stock sequestered by the Datem del Marañón Province). Reduction in GHG emissions is estimated at 55 per cent and attributed to the project intervention (comparing emissions during the periods 2007–2016 and 2010–2017); and

- (3) Peru Heritage Initiative Transition Fund for the natural protected areas of the Amazon biome (2019–2029). This project aims at strengthening the effective management of 38 natural protected areas of the Peruvian Amazon biome by creating the required enabling conditions in an 11-year period to secure its perpetual financial and technical sustainability. The project is funded by GEF, the World Wildlife Fund, Moore Foundation and the Andean Amazon Fund, and managed by PROFONANPE. Although a baseline indicator has not yet been calculated, it is expected that the National Service for Natural Protected Areas (SERNANP) will estimate the loss of forest cover in the natural protected areas within the Amazon biome, with the information reported by the Ministry of Environment annual reports.
- (d) Guiding question 4. Does the entity evaluate the climate risks of its portfolio?
- (i) PROFONANPE began to assess climate change vulnerability in 2018. Two projects (“Adaptation to the impacts of climate change on Peru’s coastal marine ecosystem and fisheries” and “Ecosystem Profile for the Tropical Andes Biodiversity Hotspot” project) have been assessed, representing 5 per cent of the AE’s portfolio.
- (e) Guiding question 5. What are the main sectors of activity of the entity?
- (i) Energy: transformation of the energy mix from fossil fuel to solar renewable energy for the implementation of bio-businesses. For example, for the production of ice to preserve fresh fish and for the production of palm oil;
- (ii) Forest management: best practices for harvesting palm fruits, carbon credit sales for protected areas;
- (iii) Fisheries: management plans to adjust and establish quotas depending on the seasonality and changes in the weather. Development of special fishing techniques to avoid catching juvenile stock. Design of early warning systems to mitigate possible impacts (for example, El Niño or La Niña);
- (iv) Agriculture: restoration of traditional agriculture techniques to protect crops; and
- (v) Water: implementation of payment for ecosystem services.
- (f) Guiding question 6. Is the entity investing in mitigation projects/operations?
- (i) Yes, PROFONANPE currently invests in mitigation-focused activities and t in cross-cutting activities, including promoting bio-businesses and the use of renewable energy.
- (g) Guiding question 7. Is the entity investing in adaptation projects/operations?
- (i) Yes. During the first accreditation term from 2016 to 2021, project beneficiaries that have increased their resilience to climate change due to PROFONANPE’s projects increased from 138 in 2016 to 15,271 in 2021. Initiatives that help improve people’s resilience include provision of equipment and training.

36. On the basis of the information presented by the AE, which has been analysed as part of the re-accreditation assessment, the AP notes the following:
- (a) As part of its strategic planning, PROFONANPE is reviewing the scope of its areas of intervention to identify budget gaps of the Peruvian climate change policy. The strategic direction of the AE aligns with the GCF mandate and objectives and the USP to promote the paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development and efforts to eradicate poverty;
  - (b) As stated under guiding question 1 above, the AE was not involved in fossil fuel financing in the past, other than rehabilitation plans, and no activities of this kind are planned for implementation in the future; and
  - (c) As stated under guiding question 2 above, the climate change projects' share in the overall portfolio of PROFONANPE is increasing and currently totals 17 per cent of the funding portfolio, with ample margin for further growth.
37. The AP considers that the evidence provided for the first accreditation term demonstrates the continuous positive trend of developing climate change adaptation, mitigation and cross-cutting activities. Both the strategy and the trend of activities are aligned with the GCF mandate and objectives.

### III. Stage II accreditation review assessment

38. The AE is eligible for, and applied under, the fast track re-accreditation process as an AF entity. Its application has been assessed by the AP during stage II (step 1) against the accreditation standards of the GCF and gaps identified in decision B.08/03, in accordance with the re-accreditation requirements to the extent applicable to accreditation identified in paragraph 6 above.
39. As part of this assessment, the AP consulted the AE's website and third-party websites to complement the information provided in the application.

#### 3.1 Fiduciary standards

##### 3.1.1. Basic fiduciary standards: key administrative and financial capacities

40. PROFONANPE did not have any conditions with regards to the basic fiduciary standards on key administrative and financial capacities recommended by the AP for the first accreditation term.
41. As per paragraph 38, the GCF basic fiduciary standards concerning key administrative and financial capacities are considered to have been met by way of fast track re-accreditation. In light of the timeline for the AF's fast-track re-accreditation of PROFONANPE (June 2021) on the basis of GCF's accreditation of the AE for its first accreditation term, the AP conducted reviews where changes have taken place in the AE's systems, policies, procedures and capacities, and reviewed the AE's recent track record in implementing the requirements of the GCF basic fiduciary standards for key administrative and financial capacities.
42. At the time of the AP's assessment for the AE's first accreditation term, the AP noted that the AE had implemented appropriate managerial and administrative processes and procedures developed with substantial financial and technical support from international development agencies. In the re-accreditation review, the AP noted that, during the first accreditation term, continuing technical and financial support from the GCF and other organizations (notably Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH) has

allowed the AE to further strengthen its systems, policies, processes and procedures, and to create an enabling structure and project management framework for future projects.

43. PROFONANPE's absorption of (merger with) the FONAM was announced under an emergency decree in January 2020. PROFONANPE's board and management identified risks and mitigation plans associated with the merger. The AP reviewed FONAM's 2020 audited financial statements and PROFONANPE's 2019 and 2020 audited financial statements, all of which contained unqualified audit opinions. The AP noted that FONAM's financial accounts will be incorporated in PROFONANPE's audited financial statements for the first time in 2021. Noting that AEs are required under their AMA to share their annual financial statements with the GCF, PROFONANPE's consolidated audited financial statements will be reviewed during the mid-term accreditation review during the second accreditation term if approved by the Board.

44. An organizational restructuring that included creating several new senior management positions, driven by PROFONANPE's 2020 strategic plan and the need for financial sustainability, has positioned PROFONANPE for broader impact and influence. During the latter part of the first accreditation term, key governance enhancements and initiatives included the introduction of an Ethics Committee and the development of a fit-for-purpose code of ethics. In addition, an internal audit function (Integrity and Compliance Office) was recently created.

45. In addition to board-level reporting against objectives that include portfolio and project management and funding and organizational priorities, in recent times, management-level monthly reporting was supplemented by weekly reporting as an intervention to mitigate against concerns about project-level performance and disbursements.

46. The AE's Audit Committee has matured in delivering its mandate and fulfilled its responsibilities with respect to external audit oversight; however, the AC has not yet demonstrated oversight of the new internal audit function.

47. The AE's internal audit function (Integrity and Compliance Office) was designed and established in 2020/21 and its terms of reference (TOR) have been drafted but are yet to be approved. The qualified and experienced staff member recently recruited to manage the function is in the process of developing ways of working that will allow the function to demonstrate its independence and compliance with international internal auditing standards and to establish a track record in generating reports and tracking its findings for management and for the Audit Committee. In addition, the current TOR includes direct responsibility for risk, compliance and certain policies, which may compromise its independent internal audit role. The AE has the capacity to operationalize its new internal audit processes, and after that its track record may be demonstrated via an independent evaluation against its TOR and internationally recognized standards.

48. Concerning the basic fiduciary standards on key administrative and financial capacities regarding procurement, the AE, with support from the GCF Readiness Programme, finalized and introduced a new Operations Manual (Manual de Procesos de PROFONANPE) in October 2021. This Operations Manual documents and builds on existing practices and processes to ensure clarity for staff and other stakeholders, and promotes consistency and compliance. The AE shared examples from the first accreditation term of effective procurement using legacy systems and ways of working. The AP notes that implementation of the Operations Manual (2021) and the procurement procedures that it contains will ensure a continuing track record.

49. The AP finds that the AE's policies, procedures and capacity partially meet the basic fiduciary standards on key administrative and financial capacities; furthermore, the AP finds that the AE's track record is insufficient. The relevant gaps are identified in paragraphs 46 and 47 and are reflected by a corresponding condition for re-accreditation in section 4.2.

### 3.1.2. Basic fiduciary standards: transparency and accountability

50. PROFONANPE has fulfilled and closed conditions with regards to basic fiduciary standards on transparency and accountability recommended by the AP and approved by the Board in its decision to accredit the AE for the first accreditation term.<sup>7</sup>

51. As per paragraph 38, the GCF basic fiduciary standards concerning transparency and accountability are considered to have been met by way of fast-track re-accreditation, with the exception of items 4.2.3, policies on prohibited practices and the protection of whistleblowers and witnesses, 4.2.4, investigation function, and 4.2.5, AML/CFT policies. In light of the timeline for the AF's fast-track re-accreditation of PROFONANPE (June 2021) on the basis of GCF's accreditation of the AE for its first accreditation term, the AP conducted reviews where changes have taken place in the AE's systems, policies, procedures and capacities, and reviewed the AE's recent track record in implementing the requirements of the GCF basic fiduciary standards for transparency and accountability.

52. The AE, partly with GCF Readiness Programme support, has established a comprehensive revised code of ethics and guidelines for preventing conflicts of interests with clear roles and responsibilities. The code of ethics was approved by PROFONANPE's board in December 2021. In addition, an independent Ethics Committee was established to oversee the code of ethics; however, the committee has not yet convened. As a result, the AE's track record in implementing its code of ethics and Ethics Committee TOR is yet to be demonstrated.

53. Concerning standards on the disclosure of conflict of interests, the AE has robust guidelines operating in practice to prevent conflicts and disclosures. The AE shared examples to demonstrate its track record in implementing declarations and disclosures by staff members, including procurement at the project level. The AE indicated that it had no recent examples of declared potential/perceived conflict of interests; therefore, its handling of disclosures has not been tested.

54. Regarding systems for preventing financial mismanagement, the AE's systems and policies, supported by processes and procedures for preventing financial mismanagement, are well articulated and published on the AE's website, along with whistleblowing mechanisms and an outline of investigative processes, confirming the AE's capacity in this area. In addition, the AE has handled project compliance issues. The AE reported that no specific substantiated complaints related to financial mismanagement and prohibited practices have had to be investigated.

55. The AE's website<sup>8</sup> features a statement of zero tolerance for conflict of interest, fraud, corruption, financial mismanagement and any other form of malpractice, a code of ethics, Guidelines for Preventing Conflicts of Interest and Guidelines for Preventing and Fighting Corruption.

56. The AE's investigative process is well established, and the remit for overseeing the investigative process is well documented in the draft TOR of the Integrity and Compliance Office. The AE shared a summary of the investigation process prepared for publication on its website to inform potential complainants and whistle-blowers.

57. Regarding anti-money laundering and anti-terrorist financing, reports are prepared annually for regulatory authorities; the Financial Intelligence Unit of the Superintendency of Banking, Insurance and Private Pension Fund Administrators of Peru and the Peruvian Agency for International Cooperation. The AE shared recent examples of such reports.

58. The AE's revised AML/CFT policy was approved by its board in December 2021 and included processes for internal reporting. The AE's documented policies, systems, processes and procedures meet GCF basic fiduciary standards on transparency and accountability related to AML/CFT and the GCF AML/CFT Policy, and the AE has the capacity and competency to

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<sup>7</sup> Refer to document GCF/B.11/03.

<sup>8</sup> See the section on integrity and transparency <<https://profonanpe.org.pe/en/integridad/>>.

implement the revised procedures. However, the AE's track record can only be demonstrated over time.

59. The AP finds that the AE's policies, procedures and capacity fully meet the basic fiduciary standards on transparency and accountability, and to the extent applicable to accreditation, the GCF Policy on Prohibited Practices,<sup>9</sup> the GCF Policy on the Protection of Whistleblowers and Witnesses, and the GCF AML/CFT Policy. However, the AP finds that the AE's track record is insufficient. The relevant gaps are identified in paragraphs 52 and 58 and are reflected by the corresponding conditions for re-accreditation in section 4.2.

### 3.1.3. Specialized fiduciary standard for project management

60. PROFONANPE did not have any conditions with regards to the specialized basic fiduciary standard for project management recommended by the AP for the first accreditation term.

61. As per paragraph 38, the specialized fiduciary standard for project management is considered to have been met by way of fast track re-accreditation. In light of the timeline for the AF's fast-track re-accreditation of PROFONANPE (June 2021) on the basis of GCF's accreditation of the AE for its first accreditation term, the AP conducted reviews where changes have taken place in the AE's systems, policies, procedures and capacities, and reviewed the AE's recent track record in implementing the requirements of the specialized fiduciary standard for project management.

62. The AE has one GCF-funded project (FP001). APRs and review information from the Secretariat indicate delays in project implementation, technical and financial performance concerns, risk of project non-completion within the current contractual period, and a proposed project extension.

63. The AP noted that the AE's systems and procedures have further evolved during the first accreditation term, drawing on external expertise and GCF Readiness Programme support. A notable initiative is the finalization of the Operations Manual (2021) covering all areas of project management.

64. Ensuring operational procedures that represent past and emerging good practices are documented and ensuring revised policies are operationalized/implemented has been identified as a strategic priority by PROFONANPE.

65. Concerning standards for project oversight and control, oversight of implementation and financial performance, monitoring and evaluation, project risk management, project closure and reporting/publication of lessons learned, the AE's newly issued Operations Manual (2021) is expected to standardize and strengthen processes and procedures. The AE has the capacity to continue to implement and adapt existing processes and further demonstrate its track record.

66. In addition to the AE's track record under FP001, the AP reviewed a sample of project reports and evaluations for non-GCF-funded projects, including the GEF and World Wildlife Fund mid-term evaluations.

67. The AP finds that the AE's policies, procedures and capacity, supported by evidence of its track record, fully meet the specialized fiduciary standard for project management.

### 3.1.4. Specialized fiduciary standard for grant award and/or funding allocation mechanisms

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<sup>9</sup> Decision B.22/19 and annex XIV thereto.

68. As indicated in paragraph 3, PROFONANPE's accreditation scope was upgraded to incorporate the specialized fiduciary standard for grant award and/or funding allocation mechanisms. As part of the upgrade application assessment, the AP noted the track record that the AE has gained as a fund manager with international donor funds; however, at the time of the upgrade assessment in 2018, procedures and processes had only been recently documented, and the AE's track record in implementing the procedures could not be fully demonstrated. As a result, the upgraded accreditation scope included conditions requiring annual attestations from external auditors on non-duplication of grant awards for the same activities or retroactive awards and compliance with grant award procedures. The conditions are to be met starting from the date of the first disbursement by GCF for the first approved project/programme that has a grant award and/or funding allocation mechanism to be undertaken by the AE, and the AE is to provide the aforementioned information on an annual basis for three consecutive years from the said starting date. Given that PROFONANPE has yet to have a project/programme (either approved for GCF funding or that is in its portfolio outside of GCF funding) that includes a grant award and/or funding allocation mechanism, the AP recommends that these conditions remain in place during the second term of accreditation until PROFONANPE has a project/programme with grant award or funding allocation mechanism components. PROFONANPE is currently developing a funding proposal to be submitted to GCF that includes a grant award component.

69. Since the upgrade in accreditation scope, the AE has developed a comprehensive Operations Manual (2021) covering all aspects of project cycle management, including managing grant awards. The implementation of this new manual and its standardized processes and procedures is expected to lead to further improvements.

70. The AP finds that the AE's policies, procedures and capacity, supported by evidence of its track record, fully meet the specialized fiduciary standard for grant award and/or funding allocation mechanisms, subject to meeting the conditions that were recommended by the AP and approved by the Board in the upgraded accreditation scope during the first accreditation term.

### 3.1.5. **Specialized fiduciary standard for on-lending and/or blending (for loans, equity and/or guarantees)**

71. The AE did not apply for accreditation for this standard at this time.

## 3.2 Environmental and social safeguards

72. PROFONANPE did not have any conditions with regards to the GCF interim environmental and social safeguards (ESS) standards recommended by the AP for the first accreditation term with the accreditation scope of a maximum E&S risk category C/intermediation 1, nor for the upgrade for a maximum E&S risk category B/intermediation 2.

### 3.2.1. **Environmental and social policy**

73. The AE's senior management first adopted its environmental and social policy (ESP), which constitutes a set of environmental and social safeguards (ESPs), in November 2017. Its goal is to avoid, mitigate and manage potential adverse environmental and social impacts and risks that may result during programme and project implementation; and to improve the environmental and social benefits and opportunities for the involved local populations. The implementation of the ESP is the responsibility of the Research and Development Office (OID). The ESP has been disseminated within the AE's organization, and related staff training programmes have been undertaken.



74. The ESP incorporates eleven performance standards to guide implementation based on domestic law and international standards required by international multilateral and bilateral institutions. These include the performance standards 1–8 of the International Finance Corporation and additional performance standards, as follows: 1. Evaluation and management of environmental and social impacts and risks; 2. Compliance with regulations; 3. Biodiversity conservation; 4. Climate change; 5. Pollution prevention; 6. Stakeholder’s involvement and participation; 7. Gender approach; 8. Indigenous or Native Peoples; 9. Cultural heritage; 10. Involuntary resettlement and/or restrictions to the use of renewable natural resources; and 11. Occupational safety.

75. Regarding performance standard 8 on indigenous peoples, PROFONANPE has adopted an indigenous or native peoples policy and a corresponding action plan, both of which include FPIC requirements, in line with Peru’s legislation on FPIC (Law No. 29785). PROFONANPE’s policy also establishes that in case of indigenous or native peoples in isolation or in initial contact, the Peruvian regulations and protocols in this regard will be used, such as the law for the protection of indigenous or native peoples in a situation of isolation and in an initial contact situation (Law No. 28736).

76. The current project portfolio of PROFONANPE does not have carbon-intensive projects. On the contrary, around 17 per cent of PROFONANPE’s current portfolio has directly promoted climate-resilient activities and the use of renewable energy. That includes FP001, that deploys solar photovoltaics and energy storage system technologies to source ice-making plant that enhance fish commercialization bio-businesses. In 2020, PROFONANPE absorbed and merged with FONAM, which was aimed at the management and remediation of environmental liabilities, especially those caused by extractive industries. In that sense, far from promoting or funding projects using fossil fuels or promoting extractive industries, PROFONANPE is working on mitigating past environmental impacts.

77. The AP finds that the AE’s environmental and social management system, comprising the environmental and social policy and the indigenous or native peoples policy, supported by evidence of its track record, fully meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation and the GCF interim ESS standards<sup>10</sup> for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8.

### 3.2.2. Identification of environmental and social risks and impacts

78. PROFONANPE’s institutional process and procedure to identify E&S risks and impacts is consistent with good international industry practice, and its ESMS shows how it can support the implementation of performance standards 1–8 of the GCF interim ESS standards. The management of E&S risks includes screening, risk assessment, ESMS clearance, and management and monitoring and evaluation, based on the evaluation of the 11 PROFONANPE ESPs and three risk categories for projects/programmes. The risk categories in use by PROFONANPE are in line with the three-tier GCF E&S risk categories in the GCF Revised Environmental and Social Policy (i.e. E&S risk levels A/I-1, B/I-2 and C/I-3). An environmental and social evaluation document is issued for each project/programme assessed.

79. As evidence of its track record on the identification of E&S risks and impacts, the AE provided documents for two projects categorized as moderate risk (category B) and one category C, as follows: (i) the “Adaptation to the Impacts of Climate Change on Peru’s Coastal Marine Ecosystem and Fisheries” project (risk category B with PROFONANPE as the national implementing entity; approved by the AF in 2016); (ii) FP001 (risk category C with PROFONANPE as the AE; approved by GCF in 2015); and (iii) the “Securing the Future of Peru’s Natural Protected Areas” project (risk category B with the World Wildlife Fund – US Chapter as the implementing agency and PROFONANPE as one of the executing agencies; approved by GEF

<sup>10</sup> Decision B.07/02 and annex III thereto.

in 2017). The sample project documents include the E&S risk assessment and management procedure, carried out in line with the ESMS as well as with the applicable donor safeguards, and examples of checklists and templates that reflect the requirements of PROFONANPE's performance standards 1–11. The financing instruments include grants.

80. The AP finds that the AE's system of identification of E&S risks and impacts, supported by evidence of its track record, fully meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation and the GCF interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8.

### 3.2.3. Environmental and social management programme

81. Since the AP's assessment for the AE's first accreditation term, the AE has adopted new E&S risk guidelines to strengthen its ESMS towards greater alignment with GCF E&S risk requirements. Additional changes and improvements involved the development of an Environmental and Social Safeguards Manual (ESSM), adopted in 2021 and consisting of an updated set of policies, standards, procedures and management processes compared with its original Manual of Operations and Procedures from 2018. The main changes involved the procedures detailed below and the governance structure of the ESP implementation, which is detailed in section 3.2.6 below.

82. The ESSM describes the institutional processes in place to manage E&S risk and impact mitigation measures and actions stemming from the E&S risk identification process in a comprehensive and consistent, coherent and transparent manner. The ESSM includes (i) an environmental and social assessment report and risk category identification; (ii) a comprehensive environmental and social impacts assessment; (iii) an environmental and social management plan (ESMP) setting out the project mitigation measures, including GHG emissions and climate change risks; (iv) measures necessary to incorporate the gender perspective in the implementation of the programme/project; (v) measures necessary to involve stakeholders in the implementation of the programme/project; and (vi) an action plan regarding indigenous peoples impacted by the project. The ESSM also contains a set of indicators, including on actions with the potential to reduce emissions and increase climate resilience, such as "Actions to promote the sustainable use of resources" and "Actions to reduce deforestation".

83. Regarding track record, the AE provided sample ESMP reports for the "Adaptation to the Impacts of Climate Change on Peru's Coastal Marine Ecosystem and Fisheries" project financed by AF and the "Mitigating deforestation in chestnut concessions in Madre de Dios, Peru" project, approved in 2017. Both are E&S risk category B projects.

84. The AE will conduct an external audit of the effectiveness of the management of mitigation measures in its ESMS through a 5-year evaluation of the performance level of PROFONANPE in compliance with the ESP, due at the end of 2023. In addition, PROFONANPE plans to evaluate the operation of the ESMS annually, starting in 2022.

85. The AP finds that the AE's E&S risk management programme fully meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation and the GCF interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8.

### 3.2.4. Monitoring and review

86. PROFONANPE's main instrument for monitoring a project's ESMS is a project-specific ESMP or an environmental and social management framework, which establishes the project's risk management strategy. PROFONANPE's ESSM document describes the contents of the ESMP and how the ESMP is monitored, including two template tables for monitoring the plan: one for

tracking the implementation of the mitigation measures; and another with the protocol for monitoring and evaluation of the effectiveness of the plan (including indicators).

87. PROFONANPE provided evidence on its track record: two sample E&S risk monitoring reports and two samples of independent evaluation reports for category B projects comprising ecosystem conservation, climate change adaptation and reduction of deforestation.

88. The AP finds that the AE's system of E&S risk-related monitoring and review, supported by evidence of its track record, fully meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation and the GCF interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8.

### 3.2.5. External communications, consultations, information disclosure and grievance redress mechanism at the institutional level

89. PROFONANPEs ESSM includes a guideline for E&S risk information disclosure that the AP finds consistent with the GCF Information Disclosure Policy regarding E&S risk information disclosure requirements for a maximum E&S risk category B/I-2 projects/programmes. In addition, the AE has a website for overarching external communications through which it shares information on projects and receives E&S risk-related information requests and complaints for projects/programmes that it manages and finances. Regarding public consultation, the ESP contains specific provisions on “Stakeholder’s involvement and participation”, and the ESSM contains specific indications on the inclusion of local populations in the decision-making process throughout the programme/project cycle, which includes the design, implementation and monitoring stage.

90. Regarding the AE's track record on implementing its disclosure policy for projects financed by the GCF, PROFONANPE has not yet submitted a funding proposal categorized as E&S risk category B/I-2 to GCF. Nevertheless, the ESMP, the Environmental and Social Analysis of Bio-businesses, the Complaint and Grievance Procedure Manual, and the stakeholders' involvement plan of the only project currently financed by GCF (FP001) are publicly available on the PROFONANPE website.<sup>11</sup>

91. Since the AP's assessment for the AE's first accreditation term, the AE has adopted new E&S risk guidelines to strengthen its grievance redress mechanism (GRM) process, procedures and competencies towards greater alignment with GCF E&S risk requirements. Additional changes and improvements involved the development of the Complaint and Grievance Procedure Manual, containing information such as the avenues/channels of communication and the internal procedures and competencies to screen, assess and, as needed, address E&S risk-related issues raised through a complaint tracking matrix. Changes further involved the establishment of the PROFONANPE ESMS GRM – referred to as “PROFONANPE cares” – which can be accessed online, in person at the documents filing desk or during field visits to the territories where the interventions are implemented.

92. The procedure for the resolution of complaints and grievances is managed by the Compliance and Integrity Office, a control unit that is supervised by the Board of Directors. The compliance and integrity officer is in charge of ensuring compliance with the process for handling complaints and grievances. The resumé of the Compliance Official was made available by the AE. Currently, an online form and a relevant mailing address for complaints are easily accessible on the PROFONANPE website.

93. At the project level, the AE has published the operational procedures of the project-level grievance mechanism, describing with great detail the complaints handling process, indicating time frames for each process and indicating the teams involved in receiving and handling

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<sup>11</sup> See <<https://profonanpe.org.pe/proyectos/construyendo-resiliencia-en-los-humedales-de-laprovincia-datem-del-maranon-peru/>>.

complaints. According to this document, the project-level grievance mechanism will receive grievances in the complainants' native language and provide interpretation when necessary. Additionally, the procedures state that the project-level grievance mechanism was designed through a participatory process involving various relevant stakeholders.

94. Regarding GCF-funded projects, currently PROFONANPE only has FP001. As stated in the project's GRM procedures, it is the project implementation team located in San Lorenzo and the strategic direction based at the AE's headquarters in Lima that receive and handle complaints. However, the AP notes that the GRM should be managed with independence from the organization's management, in order to secure the legitimacy and effectiveness of the GRM. Additionally, according to the APR 2020 for FP001, the project-level GRM was not yet operational in 2020. Considering that the project entered the implementation phase in 2017 and that 68 per cent of the GCF funding has been disbursed as at 31 December 2021, it is concerning that the project has lacked a project-level grievance mechanism.

95. A sample document on the project-level GRM was provided, consisting of a logbook of cases received and respective response measures taken in the past three years for projects Castañas and Humedales, which are not GCF-funded. To date, the AE received and managed 12 queries, 29 grievances and two suggestions relating to the aforementioned projects. However, the AE has not made these or other complaints registered publicly available.

96. The AP finds that the AE's system of external communications, consultations, information disclosure and its GRM, supported by evidence of its track record, partially meet the GCF Revised Environmental and Social Policy to the extent applicable to accreditation, the GCF interim ESS standards and the GCF Information Disclosure Policy regarding E&S risk information disclosure requirements for the maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8. The relevant gaps identified in paragraphs 94 and 95 are reflected by the corresponding conditions for re-accreditation in section 4.2.

#### **3.2.6. Organizational capacity and competency**

97. PROFONANPE has provided an organizational chart that describes the roles, responsibilities, reporting lines and authority of its experts, including their competencies in implementing the ESMS. The project-related environmental and social functions, including compliance and operation of the ESMS and the indigenous peoples and native peoples policy, are the responsibility of the OID, created in 2020. In addition, the AE provided a list of personnel with qualifications to manage environmental and social issues, including the environmental specialist, the social specialist and the policy specialist. Project oversight and supervision are assumed by the Head of the OID, which supervises the work of the environmental, social and policy specialists.

98. The AE also provided evidence that ESMS training for PROFONANPE's Directors and general staff and an in-depth course for project staff were organized online (due to COVID-19) in 2021.

99. The AP finds that the AE's organizational capacity and competency to implement the ESMS, supported by evidence of its track record, fully meet the GCF Revised Environmental and Social Policy to the extent applicable to accreditation and the GCF interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8.

### **3.3 Gender**

100. An institutional gender policy (IGP) was approved in June 2021 by the AE's executive management. The IGP includes the institutional commitment on promoting equality between women and men in the exercise of their rights and development opportunities and puts into place principles and requirements for embedding a gender-responsive approach into projects/programmes. The IGP further institutionalizes the mainstreaming of the gender approach at the institutional level and of the programmes and projects, which was already considered in PROFONANPE's ESP approved in 2017. Also, the IGP is reinforced by the updated ESSM, because it includes gender safeguards to be applied at the programme/project level in the diagnostic phase, in the identification, analysis and definition of risks and impacts, and during the elaboration of the ESMP. Furthermore, the IGP is complemented by an equity, diversity and inclusion policy, approved in December 2020, with guidelines on equal opportunities and non-discriminatory, fair and impartial treatment of people within the organization and in the territories where its interventions are implemented.

101. At the institutional level, PROFONANPE has adopted gender-sensitive and responsive procedures, tools, guidance and checklists to implement its gender policy that the AP finds are in line with the GCF Updated Gender Policy, including the joint implementation of E&S risk and gender policies that promote stakeholder engagement while fostering gender equality. As an example, PROFONANPE's Complaint and Grievance Manual includes in its typology of complaints those related to participation and gender, and also considers elements of gender diversity.

102. The IGP will be jointly implemented by the diversity team (responsible for developing the gender action plan), together with the OID, responsible for ESP implementation and monitoring. The AE's diversity team was created on 13 April 2021, consisting of seven staff from different departments. This team will submit biannual reports to the OID to document the implementation of the institutional policies associated with diversity, equality and inclusion. As well as overseeing the implementation of the IGP, the OID is also responsible for hiring an independent external evaluator to assess the overall compliance to the ESP every five years.

103. Regarding capacity, PROFONANPE provided the resumés of staff involved in the implementation of the gender policy, including the OID social specialist and personnel at the project level.

104. Regarding track record, the AE provided a sample of two project examples for category B/I-2, and one example for category C/I-3 regarding E&S safeguards assessment that integrates a gender perspective in projects involving climate change adaptation in wetlands; ecosystem conservation in natural protected areas; and climate change adaptation in coastal marine ecosystem and fisheries. The AE also provided a sample of three project/programme-level gender assessments and gender action plans for these projects, and updates to the programme/project gender baseline, indicators, targets, gender assessment and gender action plan, during implementation for two of them. FP001 has had an acceptable performance in relation to gender aspects, as evidenced in the AE's promotion of women's participation in the Directive Boards of the associations involved in the project and support to a few associations that are led by women. However, as the project aims to promote so-called bio-businesses, so far these have disproportionately less participation by women. To improve this, the AE has identified the need to actively promote female leadership in community affairs, the development of bio-enterprises aimed at women, and further inclusion in activities.

105. Regarding knowledge generation, the AE provided information on gender-relevant knowledge products developed in the context of two projects – one on climate change adaptation in wetlands and another on Brazil nuts harvesting – which have been disseminated widely, including a video, a study report and social media posts.

106. The AP finds that the AE's gender policy, procedures, capacities and competencies, supported by evidence of its track record, fully meet the updated GCF Gender Policy to the extent applicable to accreditation.

## IV. Conclusions and recommendation

### 4.1 Conclusions

107. Following its assessment, the Secretariat concludes the following in relation to the application with respect to the potential to continue in the role of an AE and to support the mandate and objectives of GCF: the AE can continue to contribute to GCF in implementing its Updated Strategic Plan for 2020–2023 with respect to:

- (a) Alignment of the AE's GCF portfolio and pipeline with the climate-related national priorities identified in Peru's GCF country programme;
- (b) Enabling country ownership through the AE's ability to channel GCF funding under the national direct access modality;
- (c) Contribution to the adaptation and mitigation balance in the GCF portfolio because the AE has the ability to implement adaptation projects; and
- (d) Supporting diversity in GCF results areas such as health and food and water security, forestry and land use, ecosystems and ecosystems services, and livelihoods of people and communities.

108. Following its assessment, the AP concludes the following in relation to the application with respect to the AE's ability to meet the GCF accreditation standards for which it is seeking re-accreditation and an upgrade in accreditation scope:

- (a) The AE partially meets the requirements of the GCF basic fiduciary standards on key administrative and financial capacities, and on transparency and accountability; and to the extent applicable to accreditation, the GCF Policy on the Protection of Whistleblowers and Witnesses, the GCF Policy on Prohibited Practices, and the GCF AML/CFT Policy. Relevant gaps are identified in paragraphs 46, 47, 52 and 58 above and refer to TORs and operations of the internal audit function, code of ethics implementation, and aspects of investigations procedures. Said gaps are addressed by corresponding conditions in section 4.2 below;
- (b) The AE fully meets specialized fiduciary standards for project management, and the specialized fiduciary standards for grant award and/or funding allocation mechanisms (subject to meeting conditions recommended by the AP and approved by the Board for the first accreditation term);
- (c) The AE partially meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation, GCF interim ESS standards and the GCF Information Disclosure Policy on disclosure of E&S risk information in relation to the medium E&S risk (category B/I-2). The gaps relate to providing evidence of a fully independent GRM at the institutional level, and maintaining and routinely updating a public record of all grievances and complaints handled by the GRM for GCF-funded projects/programmes. The gaps are identified in paragraphs 94 and 95 and are addressed by corresponding conditions in section 4.2 below; and
- (d) The AE has demonstrated that it has a policy, procedures and competencies in order to implement its gender policy, which is found to be consistent with the updated GCF Gender Policy to the extent applicable to accreditation, and has demonstrated that it has experience in gender consideration in the context of climate change.

## 4.2 Recommendation on re-accreditation

109. The AP recommends, for consideration by the Board, PROFONANPE for re-accreditation for its second term 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;
    - (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>12</sup>); and
- (b) **Conditions:** the AE 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 by the AE prior to the effectiveness of the amended and restated AMA during stage III of the re-accreditation process:
    - (1) Delivery to the GCF of evidence confirming board approval of the AE's Charter or TOR of the Integrity and Compliance Office and a risk-based internal audit plan for 2022; and
    - (2) Delivery to the GCF of evidence of the establishment of a fully independent project-level grievance redress mechanism which shall include:
      - a. The designation by the AE of an individual to serve as the GRM Focal Point separate from the AE's Focal Point for GCF or other personnel handling project design and implementation;
      - b. The public disclosure of the details of the relevant mandate/policies of the GRM, and the personnel operating the GRM; and
      - c. The decision-making processes and procedures that will govern the handling of complaints; and
  - (ii) Condition to be met by the AE not later than 24 months after the Board decision on re-accreditation:
    - (1) Delivery to the GCF of:
      - a. (i) The approved minutes of one meeting of the Ethics Committee, and (ii) one annual activity report prepared by the Ethics Committee for the President of the AE's General Assembly; and

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<sup>12</sup> As per the GCF Revised Environmental and Social Policy adopted in decision B.BM-2021/18, 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."

- b. One quarterly report prepared for its Executive Director in line with the AE's AML/CFT Policy, which shall include confirmation that policy training has been provided to staff and stakeholders; and
- (iii) Condition to be met by the AE on an annual basis for two consecutive years, starting with financial year 2022:
  - (1) Delivery to the GCF of evidence that a public record of all grievances and complaints handled by the GRM for GCF-funded projects/programmes is maintained and routinely updated; and
- (iv) Condition to be met by the AE on submission of the next mid-term accreditation report:
  - (1) Delivery to the GCF of:
    - a. A summary of internal audit findings and recommendations for the period of 24 months prior to the submission by the AE of the mid-term accreditation report, and the status of their implementation, that has been presented to the AE's Audit Committee; and
    - b. Written confirmation by the AE's Audit Committee or an external opinion confirming that the AE's internal audit function is operating according to its charter and to internationally recognized standards.

110. The AE has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 109 above, and agrees to the recommendation.

### 4.3 Remarks

111. The AP encourages the AE to ensure that the TOR of the Integrity and Compliance Office provides maximum independence from management and from direct responsibility for policies and processes.

112. The AP encourages the AE to ensure that open procurement processes are clearly labelled on its website and that policies and communications are clear that integrity-related whistleblowing and complaints mechanisms on the AE's website can be used for procurement dispute resolution.

113. The AE is already making steps to ensure the TOR for its investigation function and summary of its investigation process are published on the "Integrity and Transparency" page of its website.

114. The AP encourages the AE to seek, through a GCF Readiness and Preparatory Support Programme request made by the NDA, support to address the accreditation conditions identified in paragraphs 109(b)(i)(2), 109(b)(iii), and 109(b)(iv) above.