



**GREEN  
CLIMATE  
FUND**

**Meeting of the Board**  
12–14 October 2016  
Songdo, Incheon, Republic of Korea  
Provisional agenda item 13(c)

**GCF/B.14/16**  
6 October 2016

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# Consideration of accreditation proposals

## Entities recommended at the fourteenth meeting of the Board

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### **Summary**

This document presents accreditation proposals for entities based on applications received up to 31 August 2016 for consideration by the Board at its fourteenth meeting.

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## **I. General mandate**

1. In decision B.08/02, paragraph (a), the Board recalled at its eighth meeting that all entities, including international, regional, national and subnational entities, can apply for accreditation to the GCF. A description of the accreditation process is contained in annex II to this document.
2. This document presents accreditation proposals for international access entities based on applications received up to 31 August 2016 for consideration by the Board.

## **II. Recommended action by the Board**

3. It is recommended that the Board:
  - (a) Takes note of the information presented in document GCF/B.14/16 titled “Consideration of accreditation proposals – entities recommended at the fourteenth meeting of the Board”; and
  - (b) Approves the draft decision presented in annex I to this document.

## **III. Linkages with decisions and other documents**

4. This document has actual or potential linkages with the following items:
  - (a) “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);
  - (b) “Guidelines for the operationalization of the fit-for-purpose accreditation approach” (decision B.08/02);
  - (c) “Gender policy and action plan” (decision B.09/11);
  - (d) “Assessment, including gap analysis, of institutions accredited by other relevant funds” (decision B.08/03);
  - (e) “Identification of relevant potential international private sector best-practice fiduciary principles and standards and environmental and social safeguards” (decision B.08/05);
  - (f) “Country programming, readiness and preparatory support” (decision B.13/32);
  - (g) “Application documents for submissions of applications for accreditation” (decision B.08/06);
  - (h) “Policy on fees for accreditation” (decision B.08/04);
  - (i) “Comprehensive information disclosure policy of the Fund” (decision B.12/35);
  - (j) “Consideration of accreditation proposals” (decisions B.09/07, B.10/06 and B.12/30);
  - (k) “Legal and formal arrangements with accredited entities” (decision B.09/08);
  - (l) “Report on the implementation of legal and formal arrangements with accredited entities” (document GCF/B.11/Inf.09);
  - (m) “Accreditation master agreements” (decision B.12/31);
  - (n) “Investment framework” (decision B.07/06);
  - (o) “Initial results management framework of the Fund” (decisions B.07/04 and B.08/07);
  - (p) “Use of other financial instruments” (decision B.08/12);

- (q) “Private Sector Facility: working with local private entities, including small and medium-sized enterprises” (decision B.09/09);
- (r) “Private Sector Facility: potential approaches to mobilizing funding at scale” (decision B.09/09);
- (s) “Interim policy on fees for accredited entities” (annex II to decision B.11/10);
- (t) “Initial monitoring and accountability framework for accredited entities” (decision B.11/10);
- (u) “Consideration of accreditation proposals – overview of accreditation” (document GCF/B.14/10);<sup>1</sup>
- (v) “Strategic plan for the Green Climate Fund” (decision B.12/20);
- (w) “Strategy on accreditation” (decision B.13/19);
- (x) “Strategy on accreditation” (document GCF/B.14/09);<sup>2</sup> and
- (y) “Progress and outlook report of the Readiness and Preparatory Support Programme” (document GCF/B.14/Inf.06).<sup>3</sup>

#### IV. Recommendations for accreditation

5. Four applicants (applicants 039 to 042) are presented for accreditation for consideration by the Board at its fourteenth meeting (B.14) (see annexes III–VI). Following the process applied for the review of applications recommended for the twelfth meeting of the Board, the Accreditation Panel (AP) continued to conduct virtual meetings to conclude its recommendations on applicants under the Stage II (Step 1) review.

6. The applicants include one entity applying under direct access and three public sector entities applying under international access.

7. The applicants have been found by the AP to be able to operate across a broad range of activities, ranging from small<sup>4</sup> to large<sup>5</sup> scale projects or activities within a programme; using resources to manage and implement projects in the case of all four entities, and additionally to award grants and on-lend and blend for three of the entities; and medium Category B/Intermediation 2 (I-2)<sup>6</sup> environmental and social risk levels for three of the entities and Category A/Intermediation 1 (I-1)<sup>7</sup> for one entity. Three of the four entities meet the gender

<sup>1</sup> To be considered by the Board its fourteenth meeting.

<sup>2</sup> As footnote 1 above.

<sup>3</sup> As footnote 1 above.

<sup>4</sup> As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), “small” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above USD 10 million and up to and including USD 50 million for an individual project or an activity within a programme”.

<sup>5</sup> As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), “large” is defined as “total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 250 million for an individual project or an activity within a programme”.

<sup>6</sup> As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), category B is defined as “Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures” and intermediation 2 is defined as “When an intermediary’s existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented”.

<sup>7</sup> As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), category A is defined as “Activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented” and intermediation 1 is defined as “When an intermediary’s existing or proposed portfolio includes,

requirements of the GCF. The fit-for-purpose approach continues to provide flexibility with which to match applicant objectives and capacity on the one hand to the objectives and requirements of the GCF on the other.

8. Two of the four applicants fully meet the accreditation requirements of the GCF relevant to the scope of their applications. In all other cases - where the applicant does not fully meet the requirements of the GCF - the AP recommends conditions for these applicants on how to address these aspects by improving or further developing their policies, procedures and competencies, for which technical support for direct access entities could be sought from the GCF. Such conditions, which should be implemented punctually, prior to the first disbursement from the GCF, have been proposed predominantly for fiduciary reasons in order to strengthen monitoring, project cycle management activities and external communications and disclosure of information, and – in the case of one applicant – to adopt a gender policy. The AP also provides a small number of remarks related to a financial management manual.

9. The applicants are presented in this document, as contained in annexes III–VI, for consideration by the Board for accreditation.

## **V. Overview of pipeline of applicant entities and accredited entities**

10. Since the opening of the call for applications for accreditation on 17 November 2014 and up to 31 August 2016, 183 entities have been issued with accounts on the Online Accreditation System,<sup>8</sup> the web-based portal through which applicants submit their applications for accreditation.<sup>9</sup> Of these, 111 applications have been submitted, including those of the 33 AEs. The distribution of applications received as at 31 August 2016 is provided in the section “Number of entities at each stage” available on the GCF website<sup>10</sup> and is summarized in figure 1 below.

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or is expected to include, substantial financial exposure to activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented”.

<sup>8</sup> Available at <<https://accreditation.gcfund.org/>>.

<sup>9</sup> In decision B.07/02, paragraph (o), the Board requested the AP, in collaboration with the Accreditation Committee and the Secretariat, to report annually to the Board on the status of applications for accreditation.

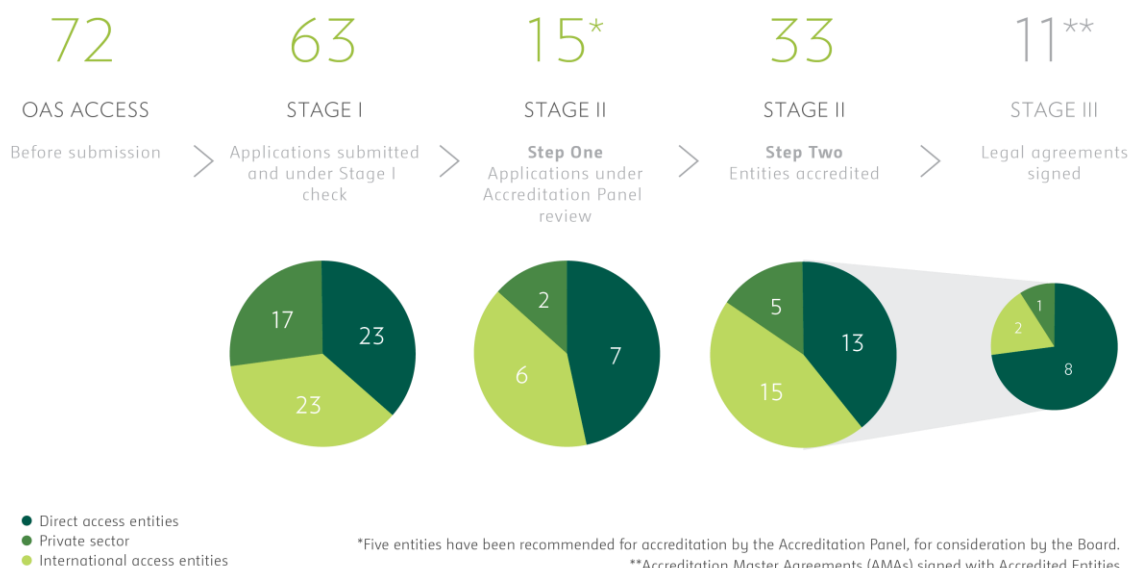
<sup>10</sup> The “Number of entities at each stage” is updated on a monthly basis and is available at <<http://www.greenclimate.fund/partners/accredited-entities>>. Monthly information is available from 30 September 2015 onwards.

**Figure 1: Status of accreditation applications (as at 31 August 2016)**

As of 31 August 2016

TOTAL PIPELINE OF ACCREDITED ENTITIES AND ENTITIES SEEKING ACCREDITATION:

183



**Abbreviation:** OAS = Online Accreditation System.

## Annex I: Draft decision of the Board

The Board, having considered document GCF/B.14/16 titled “Consideration of accreditation proposals – entities recommended at the fourteenth meeting of the Board”,

- (a) Takes note with appreciation of the assessments conducted by the Secretariat and the Accreditation Panel contained within the relevant annexes for the following applicants:
- (i) Applicant 039 (APL039) is the South African National Biodiversity Institute (SANBI) based in South Africa, as contained in annex III;
  - (ii) Applicant 040 (APL040) is the Food and Agriculture Organization of the United Nations (FAO) based in Italy, as contained in annex IV;
  - (iii) Applicant 041 (APL041) is the International Fund for Agricultural Development (IFAD) based in Italy, as contained in annex V; and
  - (iv) Applicant 042 (APL042) is the Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO) based in the Netherlands, as contained in annex VI; and
- (b) Accredits APL039, APL040, APL041 and APL042 pursuant to paragraph 45 of the Governing Instrument for the GCF, and subject to, and in accordance with, the assessment by the Accreditation Panel contained in the relevant annexes for each of the applicants. A summary of the recommended accreditation types and conditions and/or remarks, if any, for each applicant is contained in annex VII.

## **Annex II: Accreditation process**

1. Given the urgency and seriousness of climate change, the purpose of the GCF is to make a significant and ambitious contribution to the global efforts towards attaining the goals set by the international community to combat climate change.<sup>1</sup> In the context of sustainable development, the GCF will promote the paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries in order to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change, taking into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change.<sup>2</sup>
2. The GCF will provide simplified and improved access to funding, including direct access, basing its activities on a country-driven approach, and will encourage the involvement of relevant stakeholders, including vulnerable groups and addressing gender aspects.<sup>3</sup>
3. Access to GCF resources will be through national, regional and international implementing entities accredited by the Board. Recipient countries will determine the mode of access and both direct and international access modalities can be used simultaneously.<sup>4</sup>
4. An accreditation process has been developed in accordance with the GCF initial guiding framework for accreditation,<sup>5</sup> and is applied with a fit-for-purpose approach.<sup>6</sup>
5. The general objective of this guiding framework is to enable a coherent integration of the initial fiduciary principles and standards<sup>7</sup> and the interim environmental and social safeguards<sup>8</sup> with the accreditation process of the GCF and its related operational systems and procedures, including the organizational structure and governance system dedicated to supporting it.
6. The accreditation process of the GCF is based on three main stages as follows:
  - (a) Stage I: national designated authority or focal point nomination for accreditation application (for entities applying under the direct access track) and institutional assessment and completeness check;
  - (b) Stage II: accreditation review and decision; and
  - (c) Stage III: final arrangements.
7. Decision B.08/02, paragraph (d), and decision B.08/06, paragraph (b), requested the Secretariat to finalize the relevant accreditation application documents and to open a call for submission of accreditation applications from implementing entities and intermediaries within four weeks of the eighth meeting of the Board. To implement this decision, the Secretariat developed a process consistent with the initial guiding framework for accreditation to receive and review applications as described in figure 2. This process ensures transparency and traceability for the applicants and the Board.
8. The Secretariat, in accordance with decision B.09/07, paragraph (i), has published on its website, as a part of its operations manual, documents related to the assessment of

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<sup>1</sup> Governing Instrument, paragraph 1.

<sup>2</sup> Governing Instrument, paragraph 2.

<sup>3</sup> Governing Instrument, paragraph 31.

<sup>4</sup> Governing Instrument, paragraph 45.

<sup>5</sup> Annex I to decision B.07/02 (annex I to document GCF/B.07/11).

<sup>6</sup> Annex I to decision B.08/02 (annex I to document GCF/B.08/45).

<sup>7</sup> Annex II to decision B.07/02.

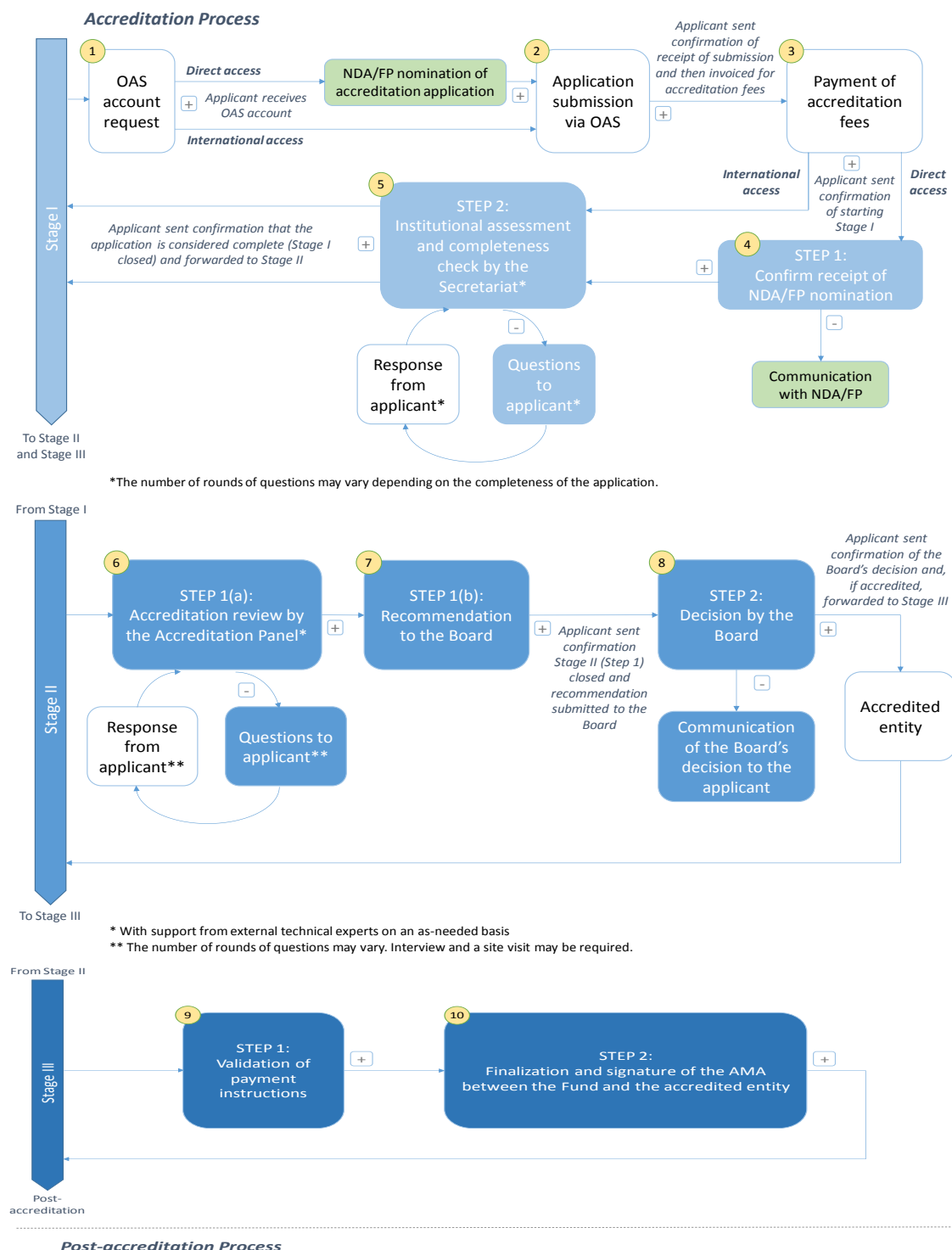
<sup>8</sup> Annex III to decision B.07/02.





accreditation applications, such as standardized checklists that reviewers use in the Stage I institutional assessment and completeness check and the Stage II (Step 1) accreditation review.<sup>9</sup>

**Figure 2: Accreditation process flow chart**



Abbreviations: AMA = accreditation master agreement, FP = focal point, NDA = national designated authority, OAS = Online Accreditation System

<sup>9</sup> The Stage I and Stage II checklists are available at <<http://www.greenclimate.fund/partners/accredited-entities/accreditation#process>>.

## Annex III: Accreditation assessment of Applicant 039 (APL039)

### I. Introduction

1. Applicant 039 (APL039), the South African National Biodiversity Institute (SANBI), is a national entity and a research institute that coordinates research, monitors and reports on the state of biodiversity in South Africa. The applicant also provides planning and policy advice and pilots management models. It has developed and implemented climate-resilient projects that deliver multiple and sustainable benefits to communities in an effort to respond to local adaptation needs and national climate change priorities. The applicant has achieved this by mobilizing financial resources from various sources, including multilateral financial institutions.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 1 July 2015. The Stage I institutional assessment and completeness check was completed on 10 February 2016 and was progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** direct access, national. The applicant received a national designated authority nomination for its accreditation application from South Africa;
- (b) **Track:** fast-track under the Adaptation Fund (AF);
- (c) **Maximum size of an individual project or activity within a programme:** small;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - 1. Basic fiduciary standards;
  - 2. Specialized fiduciary standard for project management; and
  - 3. Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
- (e) **Maximum environmental and social risk category:** medium risk (Category B/Intermediation 2 (I-2)).<sup>3</sup>

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

3. The applicant is eligible for, and applied under, the fast-track 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 and B.12/30.

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<sup>1</sup> As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), “small” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above USD 10 million and up to and including USD 50 million for an individual project or an activity within a programme”.

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

<sup>3</sup> As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), category B is defined as “Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures” and intermediation 2 is defined as “When an intermediary’s existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented”.

## 2.1 Legal status, registration, permits and licences

4. The Secretariat reviewed the information provided by the applicant regarding its legal status as well as relevant and applicable registrations, permits and licences. SANBI was established through the signing into force of the National Environmental Management: Biodiversity Act (Act 10 of 2004) of South Africa.

## 2.2 Institutional presence and relevant networks

5. The applicant meets its responsibilities related to facilitating the full diversity of South Africa's fauna and flora, and builds on internationally respected programmes in the areas of conservation, research and education in partnership with other stakeholders. Within the framework of the National Environmental Management: Biodiversity Act, the purpose of SANBI is to provide for:

- (a) The management and conservation of biological diversity within South Africa;
- (b) The sustainable use of indigenous biological resources; and
- (c) The fair and equitable sharing among stakeholders of benefits arising from bio-prospecting involving indigenous biological resources.

6. The applicant has partnered with the government, municipalities, the private sector, civil society organizations and local communities in South Africa to deliver climate change mitigation and adaptation.

7. The applicant seeks accreditation to the GCF in order to support efforts to promote the paradigm shift towards low-emission and climate-resilient development pathways in South Africa. The applicant seeks to contribute to the objectives of GCF by leveraging its experience in mainstreaming biodiversity in the areas of agriculture, water, ecosystem services, climate information and early warning systems. Particular focus will be given to building resilience in vulnerable communities, and strengthening the capacity of local institutions to enable the scaling up and replication of interventions.

## 2.3 Track record

8. The applicant mobilizes financial resources from its national and international partners to alleviate the impacts of climate change in South Africa through the implementation of biodiversity projects. Over the last few years, the applicant has implemented projects that support national and local climate change adaptation and mitigation priorities by building resilience to climate change in vulnerable communities.

9. Current activities related to climate change implemented by the applicant in South Africa include:

- (a) USD 59 million for the "Mainstreaming biodiversity into land use regulation and management at the municipal scale" project;
- (b) USD 7.5 million for the "Building resilience in the Greater uMngeni Catchment" project; and
- (c) USD 2.4 million for the "Taking adaptation to the ground: a small grants facility for enabling local level responses to climate change in South Africa" project.

## III. Stage II accreditation review assessment

10. The applicant is eligible for, and applied under, the fast-track accreditation process as an AF entity. Its application has been assessed against by the Accreditation Panel (AP) during Stage II (Step 1) against the standards of the GCF in accordance with the requirements and gaps identified in decisions B.08/03, B.10/06 and B.12/30.

11. As part of this assessment, the AP consulted the applicant's website and third-party websites to complement the information provided in the application.

### 3.1 Fiduciary standards

#### 3.1.1 **Section 4.1: Basic fiduciary standards: key administrative and financial capacities**

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

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

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

14. Regarding item 4.2.4, the applicant has a policy, which guides it in terms of decisions related to fraud and fraudulent activities. In addition, specific guidelines that outline the applicant's investigation structure are available on its intranet for easy access and reference. The investigation function is structurally independent from the applicant's management and has a designated committee that is responsible for the administration, revision and interpretation of the fraud prevention policy. The applicant has a fraud hotline number and maintains a fraud disclosure register, in which disclosure methods, allegations, sanctions, status and other information are recorded. There are provisions for employees to report on fraud and corruption cases by contacting the chief compliance officer or informing their direct supervisors, or via the whistle-blower hotline. The internal advisory committee decides on the merits of each reported case and initiates the investigation process. The investigation is carried out internally or externally by designated SANBI officials, internal auditors or designated forensic auditors, respectively. The alleged fraud disclosure registers are available to the public on request.

15. Concerning AML/CFT policies, the applicant clarified that it does not have a stand-alone AML policy and provided a detailed explanation of how its practices are aligned with South African legislation and banking processes in this regard. The applicant also provided several legislation documents, which, as a national entity, it is legally obliged to follow. The documents contain the conditions for the exclusion of money laundering, terrorist financing practices and other fraudulent activities. In addition, the applicant provided an official letter signed by the SANBI chief executive officer confirming that SANBI adheres to the relevant GCF interim policy on prohibited practices, its principles and list of prohibited practices.

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

16. As per paragraph 10 above, the specialized fiduciary standard for project management is considered to have been met by way of fast-track accreditation.

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

17. The applicant has a substantial track record in adaptation projects and programmes developed under various grant award mechanisms in cooperation with national authorities, as well as international organizations.

18. Since 2002, the applicant has been participating in the Critical Ecosystem Partnership Fund, a non-governmental facility established and funded by several international organizations to safeguard the world's threatened biodiversity hotspots in developing countries. The applicant has invested in two biodiversity projects in South Africa and has performed a coordination role for them, which was highly commended by the Fund's management.

19. In addition, the applicant manages the implementation of the Foundational Biodiversity Information Programme, a grant programme that funds the generation, management and dissemination of foundational biodiversity knowledge and information. Funding for this programme is provided by the government.

20. The applicant's grant award mechanism procedural framework was strengthened following the applicant's accreditation as a national implementing entity (NIE) for the AF in 2011. The applicant led the development of an investment framework for the AF in South Africa, and successfully identified and developed two project proposals, which were subsequently approved by the AF.

21. The competitive grant award mechanism funded by the AF includes clear operating procedures for evaluating proposals and awarding grants, clearly defined eligibility criteria, as well as due diligence and procurement procedures. These procedures will be tailored to GCF requirements and will be applied to the GCF-funded projects/programmes with some minor updates.

22. All decisions relating to the grant awards are governed by the steering committee, which is a high-level committee comprising representatives from several governmental departments, the applicant and a non-governmental organization coalition called the Adaptation Network. The committee also plays a high-level oversight role for ensuring compliance with relevant safeguards.

23. The process of awarding grants is based on the applicant's close cooperation with municipalities, which involves the participation of the specialized independent technical advisory groups and high-level grant award committee. The process is undertaken in four steps:

- (a) SANBI identifies the projects in cooperation with local municipalities, and checks whether the project is in line with the regulations and the current work undertaken in the area;
- (b) The designated technical advisory group, together with the environmental and social risk assessment panel, assesses whether the project is in line with SANBI project criteria and environmental and social safeguards (ESS);
- (c) The SANBI secretariat accepts the project proposal and established performance criteria; and
- (d) The executing entity prepares a recommendation for the SANBI grant award programme steering committee, which has to endorse the final recommendation.

24. The projects funded by the GCF would be monitored by the applicant in accordance with its newly established process manual. Since the process manual is newly established, the applicant has not yet been able to demonstrate a track record in applying the manual (e.g. the periodic monitoring reports in accordance with the new manual for the two projects recently approved by the AF are expected to be prepared in late 2016).

25. Overall, following the assessment, it has been concluded that the grant award mechanisms implemented by the applicant are mature and well-established.

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

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

## 3.2 Environmental and social safeguards

### 3.2.1 Section 6.1: Policy

27. The applicant adheres to the national laws in implementing South Africa's obligations under international environmental and biodiversity laws. Additionally, in its role as an NIE for the AF, the applicant has developed a suite of operational processes and policies that together make up the elements of its environmental and social policy. One of its key policy guidance documents includes an environmental and social risk management framework (ESRMF) approved at the NIE steering committee meeting in September 2015. The ESRMF includes a comprehensive statement of the applicant's environmental and social (E&S) objectives and principles guiding the institution, and defines the responsibility of the NIE to ensure compliance with the GCF interim ESS, including performance standards 1 to 8, as well as with national legislation. The applicant's policies related to ESS matters are available on its website, indicating that they are communicated to all levels within the organization.

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

28. The applicant's ESRMF describes its institutional process to guide its staff in identifying E&S risks and impacts, including an E&S categorization framework for projects/programmes as they evolve over the project life cycle. The applicant has provided examples of its track record of applying this process, which is consistent with the GCF interim ESS (performance standards 1 to 8). The applicant's E&S risk management panel of experts, supported by a network of compliance officers within the organization, has overall responsibility for project compliance with the GCF interim ESS.

### 3.2.3 Section 6.3: Management programme

29. The applicant's ESRMF defines its institutional process for managing mitigation measures and actions stemming from the E&S risk identification process by distinguishing between different categories of E&S risk. The applicant has provided illustrative examples of how mitigation actions are identified in the basic ESS assessment reports and how they are managed in the associated environmental management plans. The applicant has also provided an example of an external audit of its institutional management effectiveness.

### 3.2.4 Section 6.4: Organizational capacity and competency

30. The applicant has provided information on its organizational structure, explaining, inter alia, that the technical staff of the E&S risk management panel have direct responsibility for E&S risk management. The NIE secretariat is responsible for ensuring that the panel members are familiar with the E&S risk categorization and management processes that apply to GCF financing. The applicant has provided the curriculum vitae of several highly qualified E&S staff with the required competencies and agreed to undergo further training, if necessary.

### 3.2.5 Section 6.5: Monitoring and review

31. The NIE policy and processes manual and the ESRMF describe the monitoring and supervision process that instructs the applicant's staff on how to systematically track the completion of mitigation and performance improvement measures, including their roles and responsibilities. The applicant has provided its corporate strategic plans and annual performance plans which include quarterly targets, showing the indicators and outcomes that are used by senior management for tracking performance at the institutional level. The applicant has provided, as evidence, sample reports which include the E&S component in the overall project monitoring of performance plans. Additionally, an independent final evaluation of a project funded by the Global Environment Facility was also provided as an example of its external evaluation report shared with its senior management on the effectiveness of its environmental and social management system.



### 3.2.6 Section 6.6: External communications

32. The applicant has provided its process manual, which describes its procedures for external communications to receive comments and suggestions from the public through an online system, including a website to receive and address issues raised by the public. The applicant has provided its registries of complaints received, including the actions taken for a sample of projects. The applicant has also provided the necessary information on its project-level ESS information disclosure and consultation practice as well as that of its executing entities, which are in line with the GCF information disclosure policy, except for the required duration of the disclosure. The applicant is willing to apply the GCF information disclosure policy for activities financed by the GCF.

## 3.3 Gender

33. The applicant has provided its gender policy, which is in line with the GCF gender policy and was endorsed at the applicant's executive committee meeting in November 2015, after the draft policy had been shared with staff for comment. Additionally, the applicant applies national policies that are in congruence with the GCF gender policy and other international legislation and best practice on gender.

34. The applicant has provided evidence of its competency in gender mainstreaming in the form of curriculum vitae of staff with specific expertise in the management of gender in general, including a demonstration of the applicant's experience with implementing gender considerations in the context of climate change projects funded by the AF.

## IV. Conclusions and recommendation

### 4.1 Conclusions

35. Following its assessment and noting that the applicant has applied under the fast-track accreditation process, the AP concludes the following in relation to the application:

- (a) The applicant meets the requirements of the GCF basic fiduciary standards and specialized fiduciary standard for project management, and partially meets the specialized fiduciary standard for grant award and/or funding allocation mechanisms. The applicant has not provided monitoring reports for grant award activities following the adoption of its new grant award process as evidence of its track record;
- (b) The applicant meets the requirements of the interim ESS of the GCF in relation to the medium E&S risk (Category B/I-2); and
- (c) The applicant has demonstrated that it has competencies, policies and procedures in order to implement its gender policy, which is found to be consistent with the gender policy of the GCF, and has demonstrated that it has experience with gender considerations in the context of climate change.

### 4.2 Recommendation on accreditation

36. The AP recommends, for consideration by the Board, applicant APL039 for accreditation as follows:

- (a) **Accreditation type:**

- (i) **Maximum size of an individual project or activity within a programme:** small (including micro<sup>4</sup>);
- (ii) **Fiduciary functions:**
  - 1. Basic fiduciary standards;
  - 2. Specialized fiduciary standard for project management; and
  - 3. Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
- (iii) **Maximum environmental and social risk category:** medium risk (Category B/I-2) (including lower risk (Category C/I-3<sup>5</sup>));
- (b) **Conditions:** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the condition(s). The AP will thereafter assess whether the condition(s) has/have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes;
  - (i) Condition(s) prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:
    - 1. Submit at least one periodic monitoring report for each of the projects “Building resilience in the Greater uMngeni Catchment” and “Taking adaptation to the ground: a small grants facility for enabling local level responses to climate change in South Africa” developed by the applicant and approved by the AF in order to provide evidence of the track record of SANBI in monitoring projects under its grant award mechanism.

37. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition(s), as identified in paragraph 36 above, and agrees to the recommendation.

### 4.3 Remarks

38. It should be noted that the applicant applies a country system enshrined in national law for many of the financial, E&S and gender considerations assessed by the AP. The AP, having selectively reviewed the referenced legislation, has judged this to be an acceptable basis for meeting the principles and standards of the GCF.

<sup>4</sup> As per annex I to decision B.08/02, “micro” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of up to and including USD 10 million for an individual project or an activity within a programme”.

<sup>5</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”.



## Annex IV: Accreditation assessment of Applicant 040 (APL040)

### I. Introduction

1. Applicant 040 (APL040), the Food and Agriculture Organization of the United Nations (FAO), is an international organization whose main goals are the eradication of hunger, food insecurity and malnutrition; the elimination of poverty and the driving forward of economic and social progress for all; and the sustainable management and utilization of natural resources, including land, water, air, climate and genetic resources for the benefit of present and future generations.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 11 August 2015. The Stage I institutional assessment and completeness check was completed on 20 May 2016 and was progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** international access;
- (b) **Track:** fast-track under the Global Environment Facility (GEF);
- (c) **Maximum size of an individual project or activity within a programme:** medium;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - 1. Basic fiduciary standards; and
  - 2. Specialized fiduciary standard for project management; and
- (e) **Maximum environmental and social risk category:** medium risk (Category B/Intermediation 2 (I-2)).<sup>3</sup>

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

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

#### 2.1 Legal status, registration, permits and licences

4. The Secretariat reviewed the information provided by the applicant regarding its legal status as well as relevant and applicable registrations, permits and licences.

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<sup>1</sup> As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), “medium” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above USD 50 million and up to and including USD 250 million for an individual project or an activity within a programme”.

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

<sup>3</sup> As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), category B is defined as “Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures” and intermediation 2 is defined as “When an intermediary’s existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented”.

## 2.2 Institutional presence and relevant networks

5. The applicant's original constitution was signed by 44 countries in 1945. Since then, the applicant's presence has expanded to a network of 135 regional, subregional and country offices located globally. The applicant has 194 member states and one member organization (the European Union).<sup>4</sup>

6. The applicant views a partnership with the GCF as key to driving a transition toward productive, sustainable and climate-resilient agricultural development in developing countries. The applicant considers this to be vital to achieving existing intended nationally determined contributions and nationally determined contributions in the agricultural sectors, and scaling up the level of ambition in the years to come. In particular, the applicant intends to contribute to the achievement of the objectives of the GCF by:

- (a) Developing and supporting countries to utilize research, tools and approaches that aim to scale up climate action in the agricultural sectors;
- (b) Supporting climate action in the agricultural sectors through the development and implementation of national policies, strategies, programmes and projects;
- (c) Supporting investment planning in the agriculture sectors; and
- (d) Facilitating public and private investments in sustainable and climate-resilient agricultural development;
- (e) Working directly with smallholder producers to adopt sustainable and climate-resilient technologies and practices; and
- (f) Developing the technical and operational capacities of government counterparts and agricultural producers.

7. In this context, the applicant has also indicated its commitment to strengthening subnational, national and regional entities' capacities. The applicant indicates that it has the experience, expertise and capacities to provide valuable technical support for GCF readiness and preparatory support activities, including strengthening the capacities of national designated authorities and focal points; developing strategic frameworks and country programmes; developing the technical and operational capacities of potential direct access entities; and supporting the formulation of programme and project proposals.

## 2.3 Track record

8. The applicant's projects aim to seize the transformative potential of the agricultural sectors to simultaneously deliver climate change adaptation and mitigation benefits, as well as important economic, social and environmental co-benefits. Many of the applicant's projects seek to address the risks that climate change poses to food security and nutrition. The agriculture sectors, on which many of the world's poorest people depend for their livelihood and food security, are particularly susceptible to the effects of climate change, which are already occurring. As such, the applicant is addressing climate-related risks to fulfil its mandate of eradicating hunger and food insecurity.

9. The applicant has invested in projects that support both climate adaptation and mitigation, and has led and managed numerous climate change related projects, which include:

- (a) USD 177.9 million for the "Sustainable management of tuna fisheries and biodiversity conservation" project, which is one of the projects under a USD 268.1 million "Areas beyond national jurisdiction" programme. This project aims to support an increased

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<sup>4</sup> The list of FAO member countries is available at <<http://www.fao.org/legal/home/fao-members/en/>>.

uptake of ecosystem-based approaches that reconcile productivity and income growth with the need to protect and enhance marine biodiversity and resilience. The applicant plays the role of lead GEF agency of the project and coordinates the “Areas beyond national jurisdiction” programme;

- (b) USD 33.4 million for the “Delivering sustainable environmental, social and economic benefits in West Africa through good governance, correct incentives and innovation” project, under a total project cost of USD 51.9 million. This project falls under the USD 235 million “Coastal fisheries initiative” programme and aims to support countries to improve the resilience and adaptive capacity of their marine ecosystems as well as the resilience of coastal communities who earn their livelihood from such ecosystems. FAO plays a double role of lead GEF agency for the project and global coordinator of the “Coastal fisheries initiative” programme; and
- (c) USD 65 million for the “Strengthening national policy and knowledge framework in support of sustainable management of Brazil’s forest resources” project, under a total project cost of USD 65 million. The objective of this project is to facilitate informed and participatory strategic decision-making in forest and natural resources management, with an emphasis on minimizing unsustainable land-use changes that contribute to climate change and for which the applicant is the lead GEF agency.

### III. Stage II accreditation review assessment

- 10. The applicant is eligible for, and applied under, the fast-track accreditation process as a GEF agency. Its application has been assessed by the Accreditation Panel (AP) during Stage II (Step 1) against the standards of the GCF in accordance with the requirements and gaps identified in decisions B.08/03, B.10/06 and B.12/30.
- 11. As part of this assessment, the AP consulted the applicant’s website and third-party websites to complement the information provided in the application.

#### 3.1 Fiduciary standards

##### 3.1.1 Section 4.1: Basic fiduciary standards: key administrative and financial capacities

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

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

- 13. As per paragraph 10 above, the basic fiduciary standards concerning transparency and accountability, with the exception of item 4.2.5, anti-money laundering and countering the financing of terrorism policies, have been met by way of fast-track accreditation.
- 14. Regarding item 4.2.5, the applicant has presented its policy against fraud and other corrupt practices, its vendor sanctions policy and its whistle-blower protection policy that prescribe the applicant’s process for the identification, mitigation and combating of, and disciplinary actions related to, fraud and other prohibited practices. These policies and procedures apply to all of the applicant’s personnel and all contractual arrangements between the applicant and its executing partners, suppliers or other third parties for administrative, technical or operational purposes.
- 15. The applicant, as a specialized agency of the United Nations, follows relevant United Nations policies, including relevant United Nations Security Council policies (such as those concerned with lists of individuals or entities associated with terrorism), the principles contained in the United Nations Convention against Corruption and the United Nations

Convention against Transnational Organized Crime. All FAO personnel must be committed to the highest standards of efficiency and integrity. As a United Nations organization, the applicant applies the United Nations' standards of conduct for international civil servants. These include qualities such as honesty, truthfulness, impartiality and incorruptibility.

16. The applicant provided a description of the electronic system for operating and monitoring money transfers, as well as a copy of electronic payment reports with regard to a number of contractors. Sample copies of recent reports on 'know-your-customer' due diligence undertaken in relation to potential contractors/vendors were also provided.

17. All five of the GCF prohibited practices (corrupt, fraudulent, coercive, collusive and obstructive practices), as contained in the GCF interim policy on prohibited practices, are identified by the applicant as being sanctionable actions in its procedures. The applicant may initiate vendor sanctions, as outlined in the applicant's vendor sanctions policy, against vendors believed to have violated its policy. The applicant confirmed that since it started implementing its vendor sanctions policy in 2014, four vendors have been sanctioned by the applicant and two other proceedings are ongoing.

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

18. As per paragraph 10 above, the specialized fiduciary standard for project management is considered to have been met by way of fast-track accreditation.

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

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

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

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

## 3.2 Environmental and social safeguards

### 3.2.1 **Section 6.1: Policy**

21. The applicant provided its environmental and social management (ESM) policy guidelines approved in 2015, as well as its previous environmental and social impact assessment (ESIA) policy (2011). The new policy ensures that projects adhere to nine environmental and social safeguards (ESS), and in so doing, contribute to the applicant's corporate strategic framework and corporate vision for sustainable food and agriculture. All projects must comply with the applicant's ESM policy guidelines in order to be approved.

22. The principles and objectives of its policy focus on efficient use of resources, protection of natural resources, sustainable agriculture, resilience and rural poverty, among other things. The nine ESS comply with the GCF interim ESS. The applicant has made significant efforts to improve labour conditions in agriculture (e.g. pesticide safety) and is considered a global leader in supporting the 'decent work' agenda in agriculture.

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

23. Consistent with the requirements of the GCF, the lead officer will systematically screen projects during project preparation for environmental and social (E&S) risks and impacts using a checklist that covers the applicant's nine ESS. Projects are classified as low, moderate, or high risk. If a project presents a moderate or high risk, the relevant standard is triggered. The officer will complete the ESS checklist and risk classification form before the concept note is reviewed, and will notify the headquarters E&S unit when a project presents a moderate or high risk.

24. The applicant provided a list of 26 screened projects and 3 project examples with risk categories to demonstrate its track record.

### 3.2.3 Section 6.3: Management programme

25. The applicant has a systematic process with tools and templates to manage project risks and implement mitigation measures from concept stage to project closure. After screening and categorization, the lead officer will complete the E&S analysis and stakeholder consultation, and develop the environmental and social management plan (ESMP) for moderate-risk projects. In the case of high-risk projects, external experts conduct the full ESIA/ESMP. The headquarters E&S unit will approve the plan before implementation.

26. The ESIA procedure requires executing agencies to analyse the impacts of associated facilities, cumulative impacts and alternatives, and apply a mitigation hierarchy.

27. The applicant provided several ESMPs to demonstrate its track record. In cases where the applicant's E&S requirements differ from those of its partners, the more stringent requirements apply.

### 3.2.4 Section 6.4: Organizational capacity and competency

28. The headquarters E&S unit ensures compliance with the ESM policy and can assist other departments, as needed. The terms of reference for the climate and environment division, the E&S unit and key staff are clearly defined and the curriculum vitae provided show the requisite skills and experience to implement the applicant's ESS. Approximately 20 ESS focal points are based in technical units, and can provide expert advice on specific ESS.

29. The applicant supports its nine ESS with toolkits and templates, including a mandatory e-learning course to train staff and stakeholders on how to manage E&S risks during the project cycle. The applicant maintains an E&S technical network to continuously improve its ESM performance at its headquarters and at the decentralized offices.

### 3.2.5 Section 6.5: Monitoring and review

30. Once approved by the headquarters E&S unit, the ESMP is uploaded to the project management information system to facilitate monitoring and follow-up. The officer will monitor E&S performance against the requirements of the ESMP and the nine ESS. When the risk log/ESMP report is updated, the E&S unit is notified and can assist with any compliance or corrective issues.

31. The applicant is in the process of integrating and computerizing the full E&S system, including the monitoring system, into its online project cycle information/management system, which will be available online in late 2016 or early 2017, allowing project personnel access to identified E&S risks, information on the status of mitigation measures, monitoring results and the next E&S steps.

32. E&S monitoring reports and evaluations were provided to demonstrate the applicant's track record, and as evidence that E&S issues are reported to senior management, with lessons learned used to improve the ESM system.

### 3.2.6 Section 6.6: External communications

33. The global agricultural community considers the applicant a knowledge leader in the agriculture sector; examples of its high-quality knowledge products, ranging from training handbooks to research results were provided. It has a corporate communications policy for internal and external communications (dated 2014), supported by two accountability policies and a publishing policy. The policies describe both the procedures for routine, transparent and meaningful two-way communication and the participation requirements with affected communities and partners during the project cycle.

34. With respect to implementation, the applicant relies on its network of communications officers and focal points at headquarters and country level.

35. As the applicant has applied for assessment against Category B/I-2, with regard to the disclosure of E&S information on Category B projects, the applicant must release relevant information no later than 30 days prior to project approval (and no later than 120 days for Category A projects). The applicant requires its executing agencies to do the same. It is both able and willing to apply the relevant aspects of the GCF information disclosure policy in this respect.
36. Since early 2015, the applicant has a dedicated E&S website to enhance awareness of its E&S system. By the end of 2016, the applicant's E&S website will include a dedicated disclosure portal for E&S information.
37. The applicant has general procedures to receive and register external communications, screen and assess incoming issues, and resolve issues. The applicant's E&S website provides contact details to receive E&S complaints. The complaints procedure aims to address any concern at the lowest appropriate level (e.g. at the project level) and, where necessary, complaints can be escalated to the regional or headquarters level. All project and country offices must publicize the grievance mechanism. At the project level, the designated focal point logs all enquiries and grievances and the project officer addresses any concerns, with support from the headquarters E&S unit, as needed. A full log of all enquiries, complaints and grievances received is maintained at the applicant's headquarters.
38. The applicant has not received any E&S complaints in the past year on its dedicated website, nor any E&S enquiries or complaints during the past three years from its executing partners and operational partners under the general accountability complaints system.

### 3.3 Gender

39. The applicant has a comprehensive gender policy (2013), which addresses the equal participation of women and their access to resources, services, technology and infrastructure. The policy commits to gender mainstreaming in all activities and to implementing women-specific activities where there are significant gender gaps; it also integrates member country gender frameworks. Of note, the applicant's ESS number 8 relates to gender equality.
40. Gender is integrated as a cross-cutting issue in the applicant's strategic framework. All projects conduct gender analysis, and a gender marker is integrated into the logical framework. Gender results are routinely monitored, reviewed, evaluated and reported. The applicant has been at the forefront of generating knowledge and implementing projects on gender, climate change and climate-smart agriculture.
41. The applicant provides staff and stakeholders with gender tools and training courses. Professional staff and managers at headquarters and country level receive gender training. The applicant has 3 full-time senior gender experts, as well as 60 gender focal points at headquarters and 130 at its decentralized offices, who allocate about 20 per cent of their time to gender mainstreaming in their own units. Work is ongoing and progressing well to achieve gender parity within the organization. The applicant has exceeded the requirements of the United Nations System-wide Action Plan on Gender Equality and the Empowerment of Women.

## IV. Conclusions and recommendation

### 4.1 Conclusions

42. Following its assessment and noting that the applicant has applied under the fast-track accreditation process, the AP concludes the following in relation to the application:
- (a) The applicant meets the requirements of the GCF basic fiduciary standards and specialized fiduciary standard for project management;



- (b) The applicant meets the requirements of the interim ESS of the GCF in relation to the medium E&S risk (Category B/I-2); and
- (c) The applicant has demonstrated that it has competencies, policies and procedures in order to implement its gender policy, which is found to be consistent with the gender policy of the GCF, and has demonstrated that it has experience with gender considerations in the context of climate change.

## 4.2 Recommendation on accreditation

43. The AP recommends, for consideration by the Board, applicant APL040 for accreditation as follows:

- (a) **Accreditation type:**
  - (i) **Maximum size of an individual project or activity within a programme:** medium (including micro<sup>5</sup> and small<sup>6</sup>);
  - (ii) **Fiduciary functions:**
    - 1. Basic fiduciary standards; and
    - 2. Specialized fiduciary standard for project management; and
  - (iii) **Maximum environmental and social risk category:** medium risk (Category B/I-2) (including lower risk (Category C/I-3<sup>7</sup>)); and

(b) **Conditions:** none.

44. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition(s), as identified in paragraph 43 above, and agrees to the recommendation.

<sup>5</sup> As per annex I to decision B.08/02, “micro” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of up to and including USD 10 million for an individual project or an activity within a programme”.

<sup>6</sup> As per annex I to decision B.08/02, “small” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above USD 10 million and up to and including USD 50 million for an individual project or an activity within a programme”.

<sup>7</sup> As per annex I to decision B.07/02, category C is defined as “Activities with minimal or no adverse environmental and/or social risks and/or impacts” and intermediation 3 is defined as “When an intermediary’s existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts”.

## Annex V: Accreditation assessment of Applicant 041 (APL041)

### I. Introduction

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

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 26 June 2015. The Stage I institutional assessment and completeness check was completed on 5 July 2016 and was progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** international access;
- (b) **Track:** fast-track under the Adaptation Fund (AF) and the Global Environment Facility (GEF);
- (c) **Maximum size of an individual project or activity within a programme:** medium;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - 1. Basic fiduciary standards;
  - 2. Specialized fiduciary standard for project management;
  - 3. Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
  - 4. Specialized fiduciary standard for on-lending and/or blending (for loans); and
- (e) **Maximum environmental and social risk category:** medium risk (Category B/Intermediation 2 (I-2)).<sup>3</sup>

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

3. The applicant is eligible for, and applied under, the fast-track accreditation process as an AF entity and a GEF agency. Its application has been assessed by the Secretariat during Stage I in

<sup>1</sup> As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), “medium” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above USD 50 million and up to and including USD 250 million for an individual project or an activity within a programme”.

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

<sup>3</sup> As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), category B is defined as “Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures” and intermediation 2 is defined as “When an intermediary’s existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented”.



accordance with the requirements and gaps identified in decisions B.08/03, B.10/06 and B.12/30.

## 2.1 Legal status, registration, permits and licences

4. The Secretariat reviewed the information provided by the applicant regarding its legal status as well as relevant and applicable registrations, permits and licences. IFAD was created under the Agreement Establishing the International Fund for Agricultural Development, adopted by the United Nations Conference on 13 June 1976 and entered into force on 30 November 1977.

## 2.2 Institutional presence and relevant networks

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

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

## 2.3 Track record

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

8. The scope of projects related to climate change mitigation and adaptation financed by the applicant include:

- (a) USD 133 million of blended finance (grants and loans) for the "Climate adaptation and livelihood protection" project in Bangladesh;
- (b) USD 116 million of blended finance (grants and loans) for the "Climate-resilient agricultural livelihoods programme" in Kenya;

- (c) USD 83 million of blended finance (grants and loans) for the “Climate resilient post-harvest and agribusiness support” project in Rwanda; and
- (d) USD 119 million of blended finance (grants and loans) for the “Livestock marketing resilience” project in Sudan, whose purpose is to increase the food security, incomes and climate resilience of poor households in pastoralist communities.

### III. Stage II accreditation review assessment

- 9. The applicant is eligible for, and applied under, the fast-track accreditation process as an AF entity and a GEF agency. Its application has been assessed by the Accreditation Panel (AP) during Stage II (Step 1) against the standards of the GCF in accordance with the requirements and gaps identified in decisions B.08/03, B.10/06 and B.12/30.
- 10. As part of this assessment, the AP consulted the applicant’s website and third-party websites to complement the information provided in the application.

#### 3.1 Fiduciary standards

##### 3.1.1 Section 4.1: Basic fiduciary standards: key administrative and financial capacities

- 11. As per paragraph 9 above, the basic fiduciary standards concerning key administrative and financial capacities are considered to have been met by way of fast-track accreditation.

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

- 12. As per paragraph 9 above, the basic fiduciary standards concerning transparency and accountability, with the exception of item 4.2.5, anti-money laundering (AML) and countering the financing of terrorism (CFT) policies, have been met by way of fast-track accreditation.
- 13. Regarding item 4.2.5, the applicant has presented a comprehensive AML/CFT policy – a zero-tolerance policy towards fraudulent, corrupt, collusive or coercive actions in its activities and operations. The policy is found to be in full compliance with the GCF interim policy on prohibited practices. As a specialized agency of the United Nations, the applicant operates within the United Nations AML/CFT system that provides a number of well-developed policies with regard to the prohibition of money-laundering, terrorist financing and transnational organized crime activities, and regulates fraud and corruption.
- 14. According to its mandate, the applicant provides loans and grants to its developing member states and grants to other eligible entities. As such, the applicant does not execute payments against the loan or grant to final beneficiaries, but instructs these through commercial banks or central banks, if so decided by the member state, who then make the payments. These banks, through their internal policies and standards, ensure that AML/CFT regulations are adhered to, both internationally and in the jurisdictions where the payments are executed.
- 15. The applicant applies its code of conduct to all its employees, as well as to its suppliers, contractors and non-staff individuals, and prohibits any type of conflict of interest in its operations. Its employees and suppliers are expected to adhere to the applicant’s core values, including qualities such as honesty, integrity, impartiality and incorruptibility.
- 16. The applicant has in place a dedicated division and well-developed procedures for investigations and publishes annual reports on investigation and anti-corruption activities on its website.

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

- 17. As per paragraph 9 above, the specialized fiduciary standard for project management is considered to have been met by way of fast-track accreditation.

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

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

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

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

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

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

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

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

24. The applicant is funded by member states' contributions through a replenishment process (a three year cycle), as well as supplementary funding and unrestricted complementary contributions. Recently the applicant has borrowed limited funds from its member countries in accordance with its sovereign borrowing framework. Resources are subsequently provided as loans and grants, or a blend of both, to its developing country members. The funds per country are distributed according to the performance-based allocation system, a mechanism developed in-house on the basis of both the applicant's and publicly available parameters, and on the basis of its annual commitment capacity. The applicant does not lend to intermediary organizations, and therefore does not undertake intermediary performance evaluations.

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

26. Decisions on specific funding activities are contained in the decisions of the applicant's executive board and are made publicly available. The results of monitoring and evaluation functions provide information to verify progress made over the course of the implementation of the project and the results achieved, support learning from experience and promote accountability. The applicant conducts financial, technical and environmental due diligence both during the assessment of the project and of the executing entity, and has an extensive and systematic review and supervision process during the project implementation phase involving the recipient government, the executing entity and the applicant's own staff.
27. The applicant exercises the same standards when investing on behalf of donor partners as it does with respect to the administration and management of its own resources, maintaining a series of control frameworks, due diligence checks, procurement procedures, project supervision and risk management procedures. Also, for some supplementary donors such as the European Union, the applicant complies with more stringent procedures as required under the relevant donor agreement. The applicant's financial statements are externally audited on the accuracy of the accounts and also on the effectiveness of internal controls over financial reporting.
28. The applicant publishes supervision and terminal evaluation project reports on its website. The project reports provided by the applicant contain complete information on the actual and planned results/outcomes, and on adherence to budgets, costs and timelines. The applicant periodically reviews its entire portfolio globally and reports annually on portfolio performance to its board.
29. The applicant has two high-level committees in place: one to assist its President in determining the overall investment strategy and prepare recommendations on strategic financial matters; and the other to assist its Associate Vice-President of the Financial Operations Department in making decisions on investment and financial matters that are under the department's authority.

## 3.2 Environmental and social safeguards

### 3.2.1 Section 6.1: Policy

30. The applicant's board approved the revised Social, Environmental and Climate Assessment Procedures in 2014, based on its experience during the period 2009–2014. The 2014 version of the procedures is better aligned with the applicant's Environment and Natural Resource Management Policy (2011) and with evolving international standards. The procedures consist of 9 guiding values and principles (e.g. sustainable use of natural resources), and national and international standards (e.g. the GEF policy on agency minimum standards on environmental and social safeguards that include vulnerability and adaptation priorities of rural indigenous people), 13 guidance statements (e.g. physical and economic resettlements), and various accompanying 'how-to-do' notes (e.g. free, prior and informed consent, climate risk assessment and value chains, and measuring climate resilience). These are consistent with the GCF interim environmental and social safeguards (ESS).
31. The borrower/grantee, with support from the applicant's country and project staff, will implement the applicant's Social, Environmental and Climate Assessment Procedures and in doing so, will be consistent with GCF interim ESS. Furthermore, the applicant's climate change strategy supports innovative approaches to help smallholder women and men agricultural producers build resilience to climate change.

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

32. The applicant uses an innovative twin, simultaneous screening process: one to identify the environmental and social (E&S) risks and impacts; and another to identify climate risks and

impacts. The result is an E&S risk categorization and a climate risk classification, which informs the follow-up studies to strengthen and address the applicant's safeguard standards.

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

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

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

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

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

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

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

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

#### 3.2.5 **Section 6.5: Monitoring and review**

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

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



### 3.2.6 Section 6.6: External communications

41. The applicant adopted a free prior and informed consent approach as an operational principle for its public consultations, especially for projects that might affect access to land and rights to land use. The applicant has had an information disclosure policy in place since 1998. The revised 2010 information disclosure policy explicitly adopts a ‘presumption of full disclosure’ principle: documents are either available on the applicant’s website or available on request.
42. For the ESC system, draft ESIA, environmental and social management frameworks, resettlement action plans and frameworks, mitigation plans and other ESC documents are disclosed during appraisal, implementation and evaluation. The applicant’s executing entities and co-financiers also apply the same policy.
43. The applicant’s policy for disclosing project documents complies with the GCF information disclosure policy regarding Category B/Intermediation 2 projects/programmes, which is the E&S risk category for which the applicant has applied. The applicant’s documents are disclosed for four weeks prior to discussion at its board (and for at least 30 days if it was a GCF project). The disclosure of proposals also needs to be in line, where relevant, with approval procedures under the lapse-of-time modality, which is governed by the rules of procedure of the applicant’s executive board. (N.B. The lapse-of-time modality is a procedure to streamline the project/programme approval process: proposals meeting explicit criteria – e.g., not-for-profit grants or proposals under USD 25 million – can simply be posted on the applicant’s website and communicated to Board members. A proposal is considered approved by the Executive Board if there is no request to formally discuss the proposal at a Board session by a specific deadline date). At the project level, disclosure is also aligned with national and local regulations.
44. The applicant has a written procedure to register, manage and resolve internal and external information requests or complaints. The procedure can be accessed through its website and by telephone, mail or face-to-face contact. Concerns can be resolved at the country, regional or headquarters level, as needed. A dedicated E&S complaints web portal was established in January 2015. No E&S complaints were received for the period January 2012 to August 2016, but three audit reports were provided to demonstrate how internal and external complaints with respect to the applicant’s projects were registered and resolved (e.g. fraud allegations).

## 3.3 Gender

45. The applicant has integrated gender equality in its operations since 1978 and is now at the forefront with respect to gender-responsive adaptation for rural development and agriculture. Its comprehensive 2012 gender equality and women’s empowerment policy meets the requirements of the GCF gender policy. Gender is integrated into the applicant’s strategic objectives, principal outputs and policy dialogue, and is also a cross-cutting theme in its other policies (e.g. gender is integrated into its targeting policy and ESC policy). The targeting policy guides the applicant to use a gender-sensitive, poverty and livelihood analysis to identify beneficiaries.
46. All programmes and projects are screened for gender issues by conducting gender analysis, and gender-sensitive monitoring and evaluation is also conducted.
47. Gender tools are provided to integrate, measure and report on gender aspects, including gender-responsive checklists for project design. Gender performance is reported at all levels of the organization and to the board on an annual basis. Gender performance at the project level was rated as moderately satisfactory or better in 90 per cent of its projects during the period 2012–2014. Women account for about half of all project beneficiaries.

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

## IV. Conclusions and recommendation

### 4.1 Conclusions

49. Following its assessment and noting that the applicant has applied under the fast-track accreditation process, the AP concludes the following in relation to the application:

- (a) The applicant meets the requirements of the GCF basic fiduciary standards, specialized fiduciary standard for project management, specialized fiduciary standard for grant award and/or funding allocation mechanisms, and specialized fiduciary standard for on-lending and/or blending (for loans);
- (b) The applicant meets the requirements of the interim ESS of the GCF in relation to the medium E&S risk (Category B/I-2); and
- (c) The applicant has demonstrated that it has competencies, policies and procedures in order to implement its gender policy, which is found to be consistent with the gender policy of the GCF, and has demonstrated that it has experience with gender considerations in the context of climate change.

### 4.2 Recommendation on accreditation

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

- (a) **Accreditation type:**
  - (i) **Maximum size of an individual project or activity within a programme:** medium (including micro<sup>4</sup> and small<sup>5</sup>);
  - (ii) **Fiduciary functions:**
    - 1. Basic fiduciary standards;
    - 2. Specialized fiduciary standard for project management;
    - 3. Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
    - 4. Specialized fiduciary standard for on-lending and/or blending (for loans); and

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<sup>4</sup> As per annex I to decision B.08/02, “micro” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of up to and including USD 10 million for an individual project or an activity within a programme”.

<sup>5</sup> As per annex I to decision B.08/02, “small” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above USD 10 million and up to and including USD 50 million for an individual project or an activity within a programme”.

- (iii) **Maximum environmental and social risk category:** medium risk (Category B/I-2) (including lower risk (Category C/I-3<sup>6</sup>)); and

- (b) **Conditions:** none.

51. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition(s), as identified in paragraph 50 above, and agrees to the recommendation.

### 4.3 Remarks

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

53. The applicant may wish to consider:

- (a) Informing and submitting to the GCF the updated financial management administration manual approved and released to staff and consultants by the Director of the Financial Management Services Division.

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<sup>6</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".



## Annex VI: Accreditation assessment of Applicant 042 (APL042)

### I. Introduction

1. Applicant 042 (APL042), the Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO), is an international entity, specifically the development bank of the Netherlands, with a focus on private sector development in developing countries. The applicant uses a variety of financial instruments to support private sector investments in sectors relevant to sustainable development and climate change mitigation and adaptation, such as renewable energy including solar power, wind power and hydropower, energy efficiency and forestry. The applicant has accomplished this by partnering with local private sector institutions in developing countries to implement climate-resilient projects and programmes.

1. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 23 January 2015. The Stage I institutional assessment and completeness check was completed on 10 February 2016 and was progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** international access;
- (b) **Track:** fast-track under the Directorate-General for International Development and Cooperation of the European Commission (DG DEVCO) (part-way through Stage I; previously under the normal track);
- (c) **Maximum size of an individual project or activity within a programme:** large;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - 1. Basic fiduciary standards;
  - 2. Specialized fiduciary standard for project management;
  - 3. Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
  - 4. Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees); and
- (e) **Maximum environmental and social risk category:** high risk (Category A/Intermediation 1 (I-1)).<sup>3</sup>

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

2. The applicant originally applied under the normal-track accreditation process and became eligible part-way through Stage I for the fast-track accreditation process as a DG DEVCO entity. Its application has been assessed by the Secretariat during Stage I, initially as a normal-

<sup>1</sup> As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), “large” is defined as “total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above USD 250 million for an individual project or an activity within a programme”.

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

<sup>3</sup> As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), category A is defined as “Activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented” and intermediation 1 is defined as “When an intermediary’s existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented”.

track application, then subsequently in accordance with the requirements and gaps identified in decisions B.08/03, B.10/06 (decision expanding the list of potentially eligible fast-track entities to include the applicant) and B.12/30.

## 2.1 Legal status, registration, permits and licences

3. The Secretariat reviewed the information provided by the applicant regarding its legal status as well as relevant and applicable registrations, permits and licences. FMO was established in 1970 and is registered as a public limited liability company by the Netherlands Chamber of Commerce Business Register.

## 2.2 Institutional presence and relevant networks

4. The applicant is a public-private partnership with a track record of more than 45 years and an investment portfolio of EUR 9.2 billion in more than 85 developing countries. It has an investment portfolio of EUR 2.9 billion in Africa, EUR 2.4 billion in the least developed countries and EUR 92 million in small island developing States. Its global presence has enabled the applicant to establish relationships with national and international private sector entities and investment funds, as well as regional and international multilateral agencies, with whom it has partnered to deliver climate-resilient projects.

5. The applicant's focus is on green projects, particularly renewable energy projects such as solar, wind, ocean and geothermal power, hydropower and heat; energy efficiency projects in buildings, public services, agriculture and industry, and retrofitting and improving power plants and power infrastructure; and responsible agriculture, food production, forestry, transport and water projects, including biosphere conservation projects.

6. The applicant seeks accreditation to the GCF to support its strategic goal of doubling its impact and reducing its carbon footprint by half by 2020. Green investments represented 27 per cent of the applicant's total commitments in 2015, and by 2020, the applicant is committed to increasing this to at least 40 per cent (equivalent to USD 2 billion in new green commitments). The applicant's objectives in relation to green projects are well aligned with the GCF objective of assisting developing countries towards low-emission and climate-resilient pathways. In order to achieve its goal, the applicant seeks to use its experience of mobilizing and enabling the private sector in developing countries to carry out projects in the areas of agribusiness, infrastructure, renewable energy generation, energy efficiency, forestry and water. In addition, the applicant intends to continue strengthening the capacity of its national and regional partners through its capacity development programmes which provide financial, managerial and technical capacity-building.

## 2.3 Track record

7. The applicant mobilizes and catalyses financial resources from its national, regional and international partners for the implementation of climate change mitigation and adaptation related projects in developing countries. The applicant offers loans, equity and guarantees to its partners and follows environmental, social and gender standards to ensure that its activities have a positive impact on local communities. As at December 2015, the applicant's green portfolio amounted to EUR 1.22 billion, including climate-related activities in areas such as agriculture, low-carbon technologies, energy efficiency, renewable energy and forestry.

8. Activities related to climate change undertaken by the applicant in various geographic areas include:

- (a) USD 65 million for the Cerro Del Aguila S.A. hydropower project in Peru;

- (b) USD 29.5 million for the Jordan Wind Project Company wind power project in Jordan;
- (c) USD 36 million for the Itezhi Tezhi Power Corporation hydropower project in Zambia;
- (d) USD 20.2 million for the Global Climate Partnership Fund, a public-private partnership that provides green credit lines to banks around the world, including support for implementation and reporting; and
- (e) USD 15 million invested as a part of USD 150 million for the first close in the Tropical Asia Forest Fund, an Australian-based fund whose aim is to introduce 'best in class' management systems and modern forestry practices to hardwood timber plantations and sustain environmental assets in the Asia-Pacific region.

### III. Stage II accreditation review assessment

9. The applicant became eligible for the fast-track accreditation process as a DG DEVCO entity part-way through Stage I. Its application has been assessed by the Accreditation Panel (AP) during Stage II (Step 1) against the standards of the GCF in accordance with the requirements and gaps identified in decisions B.08/03, B.10/06 and B.12/30.
10. As part of this assessment, the AP consulted the applicant's website and third-party websites to complement the information provided in the application.

#### 3.1 Fiduciary standards

##### 3.1.1 Section 4.1: Basic fiduciary standards: key administrative and financial capacities

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

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

12. As per paragraph 10 above, the basic fiduciary standards concerning transparency and accountability, with the exception of item 4.2.5, anti-money laundering and countering the financing of terrorism policies, have been met by way of fast-track accreditation.
  13. Regarding item 4.2.5, the applicant has anti-money laundering and anti-terrorist financing policies which are implemented through a robust 'know-your-customer' due diligence procedure. 'Know-your-customer' files are created for all clients by the applicant's front office (first-line monitoring) and are checked by its compliance department (second-line monitoring).
  14. Although the applicant does not provide payment services on behalf of clients (i.e. it does not provide current accounts), it has adequate internal procedures and the necessary controls for ensuring that any funds transferred by wire are received by the intended recipients and that the payments received are from the expected sources/parties. The mechanisms for monitoring electronic fund transfers are detailed in the applicant's manuals on settlement payments and payment of expenses, copies of which were provided in the application.
  15. The applicant's anti-money laundering and anti-terrorist financing policies, procedures and practices are aligned with the recommendations of the International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation.
- ##### 3.1.3 Section 5.1: Specialized fiduciary standard for project management
16. The applicant has more than 40 years of experience in financing and managing projects in developing countries. Its operations currently entail annual commitments averaging EUR 1.5 billion, for about 150 different projects globally.

17. The applicant has comprehensive operational policies and procedures that guide project identification, preparation, appraisal, oversight and control, as well as monitoring and evaluation activities. In addition, the applicant has a 'project at risk' system used as an early warning system to identify project problems at an early stage and address them in a timely manner. Examples of project appraisal, monitoring and evaluation reports, which demonstrate the effective use of these policies and procedures, were provided as evidence of the implementation of relevant policies and procedures.

18. However, the applicant does not have in place some of the policies, procedures and evidence required by the fiduciary standards of the GCF, namely:

- (a) Policies and procedures for reporting on results achieved, lessons learned and recommendations on a project-by-project basis. The applicant currently reports on project results on a portfolio basis only;
- (b) A policy on disclosure of the evaluation reports on a project-by-project basis; and
- (c) Evidence to demonstrate that evaluation reports are disseminated on a project-by-project basis.

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

19. As per paragraph 10 above, the specialized fiduciary standard for grant award and/or funding allocation mechanisms is considered to have been met by way of fast-track accreditation.

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

20. The applicant is one of the largest bilateral development finance institutions globally and has a proven track record in on-lending and blending with resources from other international or multilateral sources. The applicant's on-lending activities mainly entail providing funds to intermediaries, who in turn on-lend the funds to end users in target markets in accordance with a set of pre-agreed criteria.

21. The applicant has appropriate and well-documented policies and procedures that guide its operations, including:

- (a) Due diligence of the organizations seeking financing from the applicant;
- (b) Investment and portfolio management; and
- (c) Financial risk management.

22. The supporting documentation provided by the applicant demonstrates the effective use of and compliance with its on-lending and blending policies and procedures. The information provided also demonstrates that the applicant has the capacity and systems in place to channel funds transparently and effectively, and, if accredited, to transfer GCF funding advantages to final beneficiaries.

23. The applicant has also demonstrated sound financial risk and asset and liability management policies, procedures and governance/organizational structures that ensure the appropriate segregation of duties between the treasury function and operations.

24. The applicant has been rated by two rating agencies: 'AAA' by Fitch Ratings and 'AA+' by Standard & Poor's.

## 3.2 Environmental and social safeguards

### 3.2.1 **Section 6.1: Policy**

25. The applicant has provided its environmental and social safeguards (ESS) policy, which defines its environmental and social (E&S) objectives and principles based on the 2012 performance standards of the International Finance Corporation and the Third Generation Equator Principles, which are consistent with the GCF interim ESS. The applicant has developed tools to support its clients in terms of environmental, social and governance risk management. The tools are specifically targeted at private equity investment funds, microfinance institutions and small- and medium-sized enterprise banks. The policy indicates the staff responsible for ensuring conformance with the policy and for its execution. The applicant's ESS policy is communicated to all levels within the organization and is available on its external website.

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

26. The applicant has provided documentation which describes its institutional process for risk and impact identification and categorization of all its investment transactions. The applicant has also provided samples of project screening templates as evidence of its track record of applying this process, which is consistent with the GCF interim ESS. In addition, the applicant has provided a sample of illustrative projects and descriptions from the past three years showing the respective project E&S risk categories. The risk categorization is determined by the applicant's investment officers supported by E&S officers within the organization.

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

27. The applicant's environmental and social management system (ESMS) incorporates an overall process which describes the E&S requirements at each stage of financing, including the applicable standards and guidelines, and related templates to be applied in the management of mitigation measures to address the E&S risks and impacts identified. The process also describes the E&S responsibilities of the applicant's staff involved in the project, which include investment staff, E&S officers and the credit department. The applicant has provided sample project documentation demonstrating the application of its E&S mitigation and management process.

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

28. The applicant has provided an organizational chart which identifies key units, departments, and senior and line management personnel responsible for implementing the ESMS along with their authority and reporting lines. The applicant has also provided a document describing the job descriptions and responsibilities of its E&S officers and E&S analysts, which is clear and communicated throughout the organization. The applicant has instituted several E&S-specific training programmes which are developed and presented by external experts, in close consultation with its staff. All investment officers and E&S staff are expected to attend such courses. Excerpts from some of the training programmes were provided in the application.

### 3.2.5 **Section 6.5: Monitoring and review**

29. The applicant's monitoring process is briefly described in its ESS policy and further detailed in its operational guidelines, which elaborate on the specific approaches for 'direct investments' (financing private companies) and 'indirect' financing through financial institutions. The applicant's portfolio management guidelines describe the types of activities undertaken by its operations function in performing the monitoring tasks. Portfolios that are considered to be high risk are reviewed by the credit department every year according to a pre-defined schedule. The credit department is also involved when material changes occur which impact on the credit risk. The applicant's E&S monitoring system allows it to track compliance with E&S improvement actions on a client-by-client basis.

30. The applicant's portfolio performance is audited by its internal audit department at the beginning of each year. A sample of performance reports was provided in the application, illustrating the reports submitted to its senior management on the effectiveness of the ESMS. The applicant also provided evidence of an internal audit of the implementation of its E&S

action items, which were verified by external auditors. In addition, the applicant provided reports from the past two years, conducted by two external rating agencies, on its E&S performance, both of which show improvements in the applicant's E&S performance.

#### 3.2.6 **Section 6.6: External communications**

31. The applicant has channels to receive and register external communications that can be found on its website, and has a dedicated E&S officer in its communications department to process such enquiries. The applicant's policy also requires the executing entities that it oversees to develop and manage a grievance mechanism for projects financed by the applicant. However, the applicant indicated that it does not yet have a policy or practice of providing project-level E&S assessment reports, nor does it conduct ex-ante disclosure of E&S information. As such, it also does not have evidence of the public disclosure of such E&S information for its projects. The applicant has indicated its willingness to align its policy with the GCF information disclosure policy.

32. The applicant is currently setting up a stakeholder engagement strategy to conform to its integrated reporting guidelines, and plans to finalize the strategy following consultations with non-governmental organizations.

### 3.3 Gender

33. The applicant does not yet have a specific gender policy in place in line with the GCF gender policy. The applicant's current approach to addressing gender-specific aspects is through the application of its human rights policy as well as via the International Finance Corporation's performance standard addressing vulnerability, which specifically includes women. Gender-specific aspects are reviewed at the project appraisal stage and separate measures are incorporated into stakeholder engagement processes or mitigation planning. Additionally, the applicant requires clients to contractually commit to the International Labour Organization's core labour standards, which include the elimination of discrimination in the workplace.

34. The applicant is currently conducting exploratory research and has commissioned studies to assess how best to integrate a gender-sensitive approach into its investment decisions. This includes a gender review of its portfolio as part of the implementation of its inclusive approach of targeting 'base-of-the-pyramid' people. The applicant has not provided any specific information on its competencies in terms of qualifications and experience to implement gender policies and practices. The applicant has indicated that it does not yet have any projects in its climate change related portfolio with a specific gender focus in the investment.

## IV. Conclusions and recommendation

### 4.1 Conclusions

35. Following its assessment and noting that the applicant has been assessed under the fast-track accreditation process part-way through the process, the AP concludes the following in relation to the application:

- (a) The applicant meets the requirements of the GCF basic fiduciary standards, specialized fiduciary standard for grant award and/or funding allocation mechanisms, and specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees. The applicant partially meets the requirements of the GCF specialized fiduciary standard for project management. The applicant has not provided policies,



procedures or evidence related to evaluation reports on a project-by-project basis, as required by the specialized fiduciary standard for project management, but instead provided evaluation reports on a portfolio basis;

- (b) The applicant partially meets the requirements of the interim ESS of the GCF in relation to the high E&S risk (Category A/I-1); and
- (c) The applicant has not demonstrated that it has a gender policy aligned with the gender policy of the GCF, nor has it provided evidence of gender-specific competencies, or demonstrated that it has experience with gender considerations in the context of climate change.

## 4.2 Recommendation on accreditation

36. The AP recommends, for consideration by the Board, the applicant APL042 for accreditation as follows:

- (a) **Accreditation type:**
  - (i) **Maximum size of an individual project or activity within a programme:** large (including micro,<sup>4</sup> small<sup>5</sup> and medium<sup>6</sup>);
  - (ii) **Fiduciary functions:**
    - 1. Basic fiduciary standards;
    - 2. Specialized fiduciary standard for project management;
    - 3. Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
    - 4. Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees); and
  - (iii) **Maximum environmental and social risk category:** high risk (Category A/I-1) (including lower risk (Category B/I-2<sup>7</sup> and Category C/I-3<sup>8</sup>)); and
- (b) **Conditions:** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the condition(s). The AP will thereafter assess

<sup>4</sup> As per annex I to decision B.08/02, “micro” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of up to and including USD 10 million for an individual project or an activity within a programme”.

<sup>5</sup> As per annex I to decision B.08/02, “small” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above USD 10 million and up to and including USD 50 million for an individual project or an activity within a programme”.

<sup>6</sup> As per annex I to decision B.08/02, “medium” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above USD 50 million and up to and including USD 250 million for an individual project or an activity within a programme”.

<sup>7</sup> As per annex I to decision B.07/02, category B is defined as “Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures” and intermediation 2 is defined as “When an intermediary’s existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented”.

<sup>8</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”.

whether the condition(s) has/have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes;

- (i) Condition(s) prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:
  - 1. Develop and demonstrate effective implementation of policies and procedures for providing information on results achieved and lessons learned, and their public disclosure, on a project-by-project basis;
  - 2. Develop and demonstrate effective implementation of a policy on the disclosure of the evaluation reports on a project-by-project basis;
  - 3. Adopt and demonstrate effective implementation of policies and practices on the disclosure of project E&S assessments, as well as a stakeholder engagement strategy, in line with the GCF information disclosure policy and the GCF interim ESS (performance standard 1), respectively; and
  - 4. Adopt a gender policy in line with the GCF gender policy, and demonstrate progress in developing appropriate competencies to implement, and experience in applying, the policy.

37. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition(s), as identified in paragraph 37 above, and agrees to the recommendation.



## Annex VII: Summary of recommendations

Table 1: Summary of recommended accreditation types and conditions

Applicant number	Access modality	Accreditation type being recommended under the fit-for-purpose approach			Accreditation conditions, recommendations and remarks
		Size <sup>1</sup>	Fiduciary functions <sup>2</sup>	Environmental and social risk category	
<b>APL039 SANBI</b>	Direct access, national	Small	Basic fiduciary standards; Specialized fiduciary standard for project management; and Specialized fiduciary standard for grant award and/or funding allocation mechanisms	Medium risk (Category B/I-2)	<p><u>Condition(s) prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:</u></p> <ol style="list-style-type: none"> <li>Submit at least one periodic monitoring report for each of the projects “Building resilience in the Greater uMngeni Catchment” and “Taking adaptation to the ground: a small grants facility for enabling local level responses to climate change in South Africa” developed by the applicant and approved by the AF in order to provide evidence of the track record of SANBI in monitoring projects under its grant award mechanism.</li> </ol> <p><u>Remarks:</u> It should be noted that the applicant applies a country system enshrined in national law for many of the financial, E&amp;S and gender considerations assessed by the AP. The AP, having selectively reviewed the referenced legislation, has judged this to be an acceptable basis for meeting the principles and standards of the GCF.</p>
<b>APL040 FAO</b>	International access	Medium	Basic fiduciary standards; and Specialized fiduciary standard for project management	Medium risk (Category B/I-2)	None
<b>APL041 IFAD</b>	International access	Medium	Basic fiduciary standards;	Medium risk (Category B/I-2)	<p><u>Conditions:</u> None</p>

<sup>1</sup> “Size” refers to the total projected costs at the time of application, irrespective of the portion that is funded by the GCF, for an individual project or an activity within a programme. Four size categories (micro, small, medium and large) are defined in annex I to decision B.08/02 (annex I to document GCF/B.08/45).

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

			Specialized fiduciary standard for project management; Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and Specialized fiduciary standard for on-lending and/or blending (for loans)		<p><u>Remarks:</u></p> <ol style="list-style-type: none"> <li>1. In the course of the accreditation review assessment, the AP noted that the applicant is in the process of finalizing the first major revision to its financial management administration manual – a comprehensive financial management framework document released in 2012. The updated manual contains fundamental provisions regarding the types of financing provided by the applicant, the project cycle overview, financial management at project design and approval, the financing agreement and its negotiation process, project supervision, the withdrawal and disbursement process, audit and financial reporting requirements, conditions on loan repayments and debt services, financial management and disbursement of grants. However, the new manual is pending the approval of the applicant's executive board. The financial management administration manual is a document for staff, consultants and cooperating institutions where applicable. Updates are issued under the authority of the Director, Financial Management Services Division and this updated manual will be issued by the end of 2016.</li> <li>2. The applicant may wish to consider: <ol style="list-style-type: none"> <li>(a) Informing and submitting to the GCF the updated financial management administration manual approved and released to staff and consultants by the Director of the Financial Management Services Division.</li> </ol> </li> </ol>
<b>APL042 FMO</b>	International access	Large	Basic fiduciary standards; Specialized fiduciary standard for project management; Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and	High risk (Category A/I-1)	<p><u>Condition(s) prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:</u></p> <ol style="list-style-type: none"> <li>1. Develop and demonstrate effective implementation of policies and procedures for providing information on results achieved and lessons learned, and their public disclosure, on a project-by-project basis;</li> </ol>

			Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees)		<ol style="list-style-type: none"> <li>2. Develop and demonstrate effective implementation of a policy on the disclosure of the evaluation reports on a project-by-project basis;</li> <li>3. Adopt and demonstrate effective implementation of policies and practices on the disclosure of project E&amp;S assessments, as well as a stakeholder engagement strategy, in line with the GCF information disclosure policy and the GCF interim ESS (performance standard 1), respectively; and</li> </ol> <p>Adopt a gender policy in line with the GCF gender policy, and demonstrate progress in developing appropriate competencies to implement, and experience in applying, the policy.</p>
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