

Annex X: Accreditation assessment of Applicant 010 (APL010)

I. Introduction

1. Applicant 010 (APL010) is a national financial institution with a total balance sheet of over US\$ 40 billion located in a developing country in the Asia-Pacific region. It has the mandate of promoting sustainable agriculture and rural development through innovative, sustainable and equitable agriculture and rural prosperity by providing financial and technical support. It has built partnerships with other national entities, financial institutions and non-governmental organizations in order to implement innovative ideas through loans, guarantees, blended finance and other structures in the areas of agriculture, natural resources management, fisheries, rural livelihood improvement, renewable energy and micro finance among others. Almost one-third of its cumulative disbursements are related to climate change adaptation and mitigation activities. The applicant seeks accreditation to the Green Climate Fund (the Fund) in order to continue implementing its climate change adaptation and mitigation projects and programmes, which are well aligned with the Fund's results areas, particularly food and water security, forestry and landscape management, enhancing livelihoods and ecosystem services. Leveraging its long-standing partnerships and experience, APL010 intends to undertake low-emissions and climate-resilient sustainable development that reduces the impacts of climate change.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 11 February 2015. Stage I, Institutional assessment and completeness check, and Stage II (Step 1), Accreditation review, were concluded in June 2015. It has applied to be accredited for the following parameters under the Fund's fit-for-purpose approach:

- (a) **Access modality:** Direct access, national. The applicant received a national designated authority or focal point nomination for its accreditation application;
- (b) **Track:** Fast-track under the Adaptation Fund;
- (c) **Size of project/activity within a programme:** Large;¹
- (d) **Fiduciary functions:**²
 - (i) Basic fiduciary standards;
 - (ii) Specialized fiduciary standard for project management;
 - (iii) Specialized fiduciary standard for grant award and/or funding allocation; and
 - (iv) Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees); and
- (e) **Environmental and social (E&S) risk category:** Medium risk (Category B/Intermediation 2 (I-2)).³

¹ As per Annex I to decision B.08/02, "large" is defined as "total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US\$ 250 million for an individual project or an activity within a programme".

² Decision B.07/02.

³ As per Annex I to decision B.07/02, 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".

II. Accreditation assessment

3. The applicant is eligible for and applied under, the fast-track accreditation process as an accredited entity of the Adaptation Fund. Its application has been assessed against the Fund's standards by the Accreditation Panel (AP) in accordance with the requirements and gaps identified in decision B.08/03.

4. As part of this assessment, the AP has consulted the applicant's website, third-party websites and an international organization that the applicant has collaborated with over many years to complement the information provided by the applicant in its application.

2.1 Fiduciary standards

2.1.1 Section 4.1: Basic fiduciary standards: Key administrative and financial capacities

5. As per paragraph 3 above, the basic fiduciary standards concerning key administrative and financial capacities are considered to have been met by way of fast-track accreditation.

2.1.2 Section 4.2: Basic fiduciary standards: Transparency and accountability

6. As per paragraph 3 above, the basic fiduciary standards concerning transparency and accountability, with the exception of item 4.2.4, investigation function, have been met by way of fast-track accreditation.

7. Regarding item 4.2.4, the applicant provided evidence in support of its investigation function, for which there are three channels of reporting. In the first instance, it has accepted the national legal framework for reporting and managing the process associated with investigations. This is a well-structured and resourced mechanism, the information on which is fully detailed on its website and fully meets the Fund's standards. Secondly, there is an internal channel which is contained in the staff rules and provides for an internal disciplinary process. Finally, the website also provides for receiving and tracking complaints.

8. The applicant has provided information in respect of cases reported and actions taken.

2.1.3 Section 5.1: Specialized fiduciary standard for project management

9. As per paragraph 3 above, the specialized fiduciary standard for project management is considered to have been met by way of fast-track accreditation.

2.1.4 Section 5.2: Specialized fiduciary standard for grant award and/or funding allocation mechanism

10. The applicant, an Apex institution,⁴ has significant grant operations across a diverse set of sectors and demonstrates knowledge and innovation in this area of its operations. Its grant schemes are transparently published on its website. Moreover, its product offering spans a variety of instruments with a wide reach.

11. In addition to the diversity mentioned above, APL010 has a well-established track record for grant awards under dedicated programmes that have been designed in conjunction with international development financing institutions (DFIs). This programmatic approach has

⁴ According to the Consultative Group to Assist the Poor, an Apex institution is defined as "a second tier or wholesale organization that channels funding (grants, loans, guarantees) to multiple microfinance institutions (MFIs) in a single country or region. Funding may be provided with or without supporting technical services". Available at <<https://www.cgap.org/sites/default/files/CGAP-Donor-Brief-Apex-Institutions-in-Microfinance-Jul-2002.pdf>>.

produced meaningful results and the capacity thus developed can be leveraged for its effectiveness and broad impact.

12. These programmes and associated procedures have been structured with sustainability in mind. Significant engagement and involvement of communities is maintained during the implementation of the projects supported under these programmes. Systems and processes for awarding grants are defined per programme and include, amongst others, results frameworks, procurement procedures, reporting and monitoring and responsibilities. Moreover, the applicant has a technical assistance capacity that further supplements its activities.

13. Information in respect of the programme and the role of the applicant is publically displayed at the project site and project progress is reported within communities via local structures.

14. For components of the programme that have a large concentration of projects, dedicated implementing units are established in order to supplement the monitoring and implementation. Evaluations, including ex-post evaluations are undertaken so as to ensure that projects are sustainably maintained. In order to ensure good governance, external audits on the use of funds form a key component of fiduciary oversight.

15. Grants for programmes are not managed in isolation, but as part of a blended portfolio of loans and grants. The grants provided under these programmes are leveraged for their effectiveness in support of structuring projects where funds are most needed. Eligibility criteria include an assessment of affordability as a means of reducing risk within a well-defined programme.

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

16. The applicant has a substantial balance sheet, which, in addition to its proven track record in managing its resources, provides support for its lending programme that includes commercial paper and bond issuance. APL010's audited financial statements are published annually and its financial metrics have provided for an 'AAA' national rating by an internationally recognized rating agency.

17. The applicant has a significant track record in respect of on-lending and blending of a size that it is seeking accreditation for. The approach for its operations with DFIs has been an integrated one where a sustainable financial model is derived by integrating sources and financing types, and the sharing of risk. Here the emphasis is also on a programmatic approach. Sound financial principles, including credit quality, a balanced portfolio approach and good governance characterize the operations of these programmes. Evidence regarding the applicant's good standing with DFIs has been provided and verified by the AP.

18. In operationalizing the programmes, the applicant's processes include the selection of project executing agencies which are chosen for their ability to implement projects and a sound financial track record evidenced by audit reports.

19. The applicant has a number of board and management committees with well-defined roles and responsibilities and includes an investment committee, a risk management committee, an audit committee, and an asset and liability committee. These committees meet frequently and are guided by the policies and procedures documented for their purpose. Ongoing activities in respect of programmes are published on a quarterly basis on the applicant's website and are reported in its annual financial statements.

20. APL010 has, at a macro level, a significant number of policies and procedures that govern its operations. Its loan policy is significantly detailed and provides for credit risk assessments of its counterparties and covers all products in its portfolio.

2.2 Environmental and social safeguards

2.2.1 Section 6.1: Policy

21. The applicant is in the process of preparing an environmental and social safeguards (ESS) policy which provides for an environmental and social management system (ESMS) that includes processes for:

- (a) The identification of impacts and risks of projects;
- (b) Monitoring and reporting; and
- (c) Community engagement and participation.

22. APL010 intends to submit its newly drafted policy to its board for consideration and approval at its next meeting. The policy will apply to projects and programmes where resources from DFIs and other multilateral sources such as the Fund are applied. The applicant has recently acquired some experience in applying E&S principles to programmes implemented with DFIs. These programmes are ring-fenced with specific E&S and fiduciary guidelines. The draft policy, when approved by the applicant's board, will fully meet the Fund's ESS. In addition to addressing the Fund's ESS, the policy also addresses issues related to gender equity and access, as well as equity and the protection of human rights. In preparing its policy and reflecting on its future implementation, the applicant has recognized the capacity constraints it may encounter and to this end, the policy provides for resources to support its implementation on a cost-recovery basis.

2.2.2 Section 6.2: Identification of risks and impacts

23. The policy provides for an assessment of E&S risks and impacts of the applicant's operations. It also provides for a categorization of projects and programmes based on the scale, nature and severity of E&S risks and impacts that may arise from its operations.

2.2.3 Section 6.3: Management programme

24. The policy provides for a management programme that will ensure that environmental management plans are prepared and employed in managing mitigation measures and actions stemming from the E&S risk and impact identification process, and unanticipated impacts.

2.2.4 Section 6.4: Organizational capacity and competency

25. The applicant has competency within its structures to undertake the tasks associated with an ESMS, though given the extent of its operations this is limited. Having recognized this gap, APL010 is, in collaboration with a DFI, in the process of developing a detailed capacity-building programme which includes the development of ESS procedures. Moreover, in addition to its existing ESS competencies, it has drafted a job description for an environmental officer who will oversee, at a strategic level, the applicant's ESS responsibilities as envisaged by the draft policy.

2.2.5 Section 6.5: Monitoring and review

26. The policy will require that executing agencies establish monitoring procedures to review progress and compliance with the E&S obligations of the applicant's operations, in addition to outlining the role of the applicant in supervising the executing entities. Monitoring and evaluation of mitigation measures and actions is addressed in the policy.

2.2.6 Section 6.6: External communications

27. The policy proposes a disclosure and consultative process as anticipated in the standard and in this regard it has a significant track record in disseminating information both on its website and at the sites of the executing entities in which it has funded projects. Additionally, project results are substantially detailed in its annual results reports and it produces information booklets and brochures for distribution to the general public. The applicant's website contains a significant amount of information in respect of its operations and also provides for external communications both for general contact and for grievances.

2.3 Gender

28. The applicant is preparing a gender policy in addition to including gender equity as a standard in its ESMS. This innovative approach codifies a gender approach in the environmental and social impact assessment for medium E&S risk projects. The standard encompasses that women and men are treated equitably, receive comparable benefits and do not suffer disproportionately from operations that the applicant implements. The applicant has demonstrated a track record of supervising gender specific projects and has the in-house competencies.

29. APL010 has demonstrated a track record of gender specific programmes that have been targeted to remove gender barriers and for purposes of climate change adaptation. The applicant provided evidence of facilitating the social and financial empowerment of women in the projects that it has implemented.

III. Conclusions and recommendation

3.1 Conclusions

30. 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 fully meets the requirements of the Fund's 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 and guarantees;
- (b) Having drafted an E&S policy, which is pending approval by its board, and having worked towards codifying procedures under its programmes with DFIs, the applicant substantially meets the requirements of the Fund's interim ESS in relation to the medium E&S risk Category B/I-2. It is required that the applicant's board:
 - (i) Approve the environmental and social safeguards policy, and communicate the policy and procedures within the organization as well as to its executing entities;
- (c) The applicant has demonstrated that it has competencies in the implementation of a gender policy in addition to demonstrating the ability to apply gender-sensitive approaches to climate change adaptation projects and programmes. It is required that the applicant:
 - (i) Develop a gender policy in line with the Fund's gender policy to be applied in projects and programmes funded by the Fund.

3.2 Recommendation on accreditation

31. The AP recommends, for consideration by the Board, the applicant (APL010) for accreditation as follows:

(a) **Accreditation type:**

- (i) **Size of an individual project or activity within a programme:** Large (including micro, small and medium);
- (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) **Environmental and social risk category:** Medium risk (Category B/I-2) (including lower risk (Category C/I-3)⁵); 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. The AP will thereafter assess whether the condition has been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes. The condition is:

- (i) The applicant shall meet the requirements indicated in paragraph 30 (b) (i) and (c) (i) above prior to the first disbursement by the Fund for an approved project/programme to be undertaken by the applicant.

32. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 31 above, and agrees to the recommendation.

3.3 Additional remarks

33. The applicant is encouraged to seek readiness and preparatory support to assist it with:

- (a) Meeting the conditions identified in paragraph 31 (b) above.

⁵ 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”.