

approved by the Board, taking into account any condition approved by the Board in this decision and in the decision accrediting the relevant accredited entity; and

- (v) *Authorizes the Secretariat to disburse fees for each funded project/programme approved by the Board as per the disbursement schedule to be agreed in the funded activity agreement in accordance with the policy on fees and the general principles and indicative list of eligible costs covered under GCF fees and project management costs adopted by the Board pursuant to decision B.19/09.*

Agenda item 17: Consideration of accreditation proposals

53. The Board took note of the document GCF/B.21/17 and its limited distribution addenda Add.01, Add.02, Add.03, and Add.04 titled “Consideration of accreditation proposals”.

54. The Board adopted the following decision:

DECISION B.21/16

The Board, having considered document GCF/B.21/17 and its limited distribution addenda Add.01, Add.02, Add.03 and Add.04 titled “Consideration of accreditation proposals”:

- (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 061 (APL061) is Caixa Economica Federal (CEF) based in Brazil, as contained in annex V in document GCF/B.21/17;*
 - (ii) *Applicant 062 (APL062) is the Fondo para la Acción Ambiental y la Niñez (Fondo Acción) based in Colombia, as contained in annex VI in document GCF/B.21/17;*
 - (iii) *Applicant 063 (APL063) is IDFC Bank Limited (IDFC Bank) based in India, as contained in annex VII in document GCF/B.21/17;*
 - (iv) *Applicant 064 (APL064) is the Ministry of Finance and Economic Management (MFEM) based in the Cook Islands, as contained in annex VIII in document GCF/B.21/17;*
 - (v) *Applicant 065 (APL065) is the National Rural Support Programme (NRSP) based in Pakistan, as contained in annex IX in document GCF/B.21/17;*
 - (vi) *Applicant 066 (APL066) is the Nordic Environment Finance Corporation (NEFCO) based in Finland, as contained in annex X in document GCF/B.21/17;*
 - (vii) *Applicant 067 (APL067) is Pegasus Capital Advisors (PCA) based in the United States of America, as contained in annex XI in document GCF/B.21/17;*
 - (viii) *Applicant 068 (APL068) is the Austrian Development Agency (ADA) based in Austria, as contained in annex XII in document GCF/B.21/17;*
 - (ix) *Applicant 069 (APL069) is the Compañía Española de Financiación del Desarrollo S.A. S.M.E. (COFIDES) based in Spain, as contained in annex XIII in document GCF/B.21/17;*
 - (x) *Applicant 070 (APL070) is the Financiera De Desarrollo Territorial S.A. (Findeter) based in Colombia, as contained in annex XIV in document GCF/B.21/17;*
 - (xi) *Applicant 071 (APL071) is the Fundo Brasileiro para a Biodiversidade (Funbio) based in Brazil, as contained in annex XV in document GCF/B.21/17;*
 - (xii) *Applicant 072 (APL072) is the LandBank of the Philippines (LandBank) based in the Philippines, as contained in annex XVI in document GCF/B.21/17;*

- (xiii) *Applicant 073 (APL073) is the Protected Areas Conservation Trust (PACT), based in Belize, as contained in annex XVII in document GCF/B.21/17;*
- (xiv) *Applicant 074 (APL074) is BNP Paribas S.A. (BNP Paribas), based in France, as contained in annex XVIII in document GCF/B.21/17;*
- (xv) *Applicant 075 (APL075) is the Consortium of International Agricultural Research Centers (CGIAR), based in France, as contained in annex XIX in document GCF/B.21/17; and*
- (xvi) *Applicant 076 (APL076) is the Inter-American Investment Corporation (IDB Invest), based in the United States of America, as contained in annex XX in document GCF/B.21/17;*
- (b) *Accredits applicants APL061, APL062, APL063, APL064, APL065, APL066, APL067, APL068, APL069, APL070, APL071, APL072, APL073, APL074, APL075 and APL076 pursuant to paragraph 45 of the Governing Instrument for the Green Climate Fund, and subject to, and in accordance with, the assessments by the Accreditation Panel contained in the relevant annexes for each of the applicants;*
- (c) *Takes note with appreciation of the assessment conducted by the Secretariat and the Accreditation Panel contained within the relevant annex for the following applicant seeking to upgrade its accreditation type:*
- (i) *Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE), based in Peru, as contained in annex XXI in document GCF/B.21/17;*
- (d) *Agrees to upgrade the accreditation type of Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE) as contained in decision B.09/07, paragraph (b), subject to, and in accordance with, the assessment by the Accreditation Panel contained in annex XXI in document GCF/B.21/17; and*
- (e) *Recalling decision B.14/08, paragraph (d)(i), decision B.18/04, paragraph (c), and decision B.19/13, paragraph (c), decides that future accreditation decisions by the Board should aim to bring forward accredited entities that fulfil the mandate on balance, diversity and coverage and advance the objectives of GCF and, to that end, decides to prioritize up to the end of the twenty-third meeting of the Board the following, not listed in order of priority:*
- (i) *National direct access entities nominated for accreditation by national designated authorities or focal points of countries that do not have an accredited direct access national entity;*
- (ii) *Private sector entities, in particular those in developing countries, seeking a balance of diversity of entities in line with decision B.09/07, paragraph (g) and decision B.10/06, paragraph (h);*
- (iii) *Entities responding to requests for proposals issued by the Green Climate Fund, for example, including a pilot phase for enhancing direct access; a pilot programme to support micro, small, and medium-sized enterprises; and a pilot programme to mobilize resources at scale in order to address adaptation and mitigation;*
- (iv) *Accredited entities seeking fulfilment of their conditions for accreditation; and*
- (v) *Accredited entities requesting upgrades in their accreditation scope.*

Agenda item 18: Performance review of the GCF for the initial resource mobilization period

Annex XIV: Accreditation assessment of Applicant 070 (APL070)

I. Introduction

1. Applicant 070 (APL070), the Financiera De Desarrollo Territorial S.A. (Findeter) is a national development bank headquartered in Colombia, organized as a credit institution and linked to the Ministry of Finance and Public Credit. The applicant strives to promote alternate routes in the context of sustainable development in several sectors of the Colombian economy, such as public lighting and renewable energy in the infrastructure sectors.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 27 January 2015. Accreditation fees were received from the applicant on 20 September 2017, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 28 February 2018 and the applicant was progressed to 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 GCF:

- (a) **Access modality:** direct access, national; the applicant received a national designated authority or focal point nomination for its accreditation application from Colombia;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or activity within a programme:** small;¹
- (d) **Fiduciary functions:**²
 - (i) Basic fiduciary standards;
 - (ii) Specialized fiduciary standard for project management;
 - (iii) Specialized fiduciary standard for grant-award or/and funding allocation mechanisms; and
 - (iv) Specialized fiduciary standard for on-lending and/or blending (for loans and guarantees); and
- (e) **Maximum environmental and social risk category:** medium risk (Category B/Intermediation 2 (I-2)).³

II. Stage I institutional assessment and completeness check

3. The applicant applied and was assessed by the Secretariat during Stage I under the normal track accreditation process.

¹ 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”.

² Decision B.07/02.

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

2.1 Legal status, registration, permits and licences

4. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. Findeter was registered in 1990 to the Chamber of Commerce of Bogota, Colombia, under number 00413088.

2.2 Institutional presence and relevant networks

5. Findeter's expertise is based on supporting technically and financially sustainable development projects by working closely with government agencies and ministries to support secure financial resources to the most needed regions of the country through 22 offices.

6. The applicant has an effective track record in funding, managing and executing projects in both the public and private sector which provide environmental and livelihood positive impacts in sectors that include urban and environmental infrastructures, buildings and housing, information and communication technologies as well as transport. More broadly, the applicant works in the transport, energy, urban infrastructure and housing, water and sanitation, health, education, technology, tourism and environment. The applicant has projects throughout the country, in over 550 municipalities.

2.3 Track record

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

- (a) USD 3.3 million (loans) for the "Construction of the sludge plant of wastewater treatment plant" project in Piedecuesta, Colombia;
- (b) USD 3.3 million (loans) for the "Mitigation works in the las ladera of the campo alegre for handling surface and underground water" project in Colombia;
- (c) USD 8 million (loans) for the "Construction of the waste water treatment plant and termination of the collection networks of the sewer system in Ciudad Mutis" project in Colombia;
- (d) USD 21.4 million (loans) for the "Mitigation of the threat and risks due to flooding in the Industrial zone of Yumbo" project in Colombia; and
- (e) USD 14.4 million (loans) for the "Construction of the Alexandria Pch, based on the use of water resources from the Nare River- building a small hydroelectric plant 15MW" project in Antioquia, Colombia.

III. Stage II accreditation review assessment

8. The applicant applied under the normal-track accreditation process. 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 accreditation requirements.

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

3.1 Fiduciary standards

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

10. The applicant's governance structure is based on the requirements of Colombian financial regulations with the Government of Colombia and sub-national governments as its sole owner. The applicant's main governing body is its board of directors which has five directors and five alternates and is appointed at the shareholders meeting. The chairman of the board is an appointee of the Ministry of Finance and currently two of the five directors and three of the alternates are independent. It will be proposed at the 2019 shareholders meeting that three of the directors will be independent, such that simple majority decisions can be taken independently of government. The board meets at least once a month and is effectively an executive board.

11. The Chief Executive Officer (CEO) or president of the applicant is appointed by the board and attends board meetings in a non-voting capacity. The board is supported by a number of oversight committees: audit, risk and asset liability management, internal control and system coordination and SARLAFT (el Sistema de Administracion del Riesgo de Lavado de Activos y de la Financiacion del Terrorismo), the Colombian anti-money laundering (AML) and countering the financing of terrorism (CFT) framework. In addition, there is an ethics committee that reports to the president. Other committees are formed as needed, such as grant committees when required for specific donor projects (see section 3.1.5 below). The applicant provided appropriate documentation to demonstrate the functioning of these committees.

12. The aforementioned oversight bodies are supported by an organization appropriate for the scope and volume of operations managed by the applicant and governed by a comprehensive code of governance. There are six vice presidents reporting to the president. These six vice presidents cover planning, commercial, technical, risk, operations and finance. They apply an integrated management system called SGI which applies the standards and controls required by local financial regulations. This management system addresses risks in a number of regulated areas: operational risk, marketing risk, liquidity risk, credit risk, environmental and social risks and AML/CFT risk. There is regular follow-up and reporting to the board and the regulators and SGI policy also ensures compliance with legal and regulatory requirements as well as continual review of procedures and processes to strengthen and improve execution and control of daily operations.

13. The applicant's planning procedures are thoroughly documented and they have the required organizational resources and technology support for the preparation, monitoring and execution of their corporate strategic plan, which is published on their website. The plan is consistent with Colombia's National Development Plan for 2014 to 2018. There are bi-monthly reviews of progress with follow-up action plans.

14. The applicant prepares its financial statements using the accounting principles defined in the regulations issued by the Financial Superintendence of Colombia. The applicant is in compliance with regulatory requirements and publishes annual financial statements. The accounting information system used by the applicant is appropriate for the volume of transactions operated daily by the applicant.

15. Internal audits are appropriately planned in the annual audit plan that is approved by the applicant's audit committee, made up of three members of the board, the majority of whom are independent as per local regulations. The internal audit is performed by the external audit firm, currently Ernst & Young, under the supervision of the head of internal audit. It is then in turn reviewed and approved by the audit committee. The applicant demonstrated that the internal audit procedures include appropriate communication of findings, development of action plans and appropriate follow-up.

16. The applicant's control framework, developed based on the principles contained in the Committee of Sponsoring Organizations framework, and the resources (including human resources, technological tools and extensive procedure manuals) invested in internal control demonstrate the appropriateness of its internal control system. The applicant provided ample evidence of the control procedures implemented, as well as of its effectiveness. Reasonable

assurance is provided of the capacity of the applicant's internal controls system for timely detection of irregularities and implementation of corrective actions.

17. The applicant's procurement activities are regulated by policies and procedures set out in its code of governance and by the national legal and regulatory provisions applicable to the development of its activities under private law. Its procurement policy establishes the mechanisms that provide reasonable assurance that the vendor selection process is appropriate, that procurement is conducted in a transparent manner and that all suppliers are treated in an equitable manner.

18. The applicant has an internal contracting group that manages the logistics of the procurement process, and has the technical resources available to assess the reasonability of proposed costs for the projects it finances and the goods and services it contracts. The entire procurement process is subject to clearly defined procedural requirements and complies with the procurement regulations applicable to Colombian private-sector entities. The procurement policy establishes appropriate processes for procurement-related complaints and has established procedures to respond to complaints it receives. However, the applicant does not have any policy or procedures established for conducting the oversight of the procurement of the beneficiary organisations and executing entities. This gap identified is reflected in the corresponding condition for accreditation in section 4.2 below.

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

19. The applicant has an ethics committee that reports to the CEO, and whose members are appointed by the CEO. Its main objective is to follow up and adopt measures regarding the application of the code of ethics that defines the conduct expected from its employees, directors and suppliers. The code of ethics is based on international and local standards of best practices in corporate governance and is communicated through both the applicant's intranet and its public website. Every employee agrees to abide by the code of ethics on signing their contract of employment.

20. The applicant has a procedure for mismanagement and other forms of malpractice and has not faced any cases of violation of their code of ethics, fraud or corruption in the last four years. As such, the AP found that the close controls of the applicant are sufficient to detect issues that might arise and that they would be effectively handled as and if they occur.

21. The applicant has policies for prohibited practices, but does not have procedures for coercive, collusive or obstructive practises, abuse or conflict of interest, other than what is covered in their code of ethics. The applicant did not consider the need to establish these procedures in the recent past, as has not faced any of the above-mentioned malpractices in its activities due to the nature of its projects. Likewise, there is no formal mechanism for protecting whistle-blowers, although there is a dedicated telephone line and exclusive email for complaints which only the vice presidency of risks has access to. The applicant has stated its willingness to develop the missing policies during 2019. These gaps will be documented in the corresponding condition for accreditation in section 4.2 below.

22. The applicant's AML/CFT policies and procedures are well developed based on Colombian regulations which are modelled on international standards, such as those issued by the Financial Action Task Force and the Bank for International Settlements. The AP finds that the applicant's policies aimed at preventing money laundering, financing of terrorism and other prohibited practices comply with the GCF basic fiduciary standards, as well as the GCF General Principles on Prohibited Practices⁴ and the GCF AML/CFT Policy.⁵

23. The applicant has appropriate procedures for "know-your-customer" due diligence, that include initial information gathering and recording of information in the AML/CFT monitoring

⁴ Decision B.12/31.

⁵ Decision B.18/10.

system, known as SARLAFT in Colombia. The required systems and procedures, including appropriate policies for customer record management and reporting of unusual transaction to the national financial surveillance agencies, ensure that there is permanent monitoring of customer's transactions, including both domestic and international wire transfers. The applicant's compliance officer, who reports direct to their board, is responsible for maintaining compliance with SARLAFT regulations. All employees are given regular AML/CFT training.

24. With exception of the gaps identified above, the AP finds that the applicant's policies, procedures and capacity comply with the GCF basic fiduciary standards on key administrative and financial capacities.

3.1.3 Section 5.1: Specialized fiduciary standard for project management

25. The applicant provided evidence of its track record in implementing projects funded by the Colombian Government, as well as by international development agencies. This track record demonstrates the applicant's capacity to adapt its operating policies and procedures to the specific requirements of funding providers.

26. The applicant's project appraisal and approval guidelines include clearly defined tasks to be completed, including full financial projections and risk assessments as well as recording of information in the credit support systems. The following areas are covered in each project appraisal report: background, technical analysis, impact assessment, tender conditions, scope and costs of studies to be contracted, appraisal of proposals, supervision and monitoring plans. When requested, the applicant provides technical assistance to help with project design and implementation.

27. The applicant has well established and documented processes and procedures that are applied to their project appraisal and execution, covering the full project lifecycle from pre-feasibility studies, through to execution and implementation and subsequent supervision and monitoring. Due diligence follows established guidelines, including required financial, technical, legal and environmental assessments.

28. To demonstrate the project appraisal processes and procedures outlined in the paragraph above, the applicant has provided full appraisal reports on three projects: a multipurpose convention, exhibition and events arena in a regional city; tourism and wellness centre in the north of the country and the relocation and construction of a market place and shopping centre in a town in the centre of the country.

29. In addition, the applicant has provided the environmental and social assessment of a further three projects in public lighting, a cardiovascular health centre and an energy project. These examples provide strong evidence of the applicants experience and capabilities in project appraisal.

30. The applicant's project management policies and procedures include project at-risk management tasks that allow for the identification of early warning signs and effective corrective actions. An operational risk management system is applied to projects that it is an integral part of the applicant's internal control system. All risk assessments analyse the following risks: economic, social and political, operational, financial, regulatory, nature and environment, and technological.

31. The applicant's historical procedures for project supervision during and after implementation require regular follow-up and progress reporting with a number of templates for weekly and monthly auditing reports and a monthly supervision report. In the past this was done by the team that appraised and implemented the project. In early 2018, a monitoring and evaluation unit has been established as a separate team. As this separate monitoring and evaluation function is relatively new, it is only applied to projects funded by international organisations. The intention is to apply it to all projects in the future. Independent evaluation of project results is undertaken on a case by case basis when requested by the project funder, such

as the international organisations. It will be a condition of accreditation that the applicant adopt policies and procedures for the independent evaluation of projects, which is reflected in section 4.2 below.

32. All the project related information is disclosed on the applicant's website in its publicly available sustainability report. The applicant does not have a specific policy in place for the public disclosure of project-related information, but is willing to develop such policy by the third quarter of 2019. This gap identified is reflected in the corresponding condition for accreditation in section 4.2 below.

33. As a financial institution that serves the Colombian Government as a financial partner in the implementation of government programmes, the applicant has developed the required competencies and standard operating procedures to appropriately assess, monitor and evaluate the performance of the implementing and executing entities to whom financial resources are disbursed.

34. With exception of the gaps identified above, the AP finds that the applicant's policies, procedures and capacity comply with the GCF specialized fiduciary standard for on-lending and/or blending for loans and guarantees.

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

35. The applicant has the required policies and procedures to undertake grant award activities aligned with the GCF specialized fiduciary criteria for grant award and/or funding allocation mechanisms. The applicant's grant award competencies were assessed based on the applicant's grant award mechanisms and track record with the grant programmes of various international organizations and local and international government agencies, such as the Inter-American Development Bank, Agence Française de Développement, the European Union, and Japan's grant award fund. The applicant has provided evidence of its capability to implement grant programmes with a number of examples including a solar panel project and a programme financed by the Global Environmental Facility.

36. The applicant does not provide its own grant funding and does not have a general grant evaluation committee. However, committees for awarding grants, which serve an equivalent function to a grant evaluation committee, are established for specific grant programmes as per the requirements of the donors. The members of these committees include the sustainability manager, the head of international banking and the project coordinator. Committee members from the donors would include the heads of technical departments and the programme coordinators. Grants are only awarded on behalf of international entities who provide the grant funds. As such, the applicant acts as manager and executing agent of the grants.

37. The strengths of the applicant's internal controls and internal audit function provide the assurance of appropriate control over grant funds, as well as their disbursement and appropriate use. The applicant does not have a specific procedure for suspension or grant termination. However, every contract contains a termination clause which can be exercised in the event of a beneficiary failing to comply with its obligations.

38. The applicant publishes the procedures for grant awards on its website, but there are no specific policies or guidelines for publishing the results. The corresponding condition is reflected in section 4.2 below. However, depending on the requirements of the donors, the applicant discloses detailed information on its website regarding the results of the grants disbursed. The applicant reports at least twice a year on the execution of a grant programme including budget allocation and project status. Grant programmes are independently evaluated as evidenced by audit reports provided by the applicant including an external audit report commissioned for Agence Française de Développement.

39. While the applicant does not have specific procedures for technical support and transfer of knowledge to beneficiaries, it nevertheless represents one of the main added value services offered to Colombian municipalities. It is the principal reason these municipalities chose to work with the applicant and is consistent with the applicant's corporate mission to be "the strategic partner of the regions that generates welfare to the people". Therefore, the AP considers that the applicant, by addressing the conditions recommended in section 4.2 for the gaps identified, meets the requirements for the specialized fiduciary standard of grant award and/or funding allocation mechanisms.

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

40. The applicant, in response to its role as the Colombian government's financial partner for the implementation of municipal programmes with social impact, has well-developed credit policies, procedures and a technological platform appropriate for the scope and volume of its operations. Specifically, the applicant has demonstrated its capacity to manage different modalities of on-lending operations. Furthermore, the applicant has demonstrated its capacity to establish and manage additional modalities of loan structures, including projects developed with international development agencies, such as the Inter-American Development Bank, Kreditanstalt für Wiederaufbau and Multilateral Investment Guarantee Agency.

41. The applicant provided documentation regarding its credit policies and procedures and examples of the standardized loan origination, evaluation and monitoring formats used to approve and monitor its loan operations. These documents contain the guidelines for loan operations that are required for a Colombian financial institution.

42. Additionally, copies of credit due diligence reports, credit approval documents and loan monitoring reports were provided. The AP's assessment of the documentation confirms the applicant's capacity to meet the GCF specialized fiduciary standard for on-lending and/or blending using loans and guarantees as the financial instruments.

43. The applicant provided information on the specific risk scoring it applies to its credit customers. This score is used to assess, monitor and evaluate the risk exposure of the applicant's loan portfolio. The availability of the appropriate information, the independence of the risk management function and the supervision of the national financial regulators provide assurance of the adequacy of the applicant's risk management system.

44. The applicant provided information regarding its financial management policies and their implementation. It has clear delegations of power and appropriate separation of functions within its treasury unit, and between the business focused units, operational units, risk management units and control units.

45. The applicant also provided copies of the minutes of its risk and asset and liability management committee meetings which validate the effective functioning of this committee, critical for effective management of its banking loan portfolio.

46. The applicant regularly publishes, in accordance with Colombian regulatory requirements, its Risk and Capital Management Report, which provides information of the risk position of the applicant and the mitigating actions taken. The disclosure of this information demonstrates that the applicant has the required tools to manage the financial risks (including liquidity, operational and credit risk) inherent to the operations of financial intermediaries.

47. The AP finds that the applicant's policies, procedures and capacity comply with the GCF specialized fiduciary standard for on-lending and/or blending for loans and guarantees.

3.2 Environmental and social safeguards

3.2.1 **Section 6.1: Policy**

48. The applicant's environmental and management system (ESMS) is established through its environmental and social risks analysis system (SARAS) which the applicant's board first approved on 23 June 2015, modified on 14 December 2016, and approved the latest version on 26 April 2017. The SARAS has been institutionalized through a handbook and template forms and has been introduced in the organization through training sessions of personnel and through electronic and other means of communication and promoting awareness.

49. The SARAS handbook includes an overarching statement of the environment and social safeguards (ESS) objectives and principles which guide the institution. This is "to manage environmental good practices to generate awareness and promote the efficient use of resources in the its activities, in order to ensure compliance with legal requirements, preservation of the environment and the sustainable development." It also commits to "identify and analyze the risks of financing activities that may generate environmental and social impacts, in order to provide greater well-being in regions." The applicant has also identified the national and international standards that it follows, and the SARAS sets up the structures and procedures for implementing the system.

50. For standards, at the national level, the applicant adheres to the Green Protocol, which is an agreement between financial entities and the national government to promote best practices, and the Decree 1075 of 2015 Unique Regulatory Decree of the Environment Sector. The applicant also has adopted the International Finance Corporation (IFC) performance standards although it acknowledges that it has to fully implement those standards.

51. An assessment of the applicant's ESS system that was done by Kreditanstalt für Wiederaufbau identified gaps between the applicant's ESMS and the IFC performance standards, but the applicant has addressed most of those gaps, especially those related to policy and organizational issues. The remaining ones are implementation related and are addressed in subsequent sections below.

52. As evidence of track record, the applicant submitted its 2017 ESMS annual report which provides information on how the policy was implemented that year, on what projects needed to be evaluated, and on improvements needed for a better system.

53. The AP finds that the applicant complies with the GCF interim ESS performance standards 1 to 8 for a maximum E&S risk Category B/I-2 projects/programmes.

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

54. The applicant's SARAS handbook describes in detail its institutional process for identification of environmental and social (E&S) risks and impacts of projects/programmes, which is assessed by the AP and considered consistent with the GCF interim ESS performance standards 1 to 8. Among others, the handbook defines high, medium, and low environmental risks for projects and programmes and identifies approaches for categorizing those risks.

55. Aside from the handbook, the applicant implements its system of identifying and addressing E&S risks through procedures for risk identification and assessment, and several template forms, named the Formulario de Identificacion de Riesgos Ambientales y Sociales (FIRAs) to first identify the risks and Formulario de Identificacion de Riesgos Ambientales y Sociales (FARAs) to analyze and address those risks. The applicant had also developed a table that categorizes E&S risks according to sectors, such as infrastructure, transportation, energy, urban development, water and sanitation, etc. Climate risks and impacts are incorporated into these tools.

56. In the 2017 ESMS annual report, the applicant noted that most of the projects included in their analysis were categorized with an average risk of 57% while projects classified as low

E&S risk represented 43%. These correspond to E&S risk medium (Category B/I-2) and lower risk (Category C/I-3⁶) categories in the GCF interim ESS.

57. The applicant also submitted a sample of projects, including on energy, water, sewerage, and public health, that it financed in 2017 and their E&S risk categorization.

58. The AP found the applicant's SARAS handbook and system for E&S risks and impacts identification and categorization complies with GCF policies and standards, including requirements for a maximum E&S risk Category B/I-2 projects/programmes.

3.2.3 Section 6.3: Management programme

59. The procedures for identifying and assessing E&S risks described in section 3.2.2 above also incorporate the procedure on environmental management of mitigation measures and action stemming from E&S risk identification. Thus, the FIRAs require the listing of the E&S permits and licenses necessary for the project to ensure compliance with environmental and other laws. The FARAs, which provide an analysis of the risks, has a section on commitments and recommendations to mitigate E&S risks.

60. The applicant provided examples of correspondence to clients as evidence of its implementation of the procedure on environmental management of mitigation and measures. Those letters identified the risks of the project and proposed conditions/measures to mitigate the risks.

3.2.4 Section 6.4: Organizational capacity and competence

61. The SARAS handbook provides information on who is responsible for implementing the ESMS of the applicant. Among others, it enumerates the roles and responsibilities of those who are involved and the procedures that they will have to follow to implement the system. These include the board of directors, several vice presidents, financial intermediaries, and the clients themselves of the applicants. More specifically, the applicant identified the vice president for risks as its lead person for implementing the ESMS. The detailed terms of reference and the curriculum vitae of this lead person and another member of the ESMS team were provided by the applicant.

62. Finally, the applicant provided information on training sessions conducted (12 sessions for 83 staff) for its personnel implementing the SARAS and also external training sessions (19 people). The training included topics such as risks, materialized environmental risks, the Green Protocol, benefits of SARAS, international development banks, scope of the system, methodology, flow of a project with SARAS, and the roles and responsibilities for implementing the system.

63. The AP found that the applicant's organizational capacities and competencies to implement its ESMS complies with the GCF interim ESS, and are appropriate for projects/programmes that are categorized as a maximum E&S risk Category B/I-2 projects/programmes.

3.2.5 Section 6.5: Monitoring and review

64. Taken together, the SARAS handbook and the FIRAS and FARAS template forms provide the basis of a monitoring and evaluation system. The applicant is also implementing a documented monitoring and evaluation system as evidenced by a database of projects being currently monitored. The database contains information, among others, on mitigation actions needed and their status.

⁶ 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".

65. The applicant provided several project documents to illustrate how it monitors and reviews implementation of its ESMS system. It also provided minutes of a meeting of the Committee on Risks headed by the President of the applicant and attended by many of its Vice-Presidents where the agenda of the meeting included a discussion on the ESMS system and its implementation.

66. In addition, to illustrate how monitoring and evaluation is providing opportunities for improving the SARAS, the applicant provided an annual report at the end of 2017 on the implementation of SARAS submitted by the vice president for risks to its senior management. The report identified and analyzed several projects that underwent the ESMS assessment and provided updates on their status. The report also included a specific section on how the system could be improved. Finally, the applicant provided minutes of the risk committee which illustrate how the monitoring and evaluation system works and how senior management guarantees its support to the SARAS and the strengthening of the system.

67. The AP concludes that the applicant complies with the GCF interim ESS on monitoring and review of projects and programmes of up to E&S risk Category B/I-2.

3.2.6 Section 6.6 External communication

68. The applicant provided information on its external communication system to receive and register external communications from the public. It provided information on how this could be done through (a) a toll-free national line; (b) virtual forum; (c) social networks (e.g., Facebook and twitter); and (d) an institutional email. It also provided a link to the webpage that contains and describes applicant's external communication system.

69. The applicant provided a letter stating that from 1 July 2015, when the ESMS was first implemented, to 7 March 2017 (when it first applied for accreditation) it has not received any ESMS-related complaint.

70. The AP notes that applicant has no register of external inquiries/complaints received along with responses, for projects and it has no policy to require its executing entities to carry out project-level disclosure and consultations on E&S information with the public in line with the GCF Information Disclosure Policy (IDP).

71. The AP finds that the applicant has a project grievance mechanism as evidenced by a document entitled "Attention to petition rights, complaints and claims" which lay down the procedure. This needs however to be extended to executing entities of the applicant.

72. Overall, the AP finds that the applicant partially complies with the GCF interim ESS on external communication for a maximum E&S risk Category B/I-2 projects/programmes, but this needs to be extended to its executing agencies.

3.3 Gender

73. The applicant's does not have a stand-alone gender policy, but it does acknowledge gender-related mandates from the government, through several laws such as the Decree 1649 of 2014 which contains the presidential advisory for the equity of woman and the governance code which mandates gender parity and fairness. These national mandates are equivalent to the GCF gender policy.

74. According to the applicant, in the selection policy and recruitment of qualified and competent personnel, it has established "equality of opportunity, non-discrimination of sex, race, social status, religion, region or other circumstances." Sixty per cent of the managerial positions in the applicant are female and 57% of the total workers are women. It has included in the terms of reference for hiring, the promotion of social inclusion since 2017 and as of May 2018, greater emphasis has been placed on the promotion of gender equity. Evidence of this is provided through the applicant's management report and sustainability report of 2017.

75. To further develop and implement its gender policy, the applicant has hired a qualified gender specialist, whose curriculum vitae was provided and reviewed by the AP, to lead the implementation of the applicant's gender programme. It is also implementing a pilot project to implement the gender policy in all loans and projects executed under the applicant's post-conflict programme. Gender indicators will be incorporated and measured for this programme and the applicant is expected to disseminate the gender policy after its successful completion of the programme by the end of 2018. It should be noted that the applicant is receiving technical assistance from the British embassy and the European Union for capacity building for gender policy implementation.

76. The applicant provided gender relevant data on some of its projects, specifically its post-conflict programme, but acknowledges that work needs to be done to develop and finalize a system to track such data in its projects.

77. The AP finds the applicant, in adhering to national standards, partially complies with the gender policy of the GCF. The applicant also has demonstrated that it has some experience with gender consideration in the context of climate change. The AP recommends, however, that the applicant adopt a gender policy and that would include collection and analysis of gender relevant data in order to meet the gender policy of the GCF.

IV. Conclusions and recommendation

4.1 Conclusions

78. Following its assessment, the AP concludes the following in relation to the application:

- (a) The applicant partially meets the requirements of the GCF basic fiduciary standards, specialized fiduciary standard for project management and specialized fiduciary standard for grant award and/or funding allocation mechanisms. The applicant meets the specialized fiduciary standard for on-lending and/or blending for loans and guarantees. In addition, the applicant provides technical assistance to support project design and implementation. Although the applicant has a policy on prohibited practices in place, the current policy does not include provisions for the handling of coercive, collusive or obstructive practises, abuse or conflict of interest, other than what is covered in their code of ethics. The applicant has a well-developed procurement guidelines, however, at the moment it does not have any policy and/or procedures for overseeing procurement activities of beneficiary institutions and executing entities. Also, the applicant does not have procedures for the disclosure information of project information and results in place, but the applicant has indicated it will establish such procedures in 2019. Furthermore, the independent evaluation of project results is undertaken on a case-by-case basis when requested by the project funder, such as international organisations. However, there is no stand-alone procedure on the evaluation of the project results;
- (b) The applicant partially meets the requirements of the interim ESS of the GCF in relation to the medium E&S risk (Category B/I-2). The applicant needs to address several gaps related to external communication, such as establishing a register of external inquiries and complaints, and a policy requiring the applicant's executing entities to establish project disclosure and project grievance mechanisms;
- (c) The applicant needs to improve its competencies, policies and procedures in order to implement a gender policy consistent with the gender policy of the GCF. It also has to document more systematically its experience with gender consideration in the context of climate change.

4.2 Recommendation on accreditation

79. The AP recommends, for consideration by the Board, applicant APL070 for accreditation as follows:

(a) **Accreditation type:**

(i) **Maximum size of an individual project or activity within a programme:** small;

(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 guarantees); and

(iii) **Maximum environmental and social risk category:** medium risk (Category B/I-2) (including lower risk (Category C/I-3⁷)); 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 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) Conditions to be met prior to the submission of the first funding proposal to the Board:

1. Provision of evidence by the applicant of the development and adoption of a policy on prohibited practices that is consistent with the GCF General Principles on Prohibited Practices and GCF AML/CFT Policy, and that includes specific procedures to address coercive, collusive, obstructive and abusive practices, and conflicts of interest, other than what is covered in the applicant's code of ethics. This policy should include provisions to protect whistle blowers;
2. Provision of evidence by the applicant of the adoption of a register of external inquiries and complaints received and responses to be applied in GCF-funded projects/programmes;
3. Provision of evidence by the applicant of the adoption of a gender policy which is consistent with the GCF Gender Policy;
4. Provision of evidence by the applicant of the adoption of a policy which requires the applicant's executing entities to carry out project-level disclosure of E&S assessment documents for GCF-funded projects/programmes, consistent with the requirements of the GCF Information Disclosure Policy for E&S risk Category B/I-2 projects/programmes; and

⁷ 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".

5. Provision of evidence by the applicant of the adoption of a policy on project-level grievance mechanisms that the applicant will require of its executing entities to establish and implement;
- (ii) Conditions to be met prior to the first disbursement for the first GCF-funded project/programme to be undertaken by the applicant:
 1. Provision of evidence by the applicant of the adoption of a policy, including relevant procedures, for overseeing procurement activities of beneficiary institutions and executing entities;
 2. Provision of evidence by the applicant of the adoption of a policy on the projects and loan beneficiaries information disclosure, including, inter alia:
 - a. Type or nature of information to be disclosed;
 - b. Media or channels through which information will be disclosed, including a dedicated website that would be used for publication and disclosure of the information related to the GCF-funded projects/programmes, including:
 - i. Name, address and nationality (in case of individuals) or place of incorporation (in case of legal entities) of the beneficiary;
 - ii. Brief summary of project and purpose of the funding;
 - iii. Funded amount with details like rate, period, etc.; and
 - iv. Information on intermediate (e.g. annual) and final results of the GCF-funded projects/programmes, such as actual versus planned results and outcomes; adherence to budgets, cost, timelines and timelines within which the award information will be made public; and
 3. Provision of evidence by the applicant of the adoption of a policy and procedures for the independent evaluation of projects/programmes, including the terms of reference for the evaluation body and of a policy on evaluation disclosure; and
- (iii) Condition to be met on an annual basis for two consecutive years starting from the date of the first disbursement by the GCF for the first approved project/programme to be undertaken by the applicant:
 1. Provision of evidence of the publication of the information indicated in paragraph 79(b)(ii)(2) above with regard to three projects and/or programmes undertaken (preferably climate change mitigation or adaptation projects/programmes).

80. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 79 above, and agrees to the recommendation.

4.3 Remarks

81. The applicant is already taking steps to meet the conditions identified in paragraph 79(b)(ii)(1) above.