

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 XVI: Accreditation assessment of Applicant 072 (APL072)

I. Introduction

1. Applicant 072 (APL072), the LandBank of the Philippines (LandBank), a national public sector entity applying through the direct access modality, is a financial institution wholly owned by the Government of the Philippines. It aims to strike a balance in fulfilling its social mandate of promoting countryside development while remaining financially viable. Over time, the applicant has expended its loan portfolio in favour of its priority sectors, which include fisheries, health care, environment and tourism, among others.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 25 October 2016. Accreditation fees were received from the applicant on 14 July 2017, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 6 April 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 the GCF:

- (a) **Access modality:** direct access, national. The applicant received a national designated authority or focal point nomination for its accreditation application from the Philippines;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or activity within a programme:** medium;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 mechanisms; and
 - (iv) Specialized fiduciary standard for on-lending and/or blending (for loans); and
- (e) **Maximum environmental and social risk category:** high risk (Category A/Intermediation 1 (I-1)).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.

2.1 Legal status, registration, permits and licences

¹ 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”.

² Decision B.07/02.

³ 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”.

4. The applicant provided documents on its establishment and licences to operate, if any and where relevant, as a part of the application. LandBank was established in 1963 under the Republic Act number 3844.

2.2 Institutional presence and relevant networks

5. As a bank wholly owned by the Government of the Philippines, the applicant has been working with diverse stakeholders and networks. It has partnered with various financial institutions across the world to enhance its profitable financial operations. Meanwhile, it supports the country's Climate Change Act by developing lending programmes that aim to finance climate change-related projects and initiatives. The applicant is the largest credit institution in rural areas in the Philippines. It also provides training programmes and capacity-building in the areas of agriculture, fishery and forestry at the community level.

6. In order to advance the objectives of GCF, the applicant intends to ensure that its operations are environment and climate friendly, using its own environmental management system. It will continue to deliver in a timely manner financial services and technical support to farmers, fishers and other priority sectors, including delivering innovative products that are consonant with ecological enhancement.

7. In response to the request for proposals for enhancing direct access, the applicant submitted a project concept note on building the resilience of communities in the Philippines to climate change.

2.3 Track record

8. The applicant indicates that it conducts its strategic planning every five years to assess its economic, social and environmental performance, utilizing the participatory approach to engage stakeholders in the planning process. In addition, the applicant's operations have incorporated effective environmental management practices, which are guided by its Corporate Environmental Policy.

9. The applicant's track record in financing climate change-related projects includes the following:

- (a) USD 7.5 million (grants and loans) for a community-based forest and mangrove management project;
- (b) USD 10.8 million (loans) for a 10 megawatt (MW) solar power project using polycrystalline silicon photovoltaic technology;
- (c) USD 20.4 million (loans) for a 150 MW wind power project;
- (d) USD 30 million (grants) for an ozone depleting substances phase-out project; and
- (e) USD 71.46 million (loans) for a 305 MW rehabilitation geothermal project.

III. Stage II accreditation review assessment

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

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. The applicant has an established organization structure and oversight bodies, which are appropriate for its size and scope of operations. In addition to the active involvement of the applicant's board of directors and senior management in maintaining the high standards of corporate governance, LandBank institutionalized its board committees: audit committee, risk management committee, corporate governance and trust committee. As a state-owned financial institution, it is subject to the oversight of the national government and is supervised by the national financial and audit authorities.

13. The strategic plan and annual budget objectives support and align with the mission of the applicant. The strategic plan contains the description of mid-term and long-term goals, such as: promotion of inclusive growth and quality of life in the countryside; delivery of financial and other support services to municipalities, cities and provinces; finding optimal solutions in delivering financial and other support services to its clientele, and others. The goals are supported by the set of performance indicators and action plan as well as corporate operating budgets.

14. The applicant maintains a financial and accounting reporting system that includes the required financial statements. As a state-owned regulated financial institution, the applicant prepares its financial and accounting information in accordance with the national standards and guidelines established by the banking regulator, the national Central Bank. The national standards are structured according to the revised International Financial Reporting Standards and International Accounting Standards. The centralized financial management system manages transactions in multiple foreign currencies using its multi-currency accounting feature.

15. As part of its sound corporate governance system, the applicant implemented the risk-based internal audit and reinforced compliance system. The applicant's risk management practice and risk management oversight are done at three levels: board, management and operating support unit. The risk management committee of the applicant's board meets periodically and reviews the applicant's risk management policies and procedures. The risk management committee undertakes evaluation of the applicant's risk management framework and ensures the alignment of risk management policies and procedures with the applicant's strategies, objectives and risk appetite.

16. The applicant's internal audit structure provides assurance of an effective internal control environment, is properly documented and has designated decision-making authorities. The internal audit group performs a risk-based audit approach to all the departments through its methodology manual. The applicant prepares internal audit programmes annually, supported by detailed internal audit plans and final reports. The internal audit group reviews the performance highlights, plans and programmes on an annual basis. A comprehensive quality review of the internal audit group is undertaken by a third-party consultant. Internal audit plans and reports were provided and demonstrate that the internal audit process was conducted effectively.

17. The relevant regulations issued by the country's commission of audit, as well as the Central Bank and national insurance corporation, regulate the applicant's external audit function. The commission of audit is regulated by the constitutional mandate as well as by the state audit code, which includes terms of reference relevant to the work of this organization. The state audit code guarantees the impartiality and independence of the auditing activities of the commission of audit conducted at state-owned financial institutions, such as the applicant.

18. The applicant's board of directors through its audit and compliance committee oversees the internal control framework and promotes the internal control environment required of financial entities. The audit and compliance committee is mandated to provide assistance to the

applicant in fulfilling its oversight responsibilities regarding financial reporting policies, practices and control, and internal and external audit as well as compliance function. The disbursement system ensures adherence to various accounting and auditing guidelines issued by the appropriate regulatory bodies, and institutes internal control and risk assessment and mitigation measures.

19. The applicant's procurement activities are regulated by both well-developed internal regulation and by the national regulations. Its procurement policies establish three separate sets of regulation documents on goods and services, civil works and consulting services. For private sector and government sector borrowers accessing funds from multilateral and bilateral funding institutions the applicant has a practice of creating a programme management office to manage the funds including the safeguards and fiduciary. The programme management office reviews procurement conducted by the beneficiary to ensure that it complies with the funder's procurement guidelines.

20. The established procurement manual contains the procedures, guidelines and methodologies for overseeing, assessing and reviewing the procurement procedures of beneficiary institutions, executing entities, project sponsors or sub-borrowers that receive funds from multilateral and bilateral funding institutions. The procurement rules contained in the procurement manual are consistent with recognized international practices.

21. Recommendation for award of contracts is subject to further approval by the president and chief executive officer and/or the applicant's board of directors, depending on the amount of contract(s) to be awarded. Periodic and regular audits of the procurement process and activities are also conducted by both internal and external auditors of the applicant. Overall, the AP concludes that the applicant has adequate procedures and organizational resources to review the procurement process of beneficiary institutions.

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

22. The applicant's code of conduct is established in its staff regulations and its fair banking practices documentation, which is communicated to all employees and is signed by all employees. These documents establish the standards of conduct that are to be observed when performing activities on behalf of the applicant. In addition to its internal documentation, the applicant complies with the ethical guidelines and requirements established in the national regulations for public sector entities.

23. The function of an ethics committee is undertaken by the applicant's committee on decorum and investigation, employee management committee, integrity management committee, and accountability assessment committee, which have the designated authority to ensure that all the actions undertaken by the applicant's employees while fulfilling their professional duties comply with the applicant's ethical standards defined in its code of conduct and other ethics-related documents, according to the applicable national laws and regulations. The designated authorities prepare incident reports on the basis of the complaint, administrative legal department investigation reports, special audit reports and all other testimonies, documents and evidence submitted to determine the degree of culpability or financial responsibility of the employee(s) cited in the report.

24. The applicant has well-established policies and guidelines, which indicate zero tolerance related to fraud, financial mismanagement and other forms of malpractice, including mandatory financial disclosures of possible, actual, perceived or apparent conflicts of interest by identified parties, as appropriate. These regulating policies include the code of conduct for the applicant's employees, guidelines on conflict of interest, guidelines prohibiting solicitation and acceptance of gifts and donations, rules on administrative disciplinary cases, anti-bribery, anti-graft and corruption policy. The indicated policies also describe sanction measures for parties that do not disclose such conflicts on a proactive basis where a conflict of interest is identified.

25. The framework for the investigation function is based on appropriate internal regulations and the national banking regulations that have been established by the Central Bank. The applicant's investigation function is performed by the administrative legal department, while client-related and employee-related transactions are handled by the applicant's separate litigation department.
26. To ensure a more judicious evaluation and disposition of reports and complaints against the applicant's officers and employees the separate accountability assessment committee was created and reconstituted. The applicant's internal guidance covers the handling of disciplinary cases that includes investigating fraud and corruption within the organization. Furthermore, the applicant has an established whistle-blower policy and displays a complaints centre link on its website.
27. The applicant has an anti-money-laundering (AML) and countering the financing of terrorism (CFT) programme that is appropriate to the type of financial transactions it executes as part of its regular operations. The applicant's AML/CFT policies and procedures are developed based on the requirements of the national banking authorities. In compliance with the national Anti-money Laundering Act of 2001, the applicant created the AML committee in order to institute an effective dissemination of information on money laundering activities. The AML manual embodies the applicant's comprehensive and risk-based operating procedures geared toward the promotion of high ethical and professional standards and prevention of the bank being used, intentionally or unintentionally, for money laundering and terrorism financing activities.
28. Moreover, in order to comply with national regulations regarding AML/CFT, the applicant has appropriate "know-your-customer" due diligence processes, which incorporate the following critical aspects: procedures for customer acceptance and due diligence, documentary requirements for opening an account, customer risk rating guidelines, guidelines for the monitoring of transactions.
29. Furthermore, the applicant has developed and implemented a web-based remittance system used for processing electronic transfer/wiring of funds. The system is capable of generating reports that are used by the applicant to regularly monitor and review remittance transactions. All the applicant's transactions, including outward and inward remittances, are captured in the electronic anti-money-laundering system. The system is being utilized by the applicant to monitor, detect and identify covered transactions, alerts and possible suspicious transactions.

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

30. The project appraisal and approval process is regulated by the applicant's credit approval procedures that are applied in conducting due diligence of potential clients starting from market investment opportunity identification to assessment of the project in accordance with the various criteria, including risk assessment criteria and economic, technical and environmental requirements.
31. As per the applicant's credit approval guidelines, the credit process includes the origination, evaluation, negotiation, and approval as well as guidelines on the alignment of credit procedures with beneficiary loan requirements. The applicant has demonstrated the ability to examine and incorporate technical, financial, economic and legal aspects as well as possible environmental, social and climate change aspects, and relevant assessments thereof, into the project proposal at the appraisal stage by providing its project credit bulletins and the relevant project documentation examples. The applicant's credit manual also provides guidelines for the quality review of loans for projects, from credit account initiation, to proposal and ultimately preparation to credit approval and execution.
32. The applicant has a well-developed system for the project oversight and control process. The applicant prepares an operating policy guideline, such as a project operational manual, for

every programme or project it implements. The operational manual covers the implementation plan and budgeting and reporting guidelines. In some of the programmes, the oversight function is also performed by the corresponding government department, such as the Department of Energy.

33. The applicant has a well-established monitoring system in place, in the context of its credit delivery services to its loan beneficiaries. The applicant's credit approval procedures regulate the provision of credit support control systems and other practices necessary to manage outstanding risk assets.

34. In addition to the existing systems and in order to fully meet the requirements of the GCF specialized fiduciary standard for project management regarding monitoring and evaluation (M&E) procedures, the applicant has developed draft M&E procedures for GCF-funded projects/programmes. The draft M&E policy contains the standardized templates for the monitoring plans and reports and is found by the AP to be in full compliance with the M&E requirements under the GCF specialized fiduciary standard for project management. However, the policy has not yet been approved by the applicant's board. This gap is reflected by the corresponding condition for accreditation in section 4.2 below.

35. The applicant indicates that currently there is no specific policy for the disclosure of project M&E information due to the confidentiality agreements with the applicant's loan beneficiaries. However, as part of the new M&E policy, there are procedures for the publication of M&E reports, and there is a commitment from the applicant that such reports could be published as per GCF requirements for the GCF funded projects/programmes. This gap is reflected in the corresponding condition for accreditation in section 4.2 below.

36. The applicant's project assessment and management procedures are well documented in its loan policy, credit policy and loan recovery policy. As a financial institution, the applicant's project assessment and management procedures are contained within the credit approval process, which includes appropriate financial, "know-your-customer" and technical analysis guidelines.

37. The applicant's credit manual and procedures ensure that appropriate oversight is exercised and that project risks are appropriately managed. The applicant has established a credit risk engine system that conducts intensive client profiling and generates clients' internal risk rating. The account officer evaluates each loan account and conducts credit risk rating using the risk asset acceptance criteria, including capacity, capital, collateral and other characteristics of the potential loan recipient.

38. The loan recovery procedures, as well as standardized procedures for the loan repayment oversight, regulate the risk identification and mitigation process. The examples available in the supporting documentation provide evidence regarding identification and management of the risks and problems.

39. Overall, the applicant has an established track record and experience in project management, with expertise in assessing project and loan beneficiary viability and monitoring project performance during the development and implementation stages. In the areas where gaps are identified, the applicant has created appropriate procedures, the implementation of which has yet to be demonstrated.

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

40. The applicant has demonstrated that relevant policies, established procedures, and sound track record in managing the grant award programmes are already in place. Both the documented policies and the practical evidence provided demonstrate an application of well-developed procedures for grant evaluation and award, and appropriate eligibility criteria as well as effective monitoring and evaluation of grant award programmes.

41. The applicant's grant award procedures were developed on the basis of the legal agreements with the corresponding donor institution for a particular grant award programme. The grant award procedures that were applied to date and provided to the AP include the clear delegation of decision authority, the establishment of appropriate grant awarding and evaluation committees, mechanisms to ensure the appropriate use of funds as well as mechanisms for the recovery of funds that are misused. The records of the work of the grant evaluation committees were provided.
42. Overall, the AP finds that the grant award policies and procedures used to develop grant award activities satisfy the requirements of the GCF specialized fiduciary standard for grant awarding and/or funding allocation mechanisms.
43. Moreover, the AP took into consideration the indicated intention of the applicant to create a separate grant evaluation committee as well as a separate set of procedures for consideration and selection of the grant proposals submitted, solely for the programmes or projects funded by the GCF. The AP welcomes the applicant's efforts in this regard and recommends the applicant to finalize the grant evaluation procedure for GCF funded projects/programmes as soon as possible.
44. The strengths of the applicant's internal controls and internal audit function, as well as the corresponding grant agreements, provide the assurance of appropriate control over grant funds and their disbursement and appropriate use. The applicant performs audits of budget utilization and expenditures made by the grantees on a regular basis.
45. The applicant's track record in awarding grants includes grant programmes funded by its country's government and those funded by international development agencies. The applicant has demonstrated its capacity to effectively serve as the executing entity for government-designed grant programmes as well as the executing entity for international development agency-designed grant programmes.
46. In addition to the grant award programmes in which the applicant serves as an executing entity, as part of its corporate social responsibility programmes, the applicant has implemented and executed grant award programmes directed towards education and capacity-building. These programmes are executed following specific grant award procedures, including the use of clear guidelines for the selection of grant awardees, appropriate control over the good use of funds and appropriate results publication procedures.
47. The applicant has published extensive information on its grant award programmes, including information on the results of grant programmes in accordance with the corresponding administrative orders established by the national government.
- 3.1.5 **Section 5.3: Specialized fiduciary standard for on-lending and/or blending**
48. The applicant holds the highest national rating among local banks, together with one other bank in the Philippines, on capital adequacy, assets, management capability, earnings, liquidity and sensitivity. The applicant has also been cited by the national Central Bank as an "Outstanding Lending Bank". These ratings indicated a sound financial stability and creditworthiness as well as advanced financial management practices.
49. National legislation granted the applicant expanded commercial banking powers or a universal banking license with a social mission to spur countryside development. The applicant has the mandate to provide lending for agricultural, industrial, home-building and home-financing projects and other productive enterprises as well as lending to farmers' cooperatives and associations to facilitate production, marketing of crops and acquisition of essential commodities.
50. The applicant also provided sufficient evidence of its experience and capacity as an executing entity for credit programmes funded by the multilateral financial institutions, supported by project related documents.

51. The applicant provided documentation regarding its loan policy, credit manual and loan recovery policy. These documents contain the guidelines for loan operations that are required in a government-owned financial entity, such as the applicant. Furthermore, copies of clients' due diligence reports, credit approval documents and loan monitoring reports were provided for assessment by the AP. In accordance with its credit policies, the applicant has implemented extensive due diligence credit analysis for the potential projects and clients, including risk rating tools and well-defined credit assessment and loan approval and implementation mechanisms.
52. The applicant has a well-developed risk management framework supported by the credit risk engine system. The applicant provided information on the specific risk assessment framework it adopts to assess, monitor and evaluate the risk exposures of the investments. The applicant's risk management oversight function is rendered through various committees, such as the risk management committee, the audit committee, the asset and liability committee and the investment and loan committee. The risk management group is independent from risk taking units and performs the oversight function for all major risk areas, such as credit, market and liquidity, operational and other bank-wide risks and oversees risk management implementation, monitoring and control.
53. The applicant has a well-developed investment policy and strategy guideline to ensure that the investment portfolio is managed to optimize its portfolio yield over the long term in a manner that is consistent with the regulatory requirements, liquidity needs, asset/liability management strategies, and safety of principal. The policy guidelines set out investment principles, investment instruments as well as the investment and risk control processes. Investments are conducted in accordance with the principles of professional asset management. The applicant manages its assets based on the mandate laid down by its board of directors.
54. The applicant's credit policy, as well as corresponding risk assessment and acceptance criteria, contain the procedures for evaluating the intermediary lending portfolio, the implementation of which was supported by reports on the assessment of intermediaries (e.g. credit facilities). The applicant's credit policy, supported by risk assessment procedures, ensure funds are channelled transparently through intermediaries.
55. The applicant has a well-established financial management system. The applicant provided extensive information regarding its financial management policies and their implementation, which include the applicant's strategy map, as well as corresponding directives that regulate the preparation of the applicant's budget for the specific units, departments and sectors.
56. The applicant 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. The treasury and investment banking sector is mandated with handling overall supervision of treasury operations and financial resource management while operational sector is tasked with providing the applicant with the operational support, including accounting services.
57. Although the applicant provided evidence on the publication of information related to the results of the local development and investment project developed in cooperation with the World Bank, the applicant has yet to establish a formal policy for providing information to the public regarding its decisions concerning on-lending operations and project results funded by GCF resources. This policy gap is reflected in the corresponding condition for accreditation in section 4.2 below.

3.2 Environmental and social safeguards

3.2.1 Section 6.1: Policy

58. The applicant's environmental and social management system (ESMS) comprises its Corporate Environmental Policy and its formal environmental and social (E&S) policy for its lending operations, formalized in Administrative Order N26, Series of 2018 – Environmental and Social Safeguards Policy Relative to Credit Delivery (A.O. 26 series of 2018). The first version, known as Credit Policy Issuance (CPI), was adopted by the applicant's board in 2004. The CPI policy was later enhanced in 2009, known as the "Revised Environmental Policy Relative to Credit Delivery". To consider social risks of applicant-financed projects, another policy enhancement, the "Enhanced Environmental and Social Safeguards Policy Relative to Credit Delivery" was added to the CPI policy in 2017. The enhancement follows the global best practice of the Equator Principles to facilitate approval of the applicant's projects financed through overseas development agencies. The CPI policy (2017) was approved by the applicant's board of directors in November 2017 and requires the assessment of environmental, climate change and social risks as well as how the impacts and benefits of projects financed by the applicant will be identified, assessed, mitigated, monitored, and reported. This CPI policy (2017) summarizes all the national E&S laws and regulations that the applicant abides by in its investments. It also states the national E&S laws and regulations and corresponding environmental permitting requirements. Aforementioned A.O. 26 series of 2018 that effectively enhances and supersedes the latest CPI policy was implemented beginning June 2018.

59. The applicant's A.O. 26 series of 2018 is aligned with performance standards 1 to 8 of the GCF interim Environmental and Social Safeguards (ESS), as is evident from the detailed checklists for E&S assessment contained in the annex of the applicant's policy. The applicant also adheres to and implements the ESS of partner agencies (e.g. the World Bank, Japanese International Cooperation Agency, etc.). An ESS framework is developed and implemented for each of the applicant's programmes supported by the World Bank and Japanese International Cooperation Agency ESS framework. The applicant has agreed to apply the following elements in GCF-financed projects/programmes that the applicant itself will execute in its projects as well as those undertaken by executing entities that the applicant will oversee and manage: assessment of cumulative impacts, assessment of associated facility impacts, analysis of alternatives, baseline data standards and mitigation hierarchy. The A.O. 26 series of 2018 is available to all the applicant's staff. The AP found the applicant's ESMS, comprising the A.O. 26 series of 2018, to be sufficient to meet GCF requirements for projects/programmes with a maximum E&S risk of Category A/I-1.

3.2.2 Section 6.2: Identification of risks and impacts

60. The A.O. 26 series of 2018 describes the applicant's process for the identification of E&S risks and impacts consistent with performance standards 1 to 8 of the GCF interim ESS.

61. The applicant currently does not have policies and practices relating to audit conducted by external experts on the effectiveness of its E&S institutional programme. The applicant has agreed that once accredited, it intends to establish the external audit practice for its ESMS in 2018 following operationalization of the recently approved A.O. 26 series of 2018. Nevertheless, the applicant provided a review by the International Finance Corporation (IFC) of the applicant's ESMS including the capacity for implementation. Additionally, the Kreditanstalt für Wiederaufbau (KfW) also conducted an appraisal of the applicant's ESMS to determine the level of compliance with KfW requirements. The applicant has taken on board the recommendations made by both the IFC and KfW in improving its ESMS.

62. The applicant provided a sample of three projects in E&S risk Category A/I-1, B/Intermediation 2 (I-2)⁴ and C/Intermediation 3 (I-3),⁵ as evidence of its track record of applying this process in conformity with performance standards 1 to 8. The applicant also provided an illustrative list of projects and descriptions from the past three years for the E&S risk category equivalent to the GCF E&S risk Category A/I-1, B/I-2 and C/I-3. The account officers (AOs) of the lending unit handling the projects are responsible for determining the project categorization. The AOs have the required qualifications and experience to categorise the projects. The E&S risk identification and categorization process is found by the AP to meet GCF requirements for E&S risk Category A/I-1 projects/programmes.

3.2.3 Section 6.3: Management programme

63. The applicant's A.O. 26 series of 2018 describes its institutional process for managing mitigation measures and actions stemming from the E&S risk identification process, distinguishing between different categories of risk. The AOs ensure the compliance of the account/project with applicable environmental and social laws and regulations until such time that its loan is fully paid. The management of the ESS is handled by the applicant's environmental programme and management department (EPMD). The results of a project's assessment are documented in an environmental report of the client's application package, which provides in detail the impact of the project on the environment, the activities to be undertaken for risk mitigation, the risk rating as well as the environmental benefits, such as eligibility of projects for inclusion under the Clean Development Mechanism and assessment of the project's compliance with environmental laws and regulations. Likewise, incorporated in the loan documents (i.e. Credit Line Agreement) is the provision on compliance to applicable environmental laws and regulations required during the operation of the project as attested by an Environmental Compliance Certificate.

64. The applicant provided a sample of project documents in E&S risk categories equivalent to GCF interim ESS E&S risk Categories A/I-1, B/I-2 and C/I-3, as evidence of a track record in managing E&S risk and impact mitigation measures; these comprise the construction of a road and operation of toll plazas and a municipal waste management facility as well as construction of a school, respectively. The E&S risk management function is found by the AP to meet GCF requirements for E&S risk Category A/I-1 projects/programmes.

3.2.4 Section 6.4: Organizational capacity and competency

65. The applicant provided its institution's overall organizational structure, which includes the agricultural development and lending sector, which includes the EPMD. The EPMD is dedicated to managing climate change and environment-related projects manned by ten programme officers. The A.O. 26 series of 2018 provides the overview of the process for coordination of work and sharing of information between the investment, legal and credit offices. The A.O. 26 series of 2018 shows the workflow chart for implementation of the policy with respect to the applicant's operations. The EPMD team develops, manages and provides

⁴ 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".

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".

management tools and information on various environmental policies and lending projects/programmes of the applicant.

66. The applicant provided their curriculum vitae and samples of the work of the key technical staff showing they have adequate capacity with direct responsibility for the project/programme performance and have the knowledge, skills and experience necessary to understand and ensure implementation of performance standards 1 to 8 of the GCF interim ESS. The applicant provided sample modules and programmes of the training conducted for the applicant's E&S and other relevant staff. The AP found that the applicant's organizational capacities and competencies are appropriate to implement its ESMS, including for projects/programmes that are categorized as E&S risk Category A/I-1.

3.2.5 Section 6.5: Monitoring and review

67. The applicant's A.O. 26 series of 2018 provides its internal processes, along with clearly defined roles/responsibilities and timelines, to support a monitoring/supervision programme that tracks and ensures completion of mitigation and performance improvement measures. As stipulated in the A.O. 26 series of 2018, the AOs shall monitor compliance of the project with the applicable environmental laws and regulations until such time that its loan is fully paid. The EPMD conducts and documents an environmental audit for projects that are documented through the environmental and social performance and monitoring report. The applicant provided a sample of project monitoring and evaluation reports developed by the EPMD in E&S risk category equivalent to GCF interim ESS E&S risk Categories A/I-1, B/I-2 and C/I-3 as evidence of its track record in managing mitigation measures in projects, comprising construction of a road and operation of toll plazas and a municipal waste management facility as well as the construction of a school, respectively.

68. The applicant provided evidence of sharing the environmental and social performance and monitoring report with its senior management; in addition, lessons learned were incorporated as is evident from the several updates of its CPI policy. The applicant's CPI has undergone several updates since 2004, influenced by the evaluation of its ESMS performed by the IFC and KfW, as noted in section 3.2.2 above. The AP found the applicant's monitoring and reporting process sufficient for E&S risk Category A/I-1 projects/programmes.

3.2.6 Section 6.6: External communications

69. The applicant provided the link to its website to receive and register external communications. Additionally, it has several other channels such as the telephone hotline, social message service/text access, e-mail, and social media, for receiving complaints and grievances. The applicant provided its register of the complaints database as evidence of its complaint handling procedure.

70. While the applicant provided evidence of its practice on E&S information disclosure and public consultation in line with the GCF Information Disclosure Policy (IDP), this practice has not been codified into any of the applicant's policies. The applicant has agreed to establish and adopt a policy on the requirement for E&S information disclosure and a public consultation process in projects it would finance with GCF resources, in line with the GCF IDP, particularly for disclosing E&S assessment documents for E&S risk Category A/I-1 and B/I-2 with respective durations of 120 days and 30 days as well as satisfying the language requirements. This gap is reflected by the corresponding condition for accreditation in section 4.2 below.

71. While the applicant provided evidence of its practice requiring its executing entities to have a grievance redress mechanism in projects that the applicant oversees, this practice has not been codified in any of the applicant's policies. The applicant has agreed to establish and adopt a policy requiring the establishment of grievance redress mechanisms in its own projects and projects implemented by its executing entities, financed with GCF resources. This gap is reflected by the corresponding condition for accreditation in section 4.2 below.

3.3 Gender

72. The applicant provided its draft gender and development (GAD) policy statement and its strategic action plan, which was drafted with the help of an external expert. The GAD policy states that promoting gender and development are an important pillar to achieve inclusive growth and improvement of quality of life and to contribute to building an equitable and sustainable economy for women and men, regardless of socio-economic status, who should have the same rights and opportunities to access finance and assets, establish and lead business, participate in decision-making processes affecting their lives and have equal and safe access to public services. The GAD policy adheres to the national laws and regulations governing gender and equality while also integrating international standards in this area. As part of the implementation of the policy, the applicant has developed a strategy to integrate gender considerations systematically across the applicant's agriculture and development lending portfolio.

73. The applicant stated that the initial focus for rolling out the policy will be to align its current operations with the Magna Carta of Women, under which all government agencies are required to include GAD in their annual plans and budgets. The National Economic and Development Authority in coordination with the Philippine Commission on Women, developed Harmonized Gender Development Guidelines for Project Development, Implementation, Monitoring and Evaluation (second edition, December 2010). The Harmonized GAD guidelines align with the national Plan for Gender-Responsive Development and the Framework Plan for Women⁶ as well as various international agreements signed by the Philippine government. The GAD guidelines recognize the following: equality between women and men is a key women's human right; participation in development is crucial to the empowerment of women and men; gender equality means promoting the equal participation of women as agents of economic, social, and political change; and achieving equality between women and men may involve the introduction of specific measures designed to eliminate prevailing gender inequalities.

74. The applicant indicated that the final GAD Policy, as approved by management, and including a strategy action plan, would be available by the end of September 2018. The AP finds the applicant's draft GAD policy in line with the GCF Gender Policy. The applicant indicated that it is developing the final GAD Policy to be aligned with GCF requirements, which will be submitted for approval by the applicant's management. A generic terms of reference was provided by the applicant for the recruitment of a gender expert (consultant) to help the applicant with implementing and integrating its GAD Policy in GCF-financed projects/programmes.

IV. Conclusions and recommendation

4.1 Conclusions

75. 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, specialized fiduciary standard for grant award and/or funding allocation mechanisms, and specialized fiduciary standard for on-lending and/or blending for loans. The applicant has to provide the approved policy on monitoring and evaluation for GCF-funded projects, including the provisions for publication of the monitoring and evaluation reports, as well as establish

⁶ Refer to <<http://library.pcw.gov.ph/sites/default/files/framework-plan-women.pdf>>.

a formal policy for providing information to the public regarding its decisions on on-lending and/or blending operations;

- (b) The applicant partially meets the requirements of the interim GCF ESS in relation to the high E&S risk (Category A/I-1). Only two gaps exist in the applicant's ESMS: one is related to the lack of a policy on disclosure of E&S information in line with the GCF IDP, and the other is related to the lack of a policy on the requirement for the applicant's executing entities to include a grievance redress mechanism in their projects. The AP has indicated earlier that the applicant does this in practice, but lacks a policy codifying the practice; and
- (c) The applicant has demonstrated that its draft gender policy and procedure (which are yet to be formally approved by its management) are consistent with the gender policy of GCF, and has demonstrated that it has experience with gender considerations in the context of climate change. However, it lacks the capacity to implement its gender policy.

4.2 Recommendation on accreditation

76. The AP recommends, for consideration by the Board, applicant APL072 for accreditation as follows:

- (a) **Accreditation type:**
 - (i) **Maximum size of an individual project or activity within a programme:** medium (including micro⁷ and small⁸);
 - (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);
 - (iii) **Maximum environmental and social risk category:** high risk (Category A/I-1) (including lower risk (Category B/I-2 and Category C/I-3); 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 by the applicant of the monitoring and evaluation policy for GCF-funded projects/programmes that has been adopted by the applicant's board, including the standardized templates for monitoring

⁷ 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".

⁸ 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".

- plans and reports, as well as the procedure on public disclosure of monitoring and evaluation reports;
2. Establishment by the applicant of a policy for providing information to the public regarding the applicant's decisions concerning on-lending and/or blending operations and results of the on-lending and blending operations. The policy should cover, inter alia:
 - a. Type or content of information to be provided;
 - b. Media/channels through which information will be provided;
 - c. Timelines within which the award information will be made public; and
 - d. Results of the projects funded under the on-lending and blending mechanism;
 3. Provision of evidence from the applicant of the adoption of a policy on information disclosure of E&S assessment documents for projects financed with GCF resources, consistent with the requirements of the GCF IDP for Category A/I-1 projects/programmes;
 4. Provision of evidence from the applicant of the establishment of its policy on project-level grievance mechanisms to be established by executing entities; and
 5. Provision of evidence from the applicant of the approval of a gender policy and procedures consistent with the gender policy of the GCF, and the curriculum vitae of a gender expert responsible for implementing the gender policy; and
- (ii) Condition to be met on an annual basis for three consecutive years starting from the date of the first disbursement by GCF for the first approved project/programme to be undertaken by the applicant:
1. Provision of evidence from the applicant on the publication of monitoring and evaluation reports in accordance with the applicant's procedure on the public disclosure of monitoring and evaluation reports.
77. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 76 above, and agrees to the recommendation.

4.3 Remarks

78. The applicant may wish to consider applying the grant evaluation policy it has already developed to GCF-funded projects/programmes that include a grant award mechanism.