

*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 X: Accreditation assessment of Applicant 066 (APL066)

### I. Introduction

1. Applicant 066 (APL066), the Nordic Environment Finance Corporation (NEFCO), was established by the Nordic governments in 1990 in order to support the Nordic countries' efforts to increase environmental awareness in Eastern and Central Europe by financing projects that reduced emissions harmful to the environment. The applicant has participated in the development of innovative financing instruments designed to improve the environment and combat climate change. The applicant typically works in close partnership with its private and public investors. One of the applicant's current priorities is to promote green growth and further prevent climate change with a focus on interventions related to renewable energy, energy efficiency and the reduction of short-lived climate pollutants, having a positive effect on adaptation and mitigation.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 4 May 2016. Accreditation fees were received from the applicant on 10 July 2017, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 18 December 2017 and the applicant was progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** international access;
- (b) **Track:** fast-track under the Directorate-General for International Development and Cooperation of the European Commission (DG DEVCO);
- (c) **Maximum size of an individual project or activity within a programme:** small<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - 1. Basic fiduciary standards;
  - 2. Specialized fiduciary standard for project management;
  - 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 equity); and
- (e) **Maximum environmental and social risk category:** medium risk (Category B/Intermediation 2 (I-2)).<sup>3</sup>

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

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

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

## II. Stage I institutional assessment and completeness check

3. The applicant is eligible for, and applied under, the fast-track accreditation process as a DG DEVCO entity. Its application has been assessed by the Secretariat during Stage I in accordance with the requirements and gaps identified in decisions B.08/03 and B.14/09.

### 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. The applicant was incorporated in 1990 through the Agreement regarding the establishment of the Nordic Environment Finance Corporation by Denmark, Finland, Norway, Iceland and Sweden.

### 2.2 Institutional presence and relevant networks

5. The applicant has an extensive network within the green community and a proven ability to connect stakeholders to relevant projects, and has attracted a number of fund management assignments, in particular related to environment and climate change projects in the Baltic Sea, the Arctic, and the Barents regions.

6. The applicant has a broad and active project portfolio in Ukraine and is in the process of expanding its public-sector activities in other Eastern European countries, including Armenia, Georgia and Moldova.

7. Furthermore, the applicant's activities encompass a portfolio of over 600 small and medium-sized private as well as public projects spread across different sectors in over 60 countries. These include around 200 projects in Africa, Asia and Latin America.

### 2.3 Track record

8. 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 800,000 (loans) for the Finnish Red Cross project in Malawi;
- (b) USD 1 million (loans) for the DemoUkrainadh project in Ukraine;
- (c) EUR 2.5 million (loans) out of EUR 6 million for the Vyborg Wastewater Treatment Project in Russia;
- (d) EUR 5 million (loans) out of EUR 16 million for the St Petersburg Ten Suburban Wastewater Treatment Plants Rehabilitation project in Russia; and
- (e) EUR 11 million (loans) out of EUR 32 million for the Petrozavodsk Water and Wastewater Rehabilitation Project in Russia.

### 2.4 Potential support for direct access entities

9. The applicant focuses on financing small-and medium sized projects working at the local level directly with private companies (including local banks) and utilities. Therefore, NEFCO is providing direct financial and capacity building support to local private companies, banks, and public authorities, and through their implementation of demonstration projects, inspiring other private and public stakeholders to do similar investments. They are also keen to collaborate with sub-national, national, and regional entities and intermediaries as well as other relevant stakeholders in developing a relevant project pipeline for GCF funding.

### III. Stage II accreditation review assessment

10. The applicant is eligible for, and applied under, the fast-track accreditation process as a DG DEVCO entity. Its application has been assessed by the Accreditation Panel (AP) during Stage II (Step 1) against the accreditation standards of the GCF in accordance with the requirements and gaps identified in decisions B.08/03 and B.14/09.
11. As part of this assessment, the AP consulted the applicant's website and third-party websites to complement the information provided in the application.

#### 3.1 Fiduciary standards

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

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

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

13. As per paragraph 10 above, the basic fiduciary standards concerning transparency and accountability, with the exception of item 4.2.5, anti-money laundering and countering the financing of terrorism policies, have been met by way of fast-track accreditation.
14. Regarding item 4.2.5 of the accreditation application, the applicant adheres to its policy for integrity checks and its internal procedure on prohibited practices in accordance with the applicant's board resolution on fighting corruption. In conformity with the policy for integrity checks the applicant thoroughly screens all new customers, including identification of the potential integrity risk areas, assessment of the new customers and counterparts against relevant sanctions lists, identification and assessment of the beneficial owners and politically exposed persons. This screening also covers anti-money laundering and countering the financing of terrorism aspects.
15. The applicant continuously monitors integrity issues, and performs additional integrity due diligence checks in case of change of ownership or control, if allegations are raised in the media or if there are unexpected changes in the project.
16. In addition to the applicant's board resolution and policy for integrity checks, the applicant follows its procurement guidelines that prohibit any financing to be used for payments to persons or entities or for any import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations. The applicant requires that clients, including beneficiaries of all operations, as well as tenderers, suppliers, contractors, service providers and consultants follow the highest standard of transparency and integrity during the procurement, execution and implementation of such contracts.
17. The applicant's policies on prohibited practices, including its board resolution on fighting corruption, the policy for integrity checks and procurement guidelines are found by the AP to be fully compliant with the GCF interim policy on prohibited practices.
18. To evidence application of the integrity checks policy, the applicant provided samples of due diligence reports demonstrating the integrity due diligence checks performed on the potential loan recipients.
19. The applicant has a sound mechanism for the approval and recording of wire transfers to the bank accounts of authorised beneficiaries. The applicant has established sound administrative procedures and routines for undertaking financial disbursements, containing the description of the loan disbursement process through the designated electronic system, and using the appropriate software.

20. All payments are reflected in the applicant's electronic accounting system, including payments from the trust funds and carbon funds managed by the applicant. Wire transfers are monitored by the authorized project coordinator of the approved project. Copies of wire transfers to sub-contractors and consulting firms, as well as loan disbursements to project developers in accordance with the payment schedules within the approved projects were provided.

21. The evidence provided, including the copies of the electronic accounting system interface and copies of the wire transfers, demonstrates the effective implementation of the financial disbursement procedures and proper functioning of the electronic system of recording and monitoring of wire transfers in accordance with the loan disbursement schedule.

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

22. The applicant has 25 years of experience in managing environmental and greenhouse gas reduction projects in various regions of the world, including Eastern Europe, Africa and Latin America. The applicant works through the investment fund established with the applicant's own resources, as well as through trust funds and climate change related facilities established by the founding donor countries, where the applicant serves as a trust manager. Throughout its years of work the applicant has attracted a considerable number of trust fund management assignments compared to its size and own capital, which demonstrates that donors and investors found its work valuable and adding value to the execution of the projects financed by the specific trust funds.

23. The applicant has well-documented operational project management procedures and manuals, including procedures for project selection and preparation, due diligence and appraisal, project approval, risk management, implementation, monitoring and evaluation policies and guidelines both for the projects financed by its own investment fund and the projects financed by the other trust funds.

24. The applicant has set up an investment committee mandated to appraise project proposals and a dedicated project team to oversee project implementation and monitoring. The larger project group, that includes participation of the staff members from different departments assesses the project submitted by the potential client against the applicant's mandate and eligibility criteria, and decides at its meeting to endorse the project into the pipeline. Then the designated operating project team consisting of the appointed project manager, environmental analyst, financial analyst, legal counsel and project officer further administers and manages the implementation of the project endorsed by the investment committee.

25. The operational procedures are continually updated and refined by the applicant's staff. Given that the applicant is a fairly small organization, its separate units and project teams work closely together, and constantly share the information on results and best practices within NEFCO-financed and managed projects, which enables the organization to improve its operational procedures and performance quality.

26. The effective use of the procedures is demonstrated by sample project appraisal and due diligence reports, a number of periodic progress reports and other supporting documents that the applicant provided. These documents also show that the applicant has the capacity to examine and incorporate the technical, financial, economic and legal and environmental, including climate change mitigation and adaptation aspects of the project at the appraisal and implementation stages.

27. The applicant recently established a separate set of procedures for implementation of GCF-funded projects, including the standardized templates for preparation of project implementation plans, project budgets and progress reporting templates. However, the application of the procedure for the preparation of project implementation plans has not yet been demonstrated.

28. Quality assurance reviews of the progress reports at the project implementation stage are undertaken by project manager and managing director prior to the loan disbursements. All information on project details, including the information on the progress and project achievements against the objectives, as well as information on the funds disbursements is contained in the applicant's electronic system.

29. The applicant has a mature and well-documented monitoring and evaluation function undertaken by assigned project officers and supported by external consultants. The function places emphasis on continuous oversight of the project implementation process and periodic reporting on the project's implementation status and achieved results against the implementation plan and budget. The project monitoring function is supported by periodic site visits and monitored by the applicant's staff, external consultants and local experts that also support project beneficiaries with necessary counselling and advice.

30. The applicant's evaluation of the results of its own projects is carried out under the supervision of the applicant's board of directors and control committee in accordance with the applicant's statutes and project implementation manual. The project evaluations for the trust funds managed by the applicant are commissioned by the donors of those trust funds upon signing the loan agreement with the applicant. The separate evaluation on the environmental impacts and indicators of projects is carried out by the environmental and technology unit of the applicant. To evidence the institutional arrangements for the independent evaluation function, the applicant provided sample evaluation reports and the AP found that they demonstrate that the applicant's evaluation function complies with recognized professional standards and methods.

31. As part of its project implementation monitoring process, the applicant has a project-at-risk system to identify and address project problems before they affect the project performance and loan re-payment. For every meeting of the applicant's board, the project team prepares the risk report, where each project is analysed according to the applicant's guidelines for risk management. In case of any risks or issues identified, the investment committee is immediately informed and the necessary actions are implemented by the project manager. The information on the risks identified and impairments provided are contained in the specific reports and the electronic system. The sample monitoring reports indicating the situations where the risks and actual problems were identified and addressed were provided.

32. The applicant partially meets the GCF requirements relating to the specialized fiduciary standard for project management, as it has yet to demonstrate the implementation of the new procedure for the preparation of the implementation reports. The applicant has indicated that it is taking the appropriate steps to address this shortfall in meeting GCF requirements.

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

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

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

34. In accordance with its statutes, the applicant operates as a corporation founded by the Nordic Council of Ministers, and in this capacity, is entitled to promote investments which from the environmental and sustainability perspective are deemed important by the governments of Nordic countries. The applicant finances projects by means of joint ventures, technology transfers and other forms of corporation, involving the production of environmental equipment, or other uses of environmental technology, or the rendering of services in the environmental sector. For this purpose, the applicant may subscribe to stock or shares in such companies, as well as provide loans and issue guarantees on commercial terms. Loans can be provided as

subordinated loans, and shall be repaid and yield interest to the extent made possible by the revenues of the project.

35. The applicant operates its own investment fund dedicated primarily to investments in the Eastern European region and manages other trust funds, programmes and facilities that are set up by the Nordic countries' governments, Nordic Development Bank and co-financed by other European investment institutions and funds. A number of examples of the on-lending facilities, including information on the beneficiaries and sources of funding, were provided by the applicant. The applicant also provided an overview of the investment portfolio of the applicant's investment fund. Apart from loan and equity financing provided by the applicant and the investment institutions, the co-financing institutions provide support in the form of grants for technical assistance.

36. Sample project appraisals and due diligence reports provided by the applicant contain comprehensive analyses on the credibility of the potential loan beneficiaries and risks associated with the repayment capabilities, economic, technological social and environmental conditions in a corresponding region, as well as detailed environmental and climate mitigation and/or adaptation impacts analyses. The conditions for loans disbursements and re-payment conditions of the end beneficiaries for the specific programmes are also included in the loan agreements between the applicant and other donor and co-funding institutions.

37. The applicant has appropriate operating guidelines which ensure that the funds it provides are channelled transparently and used effectively. The due diligence conducted on the potential beneficiary is undertaken by the applicant in accordance with its risk management guidelines. The applicant's disbursement process and the utilization of funds by its partner organizations are audited by external auditors to ensure that the funds are used for the intended purposes. The applicant provided information on several projects, which shows that advantages to the final beneficiaries of projects funded by the applicant are regularly monitored and evaluated.

38. The applicant's procurement process for the projects it implements is based on open, transparent and fair procedures, which do not discriminate between foreign and local providers. The applicant permits firms and individuals from all countries to offer goods, works and services for projects/programmes the applicant finances.

39. The applicant has recently established a new procedure on public access to information on beneficiaries and results of projects/programmes funded by the applicant.

40. The applicant's risk management policy contains the investment guidelines that are followed by the applicant in the operation of its funds. The risk management policy guides the applicant's investment committee and board of directors in the investment decision-making process by providing the risk assessment tools and appropriate risk control measures. The risk management policy is supported by adequate track record of the applicant's risk analyses of various projects and project beneficiaries.

41. The applicant does not have a formal asset and liability committee in place, as it mainly serves as an administrator or manager of different trust funds and facilities and does not have significant liabilities with regard to the borrowed capital. For the applicant's own investment fund, the applicant's investment committee undertakes the monitoring of the cash flows and liquidity positions, as well as assesses each project on an annual basis based on a risk report and portfolio analysis. If the individual project risk level differs significantly from the anticipated risk level, a project-specific impairment is made by the applicant's investment committee. To support the evidence of the continuous work of the investment committee the applicant provided the minutes from its last annual portfolio review meeting, containing the details on the risks analysis undertaken.

42. The applicant partially meets the GCF requirements relating to the specialized fiduciary standard for on-lending and/or blending (for loans and equity), as it has yet to demonstrate the

practice of implementation of the new procedure for the publication of the project results. The applicant has indicated that it is taking the appropriate steps to address this shortfall in meeting GCF requirements.

## 3.2 Environmental and social safeguards

### 3.2.1 Section 6.1: Environmental and Social Policy

43. The applicant's environmental and social management system (ESMS) comprises its Environmental Policy adopted by its board in November 2013 and its Environmental and Sustainability Guidelines (ESG) adopted in September 2017. The applicant, together with other European international financial institutions, is a co-signatory to the "Declaration on European Principles for the Environment" (EPE).<sup>4</sup> The EPE consists of the guiding principles enshrined in the European Commission treaty and the project-specific practices and standards incorporated in European Union secondary legislation on the environment. The principles, include the precautionary principle, the prevention and do-no-harm principle, the principle that environmental damages as a priority be rectified at source, and the polluter-pays principle. Although the September 2017 ESG does not specifically refer to performance standards 1 to 8 of the GCF interim environmental and social safeguards (ESS), the AP found that the applicant's ESMS including its commitment to the EPE, is consistent with the performance standards 1 to 8 of the GCF interim ESS.

44. In April 2018 during the Stage II (Step 1) accreditation review, the applicant supplemented the ESG with an update to specifically incorporate the performance standards 1 to 8 of the GCF interim ESS in the applicant's E&S standards. The applicant's ESMS includes an overarching statement of the environmental and social (E&S) objectives and principles which guide the applicant. The interventions funded by the applicant are also required to be in line with national and local development policies, strategies and plans of the countries they take place in. The ESG are endorsed by the applicant's management and is available on the applicant's intranet for access to all its staff. The guidelines and the applicant's practice reflect the requirements related to assessment of cumulative impact, associated facility impacts, analysis of alternatives, baseline data standards and mitigation hierarchy in projects implemented by it and projects it oversees executed by executing entities.

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

45. The applicant's ESG provides the process for identifying environmental risks and impacts and E&S risk categorization of project proposals including its environmental reviews and an illustration of how the process is implemented within a project cycle. The applicant provided sample documents as evidence of the application of this process including the E&S risk categorization for existing projects/programmes in E&S risk Category B/I-2 and Category C/Intermediation 3 (I-3), which the AP has found to be conducted in a manner consistent with the GCF interim ESS. The applicant also provided a list of illustrative projects from the past three years including their E&S risk categories consistent with the E&S risk categories B/I-2 and C/I-3 in the GCF interim ESS.

### 3.2.3 Section 6.3: Management programme

46. The applicant's ESG describe the applicant's institutional process for managing E&S risk mitigation measures and actions stemming from the E&S risks and impacts identification process. This process is illustrated in terms of the applicant's project cycle, including identification and assessment of E&S risks and actions taken to mitigate and manage the risks. The applicant provided an example of an environmental and social action plan (ESAP) for a

---

<sup>4</sup> Refer to <[https://www.nefco.org/sites/nefco.org/files/pdf-files/the\\_european\\_principles\\_for\\_the\\_environment.pdf](https://www.nefco.org/sites/nefco.org/files/pdf-files/the_european_principles_for_the_environment.pdf)>.

project, showing how the E&S risk mitigation measures are documented and tracked throughout implementation of the sample project. The ESG also describe the process for an environmental and energy audit of applicant's projects, conducted by either an independent third party or in-house experts. The applicant is committed to conduct an audit on the effectiveness of its institutional ESMS as applied to the applicant's projects financed using GCF resources.

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

47. The applicant provided its organizational structure including the job description, responsibilities of key units, and management personnel for implementing the ESG, along with their authority and reporting lines. The coordination of E&S matters related to the applicant's projects is the responsibility of its environment and technology unit. The applicant provided bio-data of the staff of this unit. The applicant conducts regular trainings for the applicant's staff on E&S matters in its project appraisal process. An example of such a training was provided. The AP has found that organizational capacities and competencies to implement the ESG are appropriate, including for projects/programmes that are categorized as Category B/I-2 or Category C/I-3 projects/programmes.

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

48. The applicant's ESG describe its process for monitoring and review of the completion of E&S risk mitigation and performance improvement measures. The applicant's environment and technology unit is responsible for the review of the clients' monitoring reports, and when necessary, a visit to the project site is carried out to audit the report findings. The applicant provided an example of a project completion report for a project financed by it, which includes E&S monitoring. The applicant indicated that it prepares an annual environmental report which is first approved by the managing director and then presented to its board of directors for their approval. The applicant demonstrated that its senior management takes the necessary steps to ensure that the intent of the institution's ESMS is met and how the lessons learned from monitoring and evaluation are reflected in updating its ESMS.

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

49. The applicant's supplement to the ESG includes a website to receive and register external communications for E&S matters. The applicant provided a description of the procedure and related internal competency to screen, assess and address E&S issues raised via external communication. The applicant's supplement to the ESG includes a requirement for a project-level grievance mechanism in projects executed by its executing entities that it oversees. The applicant's supplement to the ESG has adopted requirements for information disclosure and public consultation for E&S assessment information, which the AP has found to be in line with the GCF Information Disclosure Policy, particularly for the disclosure of E&S information for E&S Category B/I-2 projects/programmes.

### 3.3 Gender

50. The applicant has provided its gender policy and action plan including evidence of its competencies to implement its gender policy, which is found by the AP to be in line with the Gender Policy of the GCF. According to the applicant, the applicant's gender policy and action plan contains a framework for the application of gender mainstreaming in the various programmes/projects presently financed by the applicant.

51. Many of the applicant's financing activities are directly targeted at reducing energy poverty of end users through enhancing energy efficiency of buildings or of district heating systems. The applicant indicated that energy poverty issue in its projects has distinct gender characteristics, since it is estimated that 70 per cent of people affected by energy poverty are women, many of whom live in female-headed households, who are also more likely to suffer

from low incomes. According to the applicant, implementation of energy efficiency measures in buildings or modernization of district heating systems are therefore indirectly contributing to increased gender equality. The applicant provided examples of projects related to linking gender and climate change. The applicant provided as an example, the standard terms for its loans which contain provisions on non-discriminatory practices in terms of benefits and remuneration for both men and women employees.

## IV. Conclusions and recommendation

### 4.1 Conclusions

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

- (a) The applicant 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 and equity. The applicant has recently established a separate set of procedures for implementation of GCF-funded projects/programmes, including standardized templates for the preparation of project implementation plans, project budgets and progress reports. However, the implementation of this new set of procedures has not yet been demonstrated;
- (b) The applicant meets the requirements of the interim ESS of the GCF in relation to the medium E&S risk (Category B/I-2); and
- (c) The applicant has demonstrated that it has competencies, policies and procedures in order to implement its gender policy, which is found to be consistent with the gender policy of the GCF, and has demonstrated that it has experience with gender consideration in the context of climate change.

### 4.2 Recommendation on accreditation

53. The AP recommends, for consideration by the Board, applicant APL066 for accreditation as follows:

- (a) **Accreditation type:**
  1. **Maximum size of an individual project or activity within a programme:** small (including micro<sup>5</sup>);
  2. **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 equity); and

---

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

3. **Maximum environmental and social risk category:** medium risk (Category B/I-2) (including lower risk (Category C/I-3<sup>6</sup>)); and
- (b) **Conditions:** 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:
  1. Condition to be met prior to the first disbursement by the GCF for the first GCF-funded project/programme to be undertaken by the applicant:
    1. Provide one example of the project implementation plan prepared in accordance with the “Project Implementation Framework for GCF funded activities” contained in the applicant’s “GCF-NEFCO Rules, Policies and Procedures”.
54. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition, as identified in paragraph 53 above, and agrees to the recommendation.

---

<sup>6</sup> As per annex I to decision B.07/02, category C is defined as “Activities with minimal or no adverse environmental and/or social risks and/or impacts” and intermediation 3 is defined as “When an intermediary’s existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts”.