

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 IX: Accreditation assessment of Applicant 065 (APL065)

I. Introduction

1. Applicant 065 (APL065), the National Rural Support Programme (NRSP), is a national entity whose mandate is to alleviate poverty by harnessing people's potential and undertake development activities in Pakistan. Relying on a presence in all four national provinces, NRSP is currently working with more than 3.3 million poor households organized into a network of community organizations in sectors such as microfinance and enterprise development, environmental and natural resources management, gender and development as well as infrastructure and technology development.

2. The applicant received support through the GCF Readiness and Preparatory Support Programme (i.e. pre-accreditation support for the institutional gap assessment and action plan). The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 30 November 2016. Accreditation fees were received from the applicant on 8 February 2017, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 20 June 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:** direct access, national. The applicant received a national designated authority or focal point nomination for its accreditation application from Pakistan;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or activity within a programme:** small;¹
- (d) **Fiduciary functions:**²
 - (i) Basic fiduciary standards;
 - (ii) Specialized fiduciary standard for project management;
 - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
 - (iv) 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)).³

II. Stage I institutional assessment and completeness check

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

² Decision B.07/02.

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

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

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 as a company on 2 November 1991 with the primary objective of improving rural development, development of land-based resources and other welfare activities. The applicant's license was renewed on 29 May 2015 by the Securities and Exchange Commission of Pakistan for a term of five years up to 29 May 2020.

2.2 Institutional presence and relevant networks

5. The applicant has a strong national presence through regional and field offices covering 3.3 million rural households organized into over 200,000 community organizations, which cover 67 districts in all four provinces including Azad Jammu and Kashmir. The geographic scope of NRSP's activities encompasses diverse socio-economic, geographical and cultural conditions and enhances its capacity to trigger paradigm shifting social development.

6. In order to advance the objectives of the GCF, NRSP is strongly committed to taking adaptation and mitigation measures to reduce Pakistan's vulnerability to climate change. With the view to shifting Pakistan's economy onto a low-carbon and climate resilient development pathway NRSP will focus its activities under GCF's climate mitigation and adaptation strategies/intervention in:

- (a) Energy generation and access;
- (b) Forest and land use;
- (c) Health, food and water security;
- (d) Livelihoods of people and communities;
- (e) Ecosystems and ecosystem services; and
- (f) Infrastructure and building environment.

2.3 Track record

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

- (a) USD 59.2 million (grants) for the Small Grants and Ambassadors Fund Programme in Pakistan;
- (b) USD 26.6 million (grants and loans) for the Sindh Union Council and Community Economic Strengthening Support Programme in Pakistan;
- (c) USD 12.3 million (grants) for the Sindh Coast Community Development Project in Pakistan; and
- (d) USD 8.3 million (loans) for the Sustainable Livelihood for Bharani Areas Project in Pakistan.

III. Stage II accreditation review assessment

8. 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 accreditation standards of the GCF in accordance with the requirements.

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

3.1 Fiduciary standards

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

10. The applicant has a solid decentralized organizational structure that is clearly set out in its 23rd annual progress report (2016-2017) which is available on its website. It has a Head Office and 10 regional offices that supervise close to 70 district offices, including a network for its micro banking. Under the applicant's board there is a finance and an audit committee, while several other committees exist within the executive structures. Based on the terms of reference and examples of agendas and meetings minutes of various committees, the AP concludes that the committees and the applicant's board provide effective guidance and oversight to the organization.

11. The applicant's vision, mission, goals, objectives and outputs are defined in its strategy. It is based on the core assumption that people have the willingness to improve their quality of life and have a tremendous potential to undertake various development activities. These concepts are translated into programmes working with rural communities and households. Interventions are systematically planned, monitored and evaluated to achieve the aims of the strategy. The applicant's annual progress report contains transparent and detailed information on how the programmes have benefited the recipients across programmes and districts. The external auditor in the applicant's annual report on the financial statements confirms that the business conducted, investments made, and expenditures incurred during the year were in accordance with the applicant's objectives. Thus, the full cycle of planning, execution, reporting and verification are in place.

12. The applicant has a well-established internet-based financial information system that is integrated with its micro-finance banking operations and accessible to all regional offices. Bi-annual audits, done by an external firm, provides assurances over the security and management of the information technology systems. The financial statements of the applicant are based on the financial information system and are prepared in accordance with the national laws of Pakistan, which is consistent with international financial reporting standards (IFRS). The statements contain detailed notes, are consistent from year to year and were audited by an internationally recognized external audit firm.

13. The goods receiving, examination and approval of invoices is covered in financial management manual, which includes a matrix of signatories relating to head office, regional and district offices and it provides for adequate segregation of approval and disbursement responsibilities and authorities. Internal audits cover cash disbursements as one of many areas.

14. The applicant has a four-member audit committee headed by the Vice-Chairman of the applicant's board of directors. It has strong terms of reference and meets several times each year. The review of financial statements and the external audit thereof is done by the finance committee.

15. The internal audit function is accountable to the audit committee of the applicant's board. Its work is guided by international standards including a Code of Ethics. The report on the first external quality review of the internal audit function is expected in mid-2018. As such, the required evidence of periodic internal and external quality assessments to monitor the overall effectiveness of the internal audit function remains to be provided.

16. Audits are mostly of a compliance nature with some systems audits that review governance structures and comment on the strengths of internal control systems. Additionally, experts review the management and security of the IT system on a bi-annual basis.
17. Management responses to the internal audit recommendations is documented and reviewed when the next audit takes place. Important recommendations are raised to the audit committee to ensure swift actions.
18. The various internal audit reports examined by the AP demonstrate that the internal audit function is a key control within the organization that operates in an environment that is very decentralized and challenging and where a certain level of non-compliance with controls and fraud are inevitable. The AP therefore recommends that a bi-annual internal audit be conducted of all open projects involving GCF financing. It should be emphasized that this is not a reflection of a weakness of the applicant's delivery system and its controls but emphasizes the strength and importance of the internal audit function in the applicant's challenging delivery system.
19. The applicant has not formally adopted an internal control framework and all its elements thereof such as: risk management, audit, segregation of duties, existence of manuals, anti-fraud procedures, etc. Nevertheless, the AP has determined that the required internal control elements are in place. This is corroborated by the external auditor statement referenced above. During the AP's review the applicant developed and adopted manuals that describe the functions and roles of management, internal oversight and personnel and this is an important component of an internal control framework.
20. The procurement policies promote economy and efficiency. The procurement process is well-established and regulated by the procurement manual recently adopted by the applicant's board of directors. They specify procurement regulations, cover requirements, accountability, and authority to take procurement actions. It includes procedures for addressing grievance. Examples of recent procurements show that the procedures in the manual were followed.
21. The applicant has developed a document containing procedures, guidelines, methodologies for overseeing, assessing and reviewing the procurement procedures of its beneficiary institutions. The procedures involve verifying the beneficiary's procurement system, providing procurement training where needed, supporting procurement activities and issuing non-objections at specific points in the procurement process. The applicant demonstrated that it had the resources in place to oversee the procurements of beneficiaries of a major donor-funded programme: the Small Grants and Ambassador's Fund Programme. This gives assurances that such procurement by executing entities will be followed for GCF-financed projects.

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

22. The applicant has updated its code of conduct, which is applicable to its employees, consultants and executing entities using the applicant's funds. It has an active awareness programme amongst its employees to ensure they are aware of its provisions. The disclosure of a conflict of interest is on a transaction by transaction basis (including financial transactions) and it is sufficiently described to resolve the conflicts and take actions in case of a violation. A separate policy covering conflict of interest and disclosure exists for vendors. The applicant's board of directors has separate policies covering the code of conduct, conflict of interest and disclosure.
23. The applicant approved a high-level Anti-Fraud Policy that demonstrates the institutional commitment to appropriate standards of transparency, accountability and resistance to fraud in all its forms. The policy provides for adequate reporting of suspected fraud. The whistle-blower protection is elaborated upon in the human resource manual that also emphasizes the zero-tolerance policy.

24. The Anti-Fraud Policy includes minimal investigative guidelines. These guidelines need to be elaborated as they do not constitute sufficient guidelines for processing cases, including standardized procedures for handling complaints received by the function and managing cases before, during and after the investigation process. Such guidance is required for the applicant given that investigations are done by appointed staff for specific cases instead of having professional investigators. The applicant's Anti-Fraud Policy does not meet the GCF basic fiduciary standard requirement that it has publicly available terms of reference that outline the purpose, authority and accountability of the investigative function.

25. The applicant's board of directors approved its Anti-Money Laundering and Anti-Terrorism Financing Policy and Guidelines in March 2018. However, the applicant has extensive experience of conducting "know-your-customer" type due diligence reviews of over 900 organizations that have applied for grants provided by the applicant. The applicant also reviews disbursements before they are made and it relies on crossed cheques using the formal banking system of the country that are required to have anti-money laundering and anti-terrorism financing procedures in place.

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

26. The applicant has an extensive track record working with different sectors, including social mobilization, environment and natural resource management, microfinance, agriculture and others. Each programme sector has a dedicated, specialized and experienced team of professionals who overlook the implementation of all projects and provide the continuous support to field teams.

27. Prior to the identification of the particular project/programme, the applicant undertakes a thorough baseline and situational analysis in a specific region or area. The applicant, in collaboration with local communities, also identifies the most marginalized and vulnerable community members and particular problems to be addressed, in order to effectively help these communities move towards a better quality of their livelihood and sustainable ways of conducting activities, related to climate resilience and agriculture.

28. The applicant has well-documented operational procedures and manuals, including procedures for project formulation and preparation, appraisal, risk management, implementation, monitoring and evaluation policies and guidelines. The applicant has an appraisal and evaluation committee mandated to appraise project proposals and oversee project/programme evaluations.

29. The effective use of the procedures is demonstrated by sample project appraisal reports and other supporting documents provided, which also show that the applicant has the capacity to examine and incorporate the technical, financial, economic and legal, environmental and social (E&S) aspects of the project at the appraisal stage.

30. The applicant has satisfactory procedures and processes for undertaking project quality reviews through a sequential review process involving several stakeholders and units within the organization, such as the programme development and research, regional offices, appraisal and evaluations committee and donor organizations.

31. The applicant has a mature monitoring and evaluation function undertaken by the monitoring and evaluation department at two levels: programme-level and project-level. The function places emphasis on continuous oversight of the project implementation process and periodic reporting on the project's implementation status and the achieved results against the planned indicators contained in the development programme and annual plan or results framework of the project. The progress reports are shared quarterly at programme management meetings. Sample implementation and quarterly progress reports were provided. The project management function is supported by the periodic site-visits and monitoring of the sectoral units.

32. The applicant does not have in-house capability for the independent evaluation of project results following completion of project implementation. Instead, the project evaluations are commissioned by a third party either selected by the donors or by the applicant on the donors' behalf. The documented policy for independent evaluation of project results was provided and contains the evaluation criteria and institutional arrangements ensuring the independence, credibility and impartiality of the evaluation. The terms of reference for independent evaluation are developed by the corresponding donors or the applicant accordingly. The sample evaluation reports provided by the applicant demonstrate that its evaluation function complies with recognized professional standards and methods.

33. As part of its project implementation monitoring process, the applicant has a project-at-risk system to identify and address project in a timely manner. The system is primarily managed by staff members of the project compliance and monitoring office, who are responsible for the follow-up of project activities at different stages against the defined objectives. The information on the objectives versus real results is shared with the concerned departments and periodic progress data is compiled in the designated system. Sample monitoring reports indicating the situations where the problems were identified and addressed were provided.

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

34. The applicant's grant award procedural framework is found to be mature and well-developed. The applicant has extensive experience of working with a number of bilateral and multilateral organizations, including the Directorate-General for International Development and Cooperation of the European Commission, United States Agency for International Development, World Food Programme, Food and Agriculture Organization of the United Nations, International Fund for Agricultural Development, United Nations Children's Fund, universities and research institutions within different grant programmes and funds, for which the corresponding operational procedures are developed and implemented.

35. The applicant has provided evidence on the transparency of its grant award mechanisms with formally documented procedures for evaluating proposals and awarding grants and clearly defined eligibility criteria, as well as mechanisms for monitoring, reporting, auditing and evaluation of the results of the grant award programmes.

36. The grant management manuals developed for grant programmes successfully implemented by the applicant contain clear standardized procedures for the entire grant management process, provisions for conducting calls for proposals, eligibility criteria for projects and potential grantees, procedures for evaluating proposals and awarding grants, due diligence and risk assessment procedures, procurement guidelines, and roles and responsibilities for grant proposal consideration, approval, disbursement, record keeping/reporting and audit processes.

37. The applicant's grants procedures also include: standardized provisions for the recovery of funds awarded to the grantees, in respect of expenditures which are unauthorized or fall outside the scope of the funding for the projects; procedures for the suspension, reduction or termination of grants in the event of the beneficiary failing to comply with its obligations; and systems to prevent irregularities in the use of grant funds. The relevant clauses on the conditions for the termination of grants and recovery of funds are included in the standardized grant agreement templates.

38. The grant award programmes are managed by the applicant through supporting standardized checklists and tools that are used by its technical evaluation committee in the preparation of recommendations for awarding grants that are presented to the grant review committee. The terms of reference of the technical evaluations committee, records of its recommendations and records of the decision making of the grant review committee were

provided and contain evidence of the competence and independence of their members, and objectivity of their decision-making.

39. The applicant has provisions for the periodic review of its grant award activities and has provided examples of the monitoring and evaluation reports of the programmes implemented in the last five years. In addition, the applicant provided reports compiled by its donor partners (e.g. multilateral and bilateral organizations) containing positive observations and conclusions on the performance of the applicant in respect of its management of projects and grant award programmes.

40. Although the applicant publishes information on grant award notices on its website, it does not have a formal procedure in place to provide public access to information on the periodic progress of individual grant award programmes, including budget utilization. The applicant is currently in the process of finalizing the designated location on the website to provide the relevant information on the progress of the individual projects under the grant award process. The development of the website is expected to be completed in mid-2018.

41. The applicant conducts close monitoring of the activities implemented under its grant award programme and undertakes regular site visits through the designated field operation officers to support its beneficiaries before, during and after project and/or programme implementation. The applicant also disseminates best practices in project implementation under grants awarded and maintains good relations with grant awardees. A number of examples of site visit reports were provided and they demonstrate the applicant's effective implementation of the monitoring procedures.

42. Overall, following the assessment, the AP concludes that the grant award mechanisms implemented by the applicant are mature and well-established and can be applicable to GCF-funded activities subject to the development and implementation of a policy for the public disclosure of grant award decisions and grant award programme results.

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

43. The applicant's on-lending and blending operations are supported by a set of policies, procedures and guidelines, including micro credit manual, financial management manual and investment policy, as well as specific funding programme manuals. It has a proven track record in receiving and on-lending and/or blending resources from more than 100 international, bilateral and national funding agencies, financial institutions and the government of Pakistan for around 500 project and programme activities.

44. The applicant specializes in providing micro credits to communities in rural areas and towns on a programmatic basis. The advantages of the applicant's micro credits are the flexible terms and conditions of the microfinance products with regard to repayment period, repayment mode and modifications of the loan cycle, tools and methodologies, which are determined through the assessment of the corresponding regional and local market conditions and community needs.

45. In its investment portfolio, the applicant has demonstrated its experience with equity investments in the various project activities and programmes. For example, the applicant provided documentation on a profit-and-loss sharing-based micro business finance product based on the applicant's equity investments. The micro business finance product is intended to finance a set-up of a new business for the entrepreneurs by creating a joint ownership of that business between the applicant and the client. The applicant and the entrepreneurs share the profit and loss based on the financial agreement between the applicant and the client and the ratio of the financing and profit sharing.

46. When taking a decision on equity financing the applicant undertakes proper business assessment to ensure investment in profitable enterprises and avoid the potential losses. The

applicant also undertakes proper monitoring of business to prevent frauds, losses and depletion of capital invested by the applicant and the client.

47. The applicant provided a number of examples of on-lending activities, such as community investment fund or social mobilisation programme activities, including information on beneficiaries and sources of funding. The sample project appraisals and due diligence reports provided contain comprehensive analyses of the credibility of potential loan beneficiaries and risks associated with repayment capabilities and economic, social and environmental conditions in a corresponding geographical area.

48. The applicant has appropriate operating guidelines to ensure that the funds it provides are channelled transparently and used effectively. The applicant's disbursement process and the utilization of funds by its partner organizations are audited by external auditors to ensure that funds are used for the intended purposes. Sample audit reports of the financial statements of the projects were provided. The applicant also provided information on several projects, which shows that advantages to the final beneficiaries of projects funded by the applicant are regularly monitored and evaluated.

49. The applicants' financial management manual contains the investment policies for funds managed by the applicant. The investment policies are consistent with the applicant's anticipated financial needs and account for its investment and financial risk tolerance. Standards for risk, return, asset allocation, diversification and liquidity are determined from a strategic perspective and re-measured at least on quarterly basis. The investment policies intend to provide guidelines, where necessary, for ensuring that the portfolio's investments are managed consistently with the short-term and long-term financial goals of the specific fund.

50. The applicant has in place a separate unit for asset management. The finance committee of the applicant's board analyses and manages risks identified by the internal auditors. The applicant has recently developed terms of reference for its asset and liability committee and provided the sample minutes of its first meeting.

3.2 Environmental and social safeguards

3.2.1 Section 6.1: Policy

51. The applicant's Environmental and Social Management Framework (ESMF) adopted in April 2014 was developed to set out the environmental and social assessment (E&S) procedures for its national poverty alleviation fund. The ESMF was designed for the E&S assessments required for projects/programmes financed by the various donors, such as the World Bank, the European Union, United States Agency for International Development and Kreditanstalt für Wiederaufbau. With its increasing portfolio and outreach, especially in terms of being a financial intermediary, the applicant in 2017 developed its Environmental, Social and Statutory Framework (ESSF) to provide guidance to its operations as well as partner organizations and executing entities for ensuring compliance of environmental, social and statutory safeguards. The ESSF document brings together three interlinked but distinct sections on environmental, social and statutory safeguards. Inspired by the recently approved Environmental and Social Framework of the World Bank (2017), the ESSF builds upon the same safeguards and has frequently used terminologies, definitions and elaborations of the safeguards proposed by the World Bank. The ESSF Manual was endorsed and approved by the applicant's Board in its meeting on 31 October 2017. The ESSF includes a comprehensive statement on the overarching E&S objectives and principles guiding the institution. The applicant adheres to the E&S standards which are found by the AP to be consistent with the performance standards 1-8 of the GCF interim ESS. The ESSF also requires the applicant to comply with its national environmental regulations and country's obligations under applicable international laws. The ESSF is endorsed by the applicant's management and is communicated to all levels within the organisation. The

ESSF requires the applicant as well as the executing entities it oversees to address the following elements in its E&S assessments: assessment of cumulative impacts; assessment of associated facility impacts; analysis of alternatives; baseline data standards; and mitigation hierarchy.

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

52. The applicant's ESMF (April 2014) was assigned by the applicant E&S risk category B based on the World Bank safeguards describes the applicant's process for identifying the E&S risks and impacts. The ESSF has now updated this process for identifying E&S risks and impacts and E&S risk categorization of projects/programmes in line with performance standards 1 to 8 of the GCF interim ESS. The ESSF is complemented by sectoral guides and checklists previously developed as part of the implementation of the applicant's national poverty programme. However, as the ESSF was adopted only in November 2017, the applicant has so far not been able to demonstrate its implementation with respect to identification of E&S risk and impacts including E&S risk categorization.

3.2.3 **Section 6.3: Management programme**

53. The applicant's ESMF (April 2014) describes the applicant's institutional process and track record for managing mitigation measures and actions stemming from the E&S risk identification process. The applicant provided one environmental and social impacts assessment study for its national drought mitigation and preparedness plans devised under the applicant's national poverty alleviation fund. The applicant's ESSF now describes its institutional process and track record for managing mitigation measures and actions stemming from the E&S risk identification process consistent with the performance standards 1-8 of the GCF interim ESS. However, as the ESSF was adopted only in November 2017, the applicant has so far not been able to demonstrate its track record for managing mitigation measures and actions stemming from the E&S risk identification process based on the application of the ESSF.

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

54. The applicant provided its institutional organizational structure including the description of the roles, responsibilities, reporting lines and authority of its E&S management committee on implementation of the ESSF. The primary responsibility lies with the E&S management committee which has the knowledge, skills and experience necessary to understand and ensure implementation of the performance standards and are able to properly categorize potential funding proposals. The applicant also provided information on the ESS- and gender-related training undertaken by its staff.

3.2.5 **Section 6.5: Monitoring and review**

55. The applicant provided its Monitoring, Evaluation and Research Manual which contains a documented institutional process for monitoring projects but does not contain a process for managing E&S risk mitigation actions. A summary of a sample of monitoring reports based on this approach was provided which did not contain monitoring of E&S matters. The applicant's ESSF now explicitly describes its E&S monitoring and evaluation process, as well as the role and responsibility of the E&S management committee. However, as the ESSF was adopted only in November 2017, the applicant has not been able to demonstrate its implementation with respect to monitoring and evaluation of E&S impacts and related mitigation measures.

3.2.6 **Section 6.6: External communications**

56. The applicant's ESSF describes its external communication system comprising a general email address for external stakeholders to approach the applicant. The emails received are then forwarded to the relevant thematic or operational departments. The applicant has also set up its Facebook page which is managed by the monitoring and evaluation department. The applicant provided a copy of its complaints log as well as profiles of responsible staff, indicating the applicant has internal procedures and competencies to screen, assess and address issues raised.

57. The applicant's ESSF describes the grievance redress mechanism process followed by its partners and executing entities that it oversees. The applicant's ESSF includes a requirement for a project-level grievance mechanism in projects executed by its executing entities that it oversees. The applicant's ESSF describes its policy on disclosure and public consultation of E&S assessment documents 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

58. The applicant provided its gender policy and an action plan which is found by the AP to be in line with the Gender Policy of the GCF. The applicant provided the curriculum vitae of its gender experts, as well as descriptions of their work as evidence of their competency on gender mainstreaming. The applicant provided a sample of its grant operations that specifically target women among project and/or programme beneficiaries. The sample also demonstrates the applicant's experience in linking gender and climate change, including a track record of lending to both men and women. The applicant also provided a sample of legal agreements for a small grants programme which shows that projects to which the applicant lends have non-discriminatory practices in terms of benefits and remuneration for both men and women employees.

IV. Conclusions and recommendation

4.1 Conclusions

59. 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 and equity. The gaps include: a publicly-available guideline for processing investigations is missing; and there is no information on periodic progress reports on grant award activities on the applicant's website at the moment;
 - (b) The applicant partially meets the requirements of the interim ESS of the GCF in relation to the medium E&S risk (Category B/I-2). As the ESSF which is consistent with the performance standards 1 to 8 of the interim GCF ESS was adopted only in November 2017, the applicant has not been able to provide evidence of implementation of the ESSF with respect to E&S risk and impacts identification including categorization, mitigation, management and monitoring and reporting, in line with the 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

60. The AP recommends, for consideration by the Board, applicant APL065 for accreditation as follows:

- (a) **Accreditation type:**

- (i) **Maximum size of an individual project or activity within a programme:** small (including micro⁴);
- (ii) **Fiduciary functions:**
1. Basic fiduciary standards;
 2. Specialized fiduciary standard for project management;
 3. Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
 4. Specialized fiduciary standard for on-lending and/or blending (for loans and equity); and
- (iii) **Maximum environmental and social risk category:** medium risk (Category B/I-2) (including lower risk (Category C/I-3⁵)); 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) Condition to be met prior to submission of the first funding proposal to the Board:
1. Submission of the applicant's environmental and social management framework (ESMF), as part of the relevant funding proposal, that describes the applicant's project-specific approach to environmental and social risk and impacts identification, including categorization, mitigation, management and monitoring and reporting process based on the applicant's ESSF, and in line with the E&S risk Category B/I-2 and Category C/I-3 projects/programmes;
- (ii) Conditions 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. Development by the applicant of a mechanism to publicly disclose periodic progress reports of grant award activities, including information on budget utilization; and
 2. Publicly-publishing its guidelines for processing investigation cases, including standardized procedures for handling complaints and managing cases before, during and after the investigation process; and
- (iii) Condition to be met at the accreditation mid-term review of the applicant:
1. Provision of evidence from the applicant that bi-annual internal audits have been conducted for each GCF-funded project/programme.
61. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 60 above, and agrees to the recommendation.

⁴ 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".

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".

4.3 Remarks

62. The AP recommends that the applicant considers developing the procedures/rules to be followed by executing entities in cases where the applicant decides to work with the executing entities to undertake blending of grant funds for a particular funding proposal to be submitted to GCF.

63. The AP recommends that in order to demonstrate the practice of periodic internal and external quality assessments to monitor the overall effectiveness of the internal audit function, the applicant considers providing the report on the first external quality review of the internal audit function, which is expected to be finalized by mid-2018.