(b) *<u>Also requests</u> the Secretariat to take into account in developing the terms of reference of the procedure:*

(i) *The need for the assets of the GCF to be covered by the appropriate privileges and immunities; and*

(ii) *The legal and institutional requirements of the contributors.*

Agenda item 18: Policies on the formal replenishment process

32. The Board took note of document GCF/B.15/Inf.12/Rev.01 titled "Matters related to the replenishment of the Green Climate Fund: Co-Chairs' memo".

Agenda item 19: Matters related to accreditation

(a) Consideration of accreditation proposals

33. The Board took note of document GCF/B.15/16 titled "Consideration of accreditation proposals".

34. The Board adopted the following decision:

DECISION B.15/09

The Board, having considered document GCF/B.15/16 titled "Consideration of accreditation proposals":

(a) *<u>Takes note</u> with appreciation of the efforts that accredited entities are making in order to address their accreditation conditions as listed in **annex V**;*

(b) *<u>Also takes note</u> of the accredited entities with accreditation conditions fulfilled and closed as determined by the Accreditation Panel and listed in **annex V**;*

(c) *<u>Further takes note</u> with appreciation of the assessments conducted by the Secretariat and the Accreditation Panel contained within the relevant annexes for the following applicants:*

(i) *Applicant 043 (APL043) is the Foreign Economic Cooperation Office (FECO) of the Ministry of Environmental Protection of China, based in China, as contained in **annex VI**;*

(ii) *Applicant 044 (APL044) is the Korea Development Bank (KDB), based in the Republic of Korea, as contained in **annex VII**;*

(iii) *Applicant 045 (APL045) is PT Sarana Multi Infrastruktur (PT SMI), based in Indonesia, as contained in **annex VIII**;*

(iv) *Applicant 046 (APL046) is the Central American Bank for Economic Integration (CABEI), based in Honduras, as contained in **annex IX**;*

(v) *Applicant 047 (APL047) is Fundación Avina (Fundación Avina), based in Panama, as contained in **annex X**;*

(vi) *Applicant 048 (APL048) is Société de Promotion et de Participation pour la Coopération Economique (PROPARCO), based in France, as contained in **annex XI**; and*

(vii) *Applicant 049 (APL049) is the World Wildlife Fund, Inc. (WWF), based in the United States of America, as contained in **annex XII**;*

(d) *Accredits applicants APL043, APL044, APL045, APL046, APL047, APL048 and APL049 pursuant to paragraph 45 of the Governing Instrument for the GCF, and subject to, and in accordance with, the assessment by the Accreditation Panel contained in the relevant annexes for each of the applicants. A summary of the recommended accreditation types and conditions and/or remarks, if any, for each applicant is contained in **annex XIV***

(e) *Takes note with appreciation of the assessment conducted by the Secretariat and the Accreditation Panel contained within the relevant annex for the following applicants seeking to upgrade its accreditation type:*

(i) *Conservation International Foundation (CI), based in the United States of America, as contained in **annex XIII**;*

(f) *Agrees to upgrade the accreditation type of Conservation International Foundation contained in decision B.10/06, paragraph (ix), subject to, and in accordance with, the assessment by the Accreditation Panel contained in **annex XIII**. A summary of the recommended upgrade in accreditation type and conditions and/or remarks, if any, is contained in **annex XIV**;*

(g) *Takes note that, pursuant to decision B.08/03, paragraph (k), the Secretariat, in consultation with the Accreditation Panel, is proposing that the eligibility to apply under the fast-track accreditation process be extended to those entities listed in **annex XV**; and*

(h) *Decides that those entities referred to in **annex XV** are also eligible to apply under the fast-track accreditation process for the standards of the GCF in accordance with decision B.08/03, paragraph (f), for entities accredited by the Adaptation Fund, and decision B.08/03, paragraph (g), for entities under the Directorate-General for International Development and Cooperation.*

(b) Accreditation master agreements

35. The Board took note of document GCF/B.15/17/Rev.01 (limited distribution) titled “Accreditation master agreements and funded activity agreements” and document GCF/B.15/18 (limited distribution) titled “Approval of the accreditation master agreement agreed with Kreditanstalt für Wiederaufbrau (recommendations from the Risk Management Committee)”.

36. Two limited distribution decisions were adopted under this agenda sub-item:

(a) ***DECISION B.15/10*** on accreditation master agreements; and

(b) ***DECISION B.15/11*** also on accreditation master agreements.

Agenda item 20: Approval of the performance criteria and measurement procedures for the Executive Director of the Secretariat

37. This agenda item was not opened.

Annex VIII: Accreditation assessment of Applicant 045 (APL045)

I. Introduction

1. Applicant 045 (APL045), PT Sarana Multi Infrastruktur (PT SMI), is a national entity with the goal of serving as a catalyst for accelerating national infrastructure development in Indonesia. The applicant supports the fulfilment of its government's infrastructure development objectives by implementing projects through public–private partnerships. In addition, the applicant mobilizes resources from multilateral and bilateral financial institutions in order to finance infrastructure projects. The applicant is contributing to the sustainable development and climate resilience of communities in Indonesia by financing water, renewable energy generation, transport and agriculture-related infrastructure projects.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 5 June 2015. The Stage I institutional assessment and completeness check was completed on 25 December 2015 and 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 Indonesia;

(b) **Track**: normal track;

(c) **Maximum size of an individual project or activity within a programme**: large;[1]

(d) **Fiduciary functions**:[2]

(i) Basic fiduciary standards;

(ii) Specialized fiduciary standard for project management;

(iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and

(iv) Specialized fiduciary standard for on-lending and/or blending (for loans and equity); and

(e) **Maximum environmental and social risk category**: high risk (Category A/Intermediation 1 (I-1)).[3]

[1] As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "large" is defined as "total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above 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".

II. Stage I institutional assessment and completeness check

3. The applicant applied under the normal track accreditation process. Its application has been assessed by the Secretariat during Stage I as a normal-track application.

2.1 Legal status, registration, permits and licences

4. The applicant provided documents on its establishment and licenses to operate, if any and relevant, as a part of the application. The applicant is a state-owned limited liability company that was established in 2009 under the regulation of the Minister of Finance of Indonesia concerning infrastructure financing companies.[4] The Accreditation Panel (AP) notes that at the end of 2015, the applicant's portfolio was significantly transformed with the transfer of the assets of the Government Investment Centre, resulting in an increase in its portfolio in excess of 250 per cent (over USD 2 billion). Moreover, the AP understands that the applicant's intention is to transition the company to a fully-fledged development financing institution.

2.2 Institutional presence and relevant networks

5. The Government of Indonesia is an important partner for the applicant as a state-owned enterprise. The applicant has also established partnerships with a variety of clients that it provides with financing for infrastructure projects. These include other state-owned enterprises, local governments and private sector entities. Additionally, the applicant has fostered partnerships with different organizations through resource mobilization, renewable investment promotion and technical cooperation. Organizations with which the applicant has partnered in this regard include international commercial banks, multilateral development institutions, bilateral organizations, regional investment companies and entities from other developing countries which facilitate South–South cooperation and capacity-building.

6. The applicant seeks to become accredited to the GCF to co-finance low-emission and climate-resilient infrastructure projects in Indonesia. The applicant also seeks to raise awareness of climate change issues through capacity-building for related stakeholders in order to promote the development and implementation of climate change mitigation and adaptation projects. Furthermore, the applicant intends to make use of its project development facilities in the development of projects that will result in the engagement of the private sector through public–private partnerships. Additionally, the applicant intends to allocate finance for micro-scale infrastructure projects with the objective of enhancing livelihoods, preserving natural ecosystems and improving the health and well-being of communities.

2.3 Track record

7. Since its establishment in 2009, the applicant has partnered with a number of entities to support infrastructure projects, including renewable energy projects such as hydropower, wind and biogas energy projects in Indonesia. Other sectors that the applicant focuses on are

[4] Indonesian Ministry of Finance Regulation Number 100/PMK.010/2009.

transport, water, waste management, energy efficiency, health, agriculture, education and tourism. The applicant has financed 10 renewable energy projects amounting to around USD 436 million to date. The applicant has experience in developing and implementing projects in the range of the GCF medium and large size categories using different financial instruments, such as approximately USD 598 million for an international airport to increase transport capacity and develop smart buildings with renewable energy sources. The applicant is currently undertaking the following climate change mitigation and adaptation activities:

(a) USD 30 million (loan) for a hydropower plant in Bengkulu Province, Indonesia, to generate renewable energy;

(b) USD 111.74 million (loans) for four projects in Indonesia for irrigation purposes with the aim of reducing climate risk: Lolak Dam in North Sulawesi, Passeloreng Dam in South Sulawesi, Kudus Dam in Central Java and Cipasauran Dam in Banten;

(c) USD 62.8 million (loan) for the capital expenditure for the water supply infrastructure to improve water security and enhance livelihoods in Jakarta, Indonesia; and

(d) USD 100 million credit facility and USD 5 million quasi-equity facility in agreement with Agence Française de Développement (AFD) to finance renewable energy and climate change projects in Indonesia.

III. Stage II accreditation review assessment

8. The applicant applied under the normal-track accreditation process. Its application has been assessed against by the AP during Stage II (Step 1) against the standards of the GCF in accordance with the accreditation requirements.

9. As part of this assessment, the AP consulted the applicant's website and third-party websites to complement the information provided in the application. Moreover, in the context of the applicant's change in business model where it had, until December 2015, a largely private sector focus, to that of a public mandate, the AP has deemed it necessary to assess the applicant against the backdrop of its new business model. The AP notes that in some cases the applicant's partnerships are recent as a result of the Government Investment Centre portfolio transfer and did not arise as a direct result of the applicant's due diligence. More specifically, the applicant's domestic investment framework, including that of procurement and requirements associated with its role as a state-owned enterprise, are particularly relevant. In this regard, although the applicant has demonstrated a keen awareness of the requirements associated with a multilateral type of engagement, it has yet to fully implement its new business model in the context of this form of engagement. The AP has extensively utilized third-party resources in support of this assessment for context. The recommendations contained in this assessment are not a reflection on the applicant's competency to implement its new business model; this is rather an assessment of an institution that has yet to prove a track record of its new business model in a holistic and integrated fashion.

3.1 Fiduciary standards

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

10. The applicant's management, administrative and financial operations are generally conducted within the framework of a set of fiduciary standards that facilitate the applicant's monitoring of its activities and compliance with principles of good corporate governance. The applicant's Board of Commissioners and Board of Directors are guided by their respective terms of reference and they meet frequently to exercise their respective roles. The Board of Commissioners oversees the Board of Directors, but does not get involved in operational matters.

11. The applicant has a well-established independent internal audit function reporting to the President Director and, through the Audit Committee, to the Board of Commissioners. Moreover, the applicant provided evidence that the internal audit function is fulfilling its oversight role associated with internal control systems and has been particularly effective during the applicant's period of transition (see para. 4 above), which included the transfer of the Government Investment Centre portfolio to the applicant. Its internal audit report is particularly comprehensive in this regard and has highlighted a number of areas that require further development to accommodate the significant increase in its portfolio resulting from the above-mentioned transfer. The applicant's internal control framework has been formulated according to the framework of the Committee of Sponsoring Organizations of the Treadway Commission. The applicant also provided information regarding ongoing training for its staff for applying this framework.

12. The applicant provided evidence of its long- and short-term planning framework, including its business plan, which significantly describes its role and the risks associated with the increased mandate. This mandate is determined by its shareholder, the Ministry of Finance of Indonesia. Its financial statements are prepared in accordance with Indonesian Financial Accounting Standards and audited by an independent auditor of international standing.

13. Regarding procurement, the AP notes that the applicant operates in a jurisdiction where local content and ownership requirements are significantly complex. Meeting the standards of the GCF has necessitated the drafting of an operational procurement guideline (latest draft September 2016, which requires further refinement and has yet to be approved by the applicant's board) for projects that receive funding from multilateral institutions. The applicant has confirmed that all projects that it funds would have to comply with local resource/content requirements; however, the applicant has provided for flexibility regarding exemption of the local content provisions, should this be required.

14. Although the applicant has provided two examples of its procurement guideline being retrospectively tested in August 2016, it did not test for the efficacy of procurement against the impact of the local requirements. Moreover, the applicant has not provided evidence of its track record for large-scale procurement. At the time of commencing the Stage II (Step 1) assessment, the applicant did not have a dedicated procurement function; however, the applicant has provided a revised organizational structure where procurement has been elevated as a key function within its finance and operations directorate. The applicant has indicated that it plans

to build capacity for this function and that the new organizational structure will take effect from 2017.

3.1.2 Section 4.2: Basic fiduciary standards: transparency and accountability

15. The applicant has an established code of conduct and an ethics officer, and its code provides for the establishment of an ethics committee in the case of violation of its code of conduct. Although it could not be established that an ethics committee for violations has been formed the applicant has a well-structured 'whistle-blowing' system that includes a policy and guidance for its application (including report criteria, violation criteria and 'whistle-blower' protection). The applicant transparently provides for the reporting of violations on its website.

16. The applicant has provided updated guidelines and procedures (June 2016) for its anti-money laundering (AML) and countering the financing of terrorism (CFT) programme. This risk is managed by the applicant's legal department and the applicant has provided evidence to support its compliance with these guidelines in the form of a certificate of compliance signed by the head of the legal department. The certificate confirms that the applicant's AML/CFT processes comply with the 40 recommendations of the Financial Action Task Force and the updated financial and commercial sanctions lists of the United Nations, France and the European Union. It should also be noted that in June 2015 the progress made by Indonesia in addressing the strategic AML/CFT deficiencies identified by the Financial Action Task Force resulted in the country's removal of the Financial Action Task Force's monitoring process.

17. The applicant will be required to supplement the policies and procedures provided in the accreditation application with evidence of compliance with the updated AML/CFT guidelines.

3.1.3 Section 5.1: Specialized fiduciary standard for project management

18. The applicant's business operations include a project development and advisory function; however, these operations are separate from the applicant's investment division. The potential exists for projects that have benefited from the advisory division to be considered via the project discovery process for an investment decision. The formal guidelines and procedures governing the investment division's operations are in progress and being reviewed by the risk management department. The applicant will be required to provide the approved version of these guidelines and procedures to ascertain how its operations are segregated from its investment division.

19. The applicant's procedures do not specifically provide for a quality review of the outcome of its project appraisal process, but the Director of Financing and Investment ensures that it is aligned with the financing guideline. Given the increased scope of its mandate the applicant is encouraged to consider including a quality review system.

20. In accordance with the applicant's focus on its clients' ability to fulfil its financial obligations, the applicant's monitoring, oversight and control are based on a rating review mechanism. The applicant has indicated that it will expand its processes to provide for a more integrated approach to monitoring projects that are funded by multilateral institutions and provide for the monitoring of environmental and social risk, procurement risk, market risk and construction risk. This process will include the early warning system that is currently being

developed by the applicant's risk management division. Moreover, the applicant has indicated that there are no standard formats for project monitoring and reporting.

21. The applicant's project appraisal methodology prior to its amended mandate at the end of 2015 was largely based on a rating methodology from Moody's Analytics and the AP understands that the applicant will be supplementing this with a new rating methodology based on the Indonesian rating agency, PT Pemeringkat Efek Indonesia, to be applied to its portfolio of local government activities. This model needs to be further tested and its application will include the outcome of a Ministry of Finance regulation for government guarantees for local government loans expected in the last quarter of 2016.[5]

22. The applicant has confirmed that in the application of its rating methodology approach, it has largely focussed on the ability of the borrower to repay its loan. However, its current transformation, including its stated intent to ultimately transform into a development bank, the focus will shift to include economic and social impacts.

23. The applicant has indicated that its policy and process does not provide for an independent review; however, the applicant's internal audit division could undertake evaluations based on pre-identified risk and report to senior management as an independent audit function. The evidence reviewed as contained in the internal audit reports confirms that this does indeed occur. However, given the increased workload it may be worthwhile for the applicant to consider undertaking an ad hoc external evaluation assessment.

24. The applicant does not have a project-at-risk system; risks are identified at the time of the site visit. Furthermore, the risk management division performs a re-rating process annually. The early warning system is also expected to address this gap and to be implemented in mid-2017.

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

25. The applicant has recently drafted various guidelines (award, management and disbursement) as the basis for implementing a grant award programme. The applicant intends to integrate a grant award programme with its infrastructure development mandate by identifying, through a call for proposals, projects and programmes that will impact on the sustainability of its infrastructure programmes.

26. The draft guidelines substantially provide for the elements called for as part of the specialized fiduciary standard for grant award and/or funding allocation mechanisms; however, they have not been tested and may require refining as the scoping for the call for proposal unfolds. Specifically, clarity is required regarding where the management of grants will reside within the organization, how it will be staffed, the role of the project evaluation committee and where final approval would be provided for. The gaps identified in section 3.1.3 in the project management section above would apply to this standard and are to be noted where relevant.

27. The applicant indicated that it would be willing to adhere to the project-level disclosure requirements on beneficiaries as required by the specialized fiduciary standard for grant award

[5] The applicant has indicated that the Government Guarantees for Local Government loans has been approved by the Minister of Finance under Minister of Finance Regulation No.174/PMK.08/2016.

and/or funding allocation mechanisms and this will only be evidenced on implementation of the programme. The applicant has provided evidence of managing grants for its Corporate Social Responsibility Programme and audited financial results of this initiative. It is recommended that annual external audits be considered for this programme. The potential for external assistance in further developing this programme via readiness support should be explored.

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

28. The applicant provided evidence of its Fitch credit rating report dated November 2015, which indicates that the applicant was allocated a BBB long-term foreign currency rating. This rating is credit linked to its status as a state-owned institution and the high level of state control and strategic importance to the government's infrastructure programme. It was also allocated a local currency rating of idAAA in September 2016 by PT Pemeringkat Efek Indonesia.

29. The applicant has an overarching investment management policy which has been developed for its lending activities, but its detailed procedures are not fully developed; this has been confirmed in its audit report where it has been flagged as an item to be completed. In this regard, the applicant provided newly drafted equity investment guidelines in August 2016, and outside of its investment in PT Indonesia Infrastructure Finance, where the applicant is the largest shareholder, the applicant does not have a track record of equity investments. Further improvements in support of the applicant's operations include new risk management guidelines, which are being developed for its newly mandated operations and structure. The applicant has revised its organizational structure twice since its accreditation process commenced, the latest being October 2016, and the new structure will be implemented in 2017.

30. The applicant provided information on its on-lending and blending portfolio, including blending funds with PT Indonesia Infrastructure Finance. Its experience with multilateral funding is limited, but the applicant has started to focus on engagements with multilateral institutions of late with the signing of an AFD loan and grant in December 2015. It is expected that this activity will increase. The applicant's on-lending portfolio mainly consists of project finance loans and corporate loans, which include bridging finance and working capital. In this regard its portfolio has increased steadily since its establishment in 2009. Here again, as described in the project management section above, the applicant's framework for due diligence is the Moody's Analytics rating methodology that it has applied in the past few years. The model provides for specific inputs, the output being a rating upon which the applicant would then base its investment decision.

31. The applicant produces portfolio reports on a monthly basis for the Board of Directors and risk division. The applicant does not have a disclosure policy but has provided evidence of strategic portfolio information disclosed on its website. The applicant has indicated that it would be willing to disclose further information regarding its portfolio in the media and on its website. The extent of this disclosure, including evaluations information, would be facilitated by the applicant's intention to integrate and expand its monitoring activities to align with its new mandate.

32. The applicant provided evidence of meetings to support the functioning of its asset liability management function, the complexity of which is expected to increase with its change in mandate. The evidence provided indicates that the applicant is very much aware of its increased burden and the work that commenced in 2015 to accommodate the assets transfer and its

associated risks continues to be addressed, including a review of its loan management system and treasury management system and associated controls.

33. Regarding the blending of grants with loans and other financial instruments, the applicant indicated that it does not have a track record in blending grants and that this will be covered in a guideline on multilateral funding, which is still under development, to be applied by its Treasury operations.

3.2 Environmental and social safeguards

3.2.1 Section 6.1: Policy

34. The applicant provided its approved environmental and social safeguards (ESS) multilateral guidelines (July 2016) and its ESS procedures (September 2016), which are a revision to its 2015 project-level and corporate-level ESS guidance documents. The new guidelines and procedures (2016 guidance) further commit the applicant to international standards, international agreements and the precautionary principle, as well as to related country laws in the case of multilateral projects or funds. The 2016 guidance when compared with the 2015 version more fully addresses the protection of biodiversity, labour rights, indigenous peoples' rights and economic displacement. The ESS procedures are integrated into the applicant's investment, project development and consultation services. The project exclusion list was amended in 2015 to harmonize with standards of the International Finance Corporation, and it removes projects that are not suitable (e.g. projects that could harm critical habitat). In line with the interim ESS standards of the GCF, the 2016 guidance covers performance standards 1 to 8. In addition, there are specific standards for energy conservation and for consultation and grievances.

3.2.2 Section 6.2: Identification of risks and impacts

35. In line with domestic regulations, Category A or high-risk projects are subject to a full environmental and social impact assessment (ESIA) and an environmental and social management plan (ESMP); Category B projects require an environmental analysis and an ESMP. Under the 2016 guidance, the applicant screens for the requirements of its 10 ESS procedures during the project categorization process. A due diligence process is conducted during appraisal for high- and medium-risk projects. Corrective action plans, when needed, are integrated into the investment agreement. ESS risks are integrated into the applicant's risk assessment and management procedure. The head of the risk management division approves the project category, based on the ESS officer's evaluation.

36. The applicant provided three project examples with reports showing its experience with project categorization and due diligence in 2015. It is now building its track record with the updated 2016 guidance, providing two recent project examples from 2016 for environmental and social (E&S) risk and impact categorization and due diligence.

3.2.3 Section 6.3: Management programme

37. The 2016 guidance is in line with GCF requirements. The risk management division through the applicant's ESS unit now ensures that activities meet the ESS requirements and comply with ESS regulations. It determines the risk category; approves and submits the due

diligence reports; conducts site visits and monitoring visits; reviews ESIA reports; and ensures that adequate resources are allocated for ESS aspects. The ESIA process analyses the relevant environmental baseline, cumulative impacts and impacts of associated facilities and alternatives, and then a mitigation hierarchy is applied to manage impacts. The project owner must prepare the ESIA/ESMP (including integrating any corrective action plans), and then implement and report to the applicant on ESMP implementation and compliance. The applicant verifies compliance with covenants and conducts compliance monitoring and auditing during implementation.

3.2.4 Section 6.4: Organizational capacity and competency

38. The organizational chart highlights the position of the risk division and ESS unit. The 2016 guidance defines the key ESS roles and reporting lines. Although the ESS unit staff were only recently recruited by the applicant, the curriculum vitae of the four ESS unit staff show the skills and experience needed to manage the 2016 guidance. A list of ESS training events from 2014 to 2016 was also provided as supporting evidence.

3.2.5 Section 6.5: Monitoring and review

39. According to the 2016 ESS procedures, the project owner will implement the ESMP in compliance with regulations, and report to the applicant on ESS compliance. The ESS officer will monitor, supervise and report on ESS implementation. If ESS issues arise, the ESS officer will evaluate them and recommend solutions. The ESS findings will be integrated into the quarterly reports for submission to management.

40. In addition, the finance department, monitoring unit and project-development unit assess compliance with the investment agreement and legal obligations (e.g. environmental regulations and loan covenants). The applicant provided a track record of ESS monitoring and review under the 2015 guidance for some projects under international co-financing arrangements. It also provided two project-monitoring examples conducted under the 2016 guidance. The 2016 guidance commits to conducting evaluations to continuously improve ESS performance. The applicant indicated that some aspects of the monitoring procedure are still under development (e.g. steps to be taken by senior management to ensure that the ESS policy is met). The applicant also indicated that it is willing to hire an external ESS auditor to evaluate the ESS system and to capture lessons learned, as needed.

3.2.6 Section 6.6: External communications

41. The applicant has general guidance for internal and external communications, and information dissemination, with general principles for transparent, effective, accountable communications. External communications are implemented through corporate social responsibility programmes, and relations with the media, government and investors. The applicant’s ESS number 10 is its consultation, information disclosure and grievance mechanism. Based on the applicant’s ESS number 10 process flowchart, project owners will conduct public consultation and provide ESS information in a transparent manner and in accordance with regulations. The 2016 ESS procedure instructs project owners to disclose Category A documents on their website for at least 120 days. The applicant confirmed that it will integrate GCF disclosure requirements into its financing agreement for GCF-funded projects/programmes.

42. The applicant's ESS number 10 requires projects to establish a mechanism to receive and resolve grievances and to inform local residents about the mechanism. In addition, the applicant has a new online 'whistle-blowing' procedure with staff to receive, register and process ESS complaints.

3.3 Gender

43. The applicant's code of conduct and code of corporate governance protect employees and beneficiaries from any discrimination based on gender, ethnicity, religion or race. The codes also commit to fair and equal treatment of all employees during recruitment, career development, remuneration, training opportunity and performance evaluation.

44. The applicant's climate-change-related projects have benefited both men and women and society in general. Its new gender framework and action plan is integrated into the 2016 ESS multilateral guidelines. The applicant now intends to integrate gender criteria and indicators from the onset of activities. In line with the GCF gender policy, projects under the multilateral guidance will include a gender accountability framework, relevant competencies and resources to ensure women and men benefit equitably from project activities. The applicant's ESS unit will supervise the implementation of the gender policy by project owners. The applicant's ESS unit has one member of staff with some gender competency, who will develop internal gender capacity, with the help of other gender experts, as needed.

IV. Conclusions and recommendation

4.1 Conclusions

45. 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. It does not meet the fiduciary standard for on-lending and/or blending for equity;

(b) The applicant partially meets the requirements of the interim ESS of the GCF in relation to the high E&S risk (Category A/I-1); and

(c) The applicant has a new 2016 gender policy, consistent with that of the GCF, and action plan, but more time is needed to demonstrate its full application, and to build experience with gender considerations in the context of climate-change-related projects.

4.2 Recommendation on accreditation

46. The AP recommends, for consideration by the Board, applicant APL045 for accreditation as follows:

(a) **Accreditation type**:

(i) **Maximum size of an individual project or activity within a programme**: small[6] (including micro[7]) while taking note of the remarks contained in section 4.3 below;

(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

(iii) **Maximum environmental and social risk category**: medium risk (Category B/ Intermediation 2 (I-2))[8] (including lower risk (Category C/Intermediation 3[9])); 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(s) associated with the GCF fiduciary standards to be addressed prior to first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:

1. Provide a formal plan for mainstreaming the multilateral procurement framework into the applicant's operations, including plans for resourcing the function and making provision for an annual audit as a standard process and provide for lessons learned. This should include provision for disclosure of contract awards on the applicant's website;

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[6] 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".

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

[9] 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".

2. Further develop its grant management framework, ensuring the framework is mainstreamed into its overall operations. This includes further developing how the applicant intends to blend grants as part of both its direct and, in the future, its intermediated lending portfolio;
3. Provide further evidence (in the form of two examples) of its compliance with its most recent AML/CFT policy in the context of its new mandate;
4. Provide for project disclosure on its website, including monitoring and evaluation of its projects;
5. Provide the approved version of the risk management guidelines and procedures, including information on the segregation of duties;
6. Provide two examples of reports from its management information system; and
7. Provide an English version of the outcome of the recent regulation associated with government guarantees where relevant for the applicant's sustainability.

(ii) Condition(s) associated with the GCF interim ESS and gender policy to be addressed prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:

1. Demonstrate with one more example per procedural step, full application of the 2016 guidance including its 10 ESS, as well as the application of its gender policy (i.e. provide one screening exercise, one ESIA, one gap analysis, one corrective plan, one gender assessment, one project disclosure report, one monitoring report and one ESMP); and
2. Provide proof of employment of an external expert acceptable to the GCF to prepare the ESIA and ESMP of the first project to be submitted to the GCF, in full compliance with its 2016 ESS guidelines.

47. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition(s), as identified in paragraph 46 above, and agrees to the recommendation.

4.3 Remarks

48. The fact that the applicant only "partially meets" the GCF fiduciary standards and the interim ESS standards of the GCF that it has applied for reflects especially the evolving nature of the applicant's operations, moderated by its own recognition that additional policy and resource requirements are required to fulfil its new mandate. These are, however, issues that are being proactively addressed by the applicant. Although the accreditation framework provides for the referral of an applicant for readiness support to address gaps such as these, in the context of this applicant, the AP assesses that deferring the applicant's accreditation to a later date for it to address such gaps – identified by way of this assessment and in large part by its own management and audit processes – is not warranted. Its corporate governance framework has

facilitated proactive attempts to identify and incorporate the changes required for its new business model and the applicant is in a learning-by-doing mode of operation.

49. Hence, whereas the applicant has applied for the GCF large size category and maximum E&S risk Category A/I-1, the AP – although it recognizes the successes the applicant has achieved with its original business model – recommends that at this stage in its development the applicant be accredited for the small size category and E&S risk Category B/I-2. More time is needed to further detail some internal administrative and financial procedures, and to demonstrate the full application of the new 2016 ESS guidance, as it moves from country systems to the interim ESS standards of the GCF. Accordingly, it is suggested that, at a mutually agreed time, the applicant should be re-assessed, having fully adjusted to its new responsibilities and mooted change in status to that of a development bank. To facilitate that re-assessment, the applicant would need to have provided additional timely evidence in the following areas, among others:

(a) The guidelines and procedures of its project development and advisory division;

(b) The early warning system in its risk management framework;

(c) In respect of procurement, pricing/budget risk and construction risk in its operations to accommodate multilateral funding reporting requirements;

(d) The introduction of an independent evaluations mechanism based on elevated levels of risk;

(e) Annual external audit of its procurement function;

(f) Annual audit on the implementation of its 2016 ESS guidance and gender framework;

(g) Annual compliance regarding AML/CFT from its legal division; and

(h) Progress on grant management associated with its AFD loan.

50. The AP also notes that the applicant does not have significant experience with financial intermediation and, in this regard, it will require time to develop its processes and expertise prior to an intermediated engagement with the GCF. This comment also applies to equities (and guarantees, if appropriate) where the applicant is encouraged to develop policies and procedures associated with these instruments and mainstream these throughout their operations.

51. The applicant is encouraged to seek readiness and preparatory support where applicable to assist it with meeting the condition(s) and/or addressing remarks contained in this assessment.