

## Annex VI: Accreditation assessment of Applicant 059 (APL059)

### I. Introduction

1. Applicant 059 (APL059), the Palli Karma-Sahayak Foundation (PKSF), is a national public sector direct access entity working as a sustainable platform for government to non-government organization collaboration based in Bangladesh, with a mission of sustainable poverty eradication in Bangladesh by undertaking multidimensional human-centered development programmes.
2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 14 November 2015. The Stage I institutional assessment and completeness check was completed on 2 February 2017 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 nomination for its accreditation application from Bangladesh;
  - (b) **Track:** normal track;
  - (c) **Maximum size of an individual project or activity within a programme:** small;<sup>1</sup>
  - (d) **Fiduciary functions:**<sup>2</sup>
    - (i) Basic fiduciary standards;
    - (ii) Specialized fiduciary standard for project management;
    - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
    - (iv) Specialized fiduciary standard for on-lending and/or blending (for loans); and
  - (e) **Maximum environmental and social risk category:** minimal to no risk (Category C/Intermediation 3 (I-3)).<sup>3</sup>

### II. Stage I institutional assessment and completeness check

3. The applicant applied under the normal track accreditation process, 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. PKSF was established by the Government of Bangladesh in 1990 and is registered under the Companies Act of 1913/1994 with the registrar of Joint Stock Companies as a not-for-profit company.

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

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

<sup>3</sup> As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), Category 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”.

## 2.2 Institutional presence and relevant networks

5. The applicant has 276 partner organizations (which are grass roots level non-governmental organizations) in different districts of Bangladesh through which the applicant manages all of the lending and development activities. Its partnership organizations comprise some 12.37 million members, of which 91 per cent are women, working through 8,064 branches. The applicant has been working with its partners for the past 26 years and has acquired a track record in undertaking projects in the financial sector, agriculture and livelihood, health, education, community-based infrastructure, and cross-cutting sectors including environment and climate change.

6. The applicant has: nine core programmes, some of which include inclusive financial services; an enterprise development programme; social protection and capacity-building programmes; an advocacy and knowledge management programme; a research and development programmes; and environment and climate change programmes. In 2016, PKSF established its Environment and Climate Change Unit, which is comprises seven permanent staff and is headed by a director. This Unit is tasked with addressing climate change adaptation and mitigation issues such as climate resilient infrastructure and livelihoods, particularly at the community level.

7. In order to advance the objectives of the GCF, the applicant intends to undertake community-based adaptation and mitigation activities to enhance the resilience of people in Bangladesh to the adverse effects of climate change. Specifically, the applicant plans to promote energy saving by introducing improved cook stoves and biogas plants at the community level, and to undertake activities that will reduce greenhouse gas emissions, such as increasing the solar home systems and solar-powered irrigation systems at the community level.

## 2.3 Track record

8. The applicant intends to continue working with the Government of Bangladesh and its partner organizations in order to assist Bangladesh to enhance the resilience of its population to the adverse effects of climate change by implementing activities involving multiple dimensions of human livelihood.

9. The applicant has been working with partner organizations at the grass roots level and with people – particularly women – at the local community level. The applicant has indicated that it has successfully implemented its adaptation programmes and projects by maintaining management of environmental and social safeguard (ESS) issues. For example, the applicant provided capacity-building, social awareness training and knowledge management to beneficiaries during the implementation of projects.

10. The applicant has disbursed USD 3.5 billion to its partner organizations, which in turn have disbursed USD 31.06 billion to its members, through various activities. The applicant's track record in financing climate change related projects includes the following, which fall within the GCF small and medium size categories.

- (a) USD 13 million (grant and loan) for the Community Climate Change Project in Bangladesh;
- (b) USD 14.1 million (grant and loan) for the Food Security 2012 Bangladesh-Ujjibito, Ultra Poor Programme;
- (c) USD 22.45 million of USD 92.85 million (grant and loan) for the project Promoting Agricultural Commercialization and Enterprise to ensure food security and livelihood security in Bangladesh; and

- (d) USD 17 million (grant and loan) for Enhancing Resources and Increasing Capacities of the Poor Households towards Elimination of Their Poverty in Bangladesh.

### III. Stage II accreditation review assessment

11. The applicant applied under the normal track accreditation process, and was assessed against the standards of the GCF by the Accreditation Panel (AP) during Stage II (Step 1).
12. As part of this assessment, the AP consulted the applicant's website 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

13. The applicant has a clearly defined governance structure that is designed to ensure that the institution achieves its mission. At the top of the structure is the General Body responsible for the overall policy direction of PKSF. Next in hierarchy is the Governing Body whose primary role is to ensure that the applicant's operations are consistent with its vision and mission. It carries out this role through the approval of loans, grants and other forms of financial assistance to the applicant's partner organizations. The governance structure comprises several other oversight bodies, including an ethics committee and an audit committee. The applicant's executive management team is headed by a managing director.
14. The applicant's financial statements are prepared in accordance with international accounting standards and international financial reporting standards, as adopted by the Institute of Chartered Accountants of Bangladesh. The applicant has a sound financial information system designed to ensure, among other things, proper record keeping, prudent revenue–expenditure management and an efficient payments and disbursements system. Disbursement of funds by the applicant's partner organizations and to the ultimate users of loan proceeds is periodically audited by the applicant's Internal Audit Department.
15. The applicant has an independent audit committee, which oversees the work of the Internal Audit Department and the applicant's external auditor with the emphasis on the audit of financial statements, control systems and reporting. The applicant's audit committee has the expertise and independence to effectively carry out its designated role. The applicant's internal audit function is independent and able to perform its duties objectively. The applicant has recently put in place a process and procedures to monitor and assess the overall effectiveness of the internal audit function, and will provide evidence of the implementation of the process and procedures after an assessment has been undertaken for the financial year 2017–2018.
16. The applicant's financial statements are audited by independent external auditors affiliated with international audit firms. The external auditors assert that the audits are conducted in accordance with International Standards on Auditing, as adopted in Bangladesh. The external auditor's observations and recommendations are regularly reviewed by the audit committee.
17. The applicant has a procurement policy which is based on the Public Procurement Rules of the Government of Bangladesh. For donor-funded projects the applicant follows the donors' guidelines where required. The applicant has an adequate mechanism for the assessment and oversight of the procurement procedures and practices of project executing entities. A procurement complaint handling mechanism has recently been put in place.

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

18. The applicant has a code of ethics which is applicable to all of its employees and other parties with which it has a functional relationship, including partner organizations through which PKSF implements its activities. An ethics committee appointed by the Governing Body is responsible for oversight of the ethics function. The code of ethics is complemented by a policy on zero tolerance of fraud, financial mismanagement and other forms of misconduct. A committee consisting of senior staff appointed by the Managing Director is responsible for investigating cases of fraud, corruption and other forms of misconduct.

19. The applicant has experience and a track record in accessing financial resources from national and international sources, such as the Asian Development Bank, the United Kingdom Department of International Development, the United States Agency for International Development and the World Bank. The applicant has demonstrated that it has capacity to effectively handle funding provided by the GCF.

20. To combat money laundering and the financing of terrorism, the applicant relies on the Bangladesh Central Bank's Anti-Money Laundering Act of 2012 and Guidance Notes on the Prevention of Money Laundering and Financing of Terrorism. The applicant has adequate "know-your-customer" due diligence procedures to ensure that the parties with which it has business relationships are not involved in money laundering or the financing of terrorism. The applicant does not use electronic fund transfers to make or receive payments. As such, it monitors payments and receipt of funds through the use of monthly bank reconciliation statements to check and verify that funds deposited into its accounts are from expected sources, and funds remitted from its accounts are remitted to bona fide recipients.

21. While the applicant meets all other GCF requirements for the basic fiduciary standard relating to transparency and accountability, it does not have:

- (a) A policy on financial disclosures of conflict of interest; or
- (b) A policy or mechanism for protecting whistle-blowers who report violations of the applicant's code of ethics and anti-fraud or anti-corruption policies.

22. However, the applicant is taking appropriate steps to address these shortfalls in meeting GCF requirements.

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

23. The applicant has well-established project preparation, appraisal and risk assessment policies and procedures. These provide guidance and templates for incorporating technical, financial, economic and legal aspects as well as possible environmental, social and climate change aspects, into the funding proposal at the appraisal stage. Examples of projects undertaken in the last three years demonstrate effective implementation of the policies and procedures.

24. The applicant has a documented monitoring and evaluation function whose main purpose is to track and report on project status during the implementation phase. The applicant currently does not publish monitoring and evaluation reports as required by GCF fiduciary standard for project management. However, the applicant is in the process of putting in place and implementing the necessary disclosure policy for the publication of monitoring and evaluation reports in order to comply with GCF requirements.

25. The applicant's project closure policy and procedures include provisions for independent evaluation and reporting on results achieved, lessons learned and recommendations for improvement in the design of future projects. As required by the evaluation disclosure policy, evaluation reports and results are publicly disclosed and

disseminated widely to parties directly or indirectly involved in the projects financed by the applicant. A list of institutions to which evaluation reports are disseminated was provided.

26. The applicant has a project-at-risk system for the early identification of project problems that may interfere with the achievement of project objectives, if not addressed in a timely manner. Examples of project problems identified and addressed to demonstrate effectiveness of the system were provided.

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

27. The applicant has a well-developed grant award system that includes defined roles and responsibilities of the management and staff responsible for the evaluation and approval of grant applications. Grant notices and calls for proposals are publicized on the applicant's website and in four national newspapers (two in Bangla and two in English) to ensure that the broadest possible number of potential recipients is aware of the grant opportunities and of the specific requirements and processes to be followed in the selection of grantees.

28. Based on the information and supporting documentation provided, the AP concluded that:

- (a) The applicant has a sound due-diligence framework for assessing the eligibility and capabilities of potential grant recipients;
- (b) The team responsible for the evaluation of grant applications has the required competencies and independence to undertake evaluations and recommend grant awards;
- (c) Grant evaluation and award decisions comply with the applicant's grant award policies and procedures; and
- (d) Grant award decisions are taken by the persons with the requisite authority.

29. The applicant also demonstrated that it has adequate checks and procedures in place for:

- (a) Ensuring that grants are not awarded retrospectively for activities already started or completed at the time of the application; and
- (b) The suspension or termination of grant awards in the event of the beneficiaries failing to comply with their obligations.

30. The applicant's grant award system also has adequate provisions for:

- (a) Procurement rules and procedures, which the grant beneficiaries are required to apply;
- (b) Periodic independent reviews and audits of its grant award activities;
- (c) Recovery of funds disbursed to recipients, in respect of expenditures which are unauthorized or fall outside the scope of the approved grant-funded activities; and
- (d) Monitoring and evaluation of the implementation progress of grant-funded projects.

31. It was noted that the applicant does not have a system in place for providing access by the public to information on the progress of individual projects. However, the applicant is in the process of putting such a system in place.

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

32. The applicant's on-lending and blending activities are guided by a set of operational policies, procedures and guidelines, including project preparation and appraisal guidelines, an operational manual, lending policy and credit risk management guidelines. The sample project

appraisal reports provided are comprehensive and contain all the pertinent areas that are normally contained in a complete due diligence report. The applicant has a proven track record of receiving and on-lending and blending resources from different international and multilateral funding sources, such as the Asian Development Bank, the United Kingdom Department for International Development, the United States Agency for International Development and the World Bank.

33. The applicant has a transparent disclosure policy through which it provides to the public access to information on beneficiaries and results of its on-lending and blending operations. While the evidence provided clearly demonstrates effective implementation of the public disclosure policy with respect to project beneficiaries and project results, the applicant has not put in place a policy on the provision of information to the public regarding its decisions on on-lending and blending operations as required by the GCF for the specialized fiduciary standard for on-lending and/or blending. However, the applicant is taking appropriate steps to develop and implement the required policy.

34. The applicant has appropriate procedures which provide the required assurance that the financing it provides is channelled transparently and used effectively. The applicant provided evidence of its audit function, which confirms that funds are channelled transparently and used effectively. It also provided information which shows that advantages to final beneficiaries of projects it finances are regularly monitored and evaluated.

## 3.2 Environmental and social safeguards

### 3.2.1 Section 6.1: Policy

35. As the activities planned for implementation by the applicant would be under the environmental and social (E&S) risk Category C/I-3, the applicant is not required to have a formal ESS policy. Nevertheless, in January 2012 the applicant adopted its environmental management framework (EMF) and social management framework (SMF), which together reflect the applicant's E&S objectives, key principles which guide the applicant, as well as the ESS standards it applies to its projects, which has been found to be consistent with the Performance Standards 1 to 8 of the GCF interim ESS.

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

36. The applicant's EMF and SMF describe its process to screen projects to identify E&S risks and impacts against Performance Standards 1 to 8 of the GCF interim ESS. The applicant has provided evidence in the form of sample projects that consistently confirm the E&S risk category as Category C/I-3. The project officers in the field having the necessary experience and skills are responsible for performing environmental screening using the screening form checklist to identify any potential adverse impacts likely to arise from the project activities.

### 3.2.3 Section 6.3: Management programme

37. The applicant's EMF and SMF describe its institutional process to identify and manage E&S risks (including unanticipated risks and impacts), and the applicant has in place experienced staff with designated roles and responsibility for implementing the projects. The applicant also provided a sample of quarterly project monitoring reports as evidence of its capability to manage mitigation measures related to the E&S risk and impacts identified in projects.

### 3.2.4 Section 6.4: Organizational capacity and competency

38. The applicant provided information on its organizational structure showing designated staff, including their qualifications and knowledge about Performance Standards 1 to 8 of the GCF interim ESS, who can properly categorize potential funding proposals through an E&S risk screening process. The applicant also provided evidence of its relevant staff having undertaken training on E&S matters.

### 3.2.5 Section 6.5: Monitoring and review

39. The applicant provided a description of its institutional system on the monitoring and review of projects to ensure that there have been no scope changes or unanticipated E&S impacts or risks requiring mitigation and management in line with the E&S risk Category C/I-3. The E&S risk focal person within the applicant's organization and its project office monitor the compliance of projects against E&S risk requirements. Quarterly reports of project compliance with E&S risk requirements are mandatory, and a sample of such reports were provided by the applicant.

### 3.2.6 Section 6.6: External communications

40. The applicant has provided information on its external communication channels including a website. It has introduced a grievance redress mechanism under its SMF, which addresses the issue of public comments and grievances. It also screens and assesses issues raised and determines how to address them, and tracks and documents responses. The applicant has a register for the redress of grievances, but it has not yet received any written complaints. The grievances communicated verbally are addressed in a group meeting at the project office-level working with the project beneficiaries.

41. The applicant agrees to comply with the GCF Information Disclosure policy regarding E&S information for funding proposals and projects/programmes. However, both the applicant and the AP note that as per the GCF Information Disclosure policy, no advance disclosure of E&S information is required for the E&S risk Category C/I-3 for which the applicant has applied for accreditation.

## 3.3 Gender

42. The applicant's gender policy, which was adopted in September 2015, as well as the applicant's competency in implementing its gender policy, are in line with the requirements of the GCF Gender policy. The applicant has been working for the past 26 years with the poor, ultrapoor and marginalized people. The applicant's project data shows that more than 90 per cent of its beneficiaries are women, as they are mostly poor and ultrapoor. The applicant provided a sample of projects which demonstrate the link between gender and climate change adaptation, and which shows that the projects benefit both men and women, and reflect non-discriminatory practices in terms of benefits and remuneration for both men and women.

## IV. Conclusions and recommendation

### 4.1 Conclusions

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

- (a) The applicant meets the requirements of the basic fiduciary standards for key administrative and financial capacities. However, it only partially meets the basic

fiduciary standards for transparency and accountability, the specialized fiduciary standard for project management, the specialized fiduciary standard for grant award and/or funding allocation mechanisms, and the specialized fiduciary standard for on-lending and/or blending (for loans). The applicant does not have a policy on financial disclosure of conflicts of interest; nor a mechanism for protecting whistle-blowers. It currently does not publish monitoring and evaluation reports as required by the GCF fiduciary standard for project management and it does not have a system in place for providing access to the public to information on the progress of individual projects. The applicant also does not have in place a policy on the provision of information to the public regarding its decisions on on-lending and blending operations;

- (b) The applicant meets the requirements of the GCF interim ESS in relation to the minimal to no E&S risk (Category C/I-3); and
- (c) The applicant has demonstrated that it has competencies, policies and procedures to implement its gender policy, which is found to be consistent with the GCF Gender policy, and has demonstrated that it has experience with gender considerations in the context of climate change.

## 4.2 Recommendation on accreditation

44. The AP recommends, for consideration by the Board, applicant APL059 for accreditation as follows:

- (a) **Accreditation type:**
  - (i) **Maximum size of an individual project or activity within a programme:** small (including micro<sup>4</sup>);
  - (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:** minimal to no risk (Category C/I-3); and
- (b) **Conditions:** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the conditions. The AP will thereafter assess whether the conditions have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes;
  - (i) Conditions to be met prior to the first disbursement by the GCF for the first approved project/programme to be undertaken by the applicant:
    1. Provide evidence of an assessment of the effectiveness of the applicant's internal audit function;
    2. Provide a copy of a policy on the disclosure of financial conflicts of interest;

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<sup>4</sup> As per annex I to decision B.08/02, "micro" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of up to and including USD 10 million for an individual project or an activity within a programme".

3. Provide a copy of a whistle-blower protection policy or mechanism;
  4. Provide a copy of a policy on the public disclosure of project/programme monitoring and evaluation reports, including information on the periodic progress of individual projects; and
  5. Provide a copy of a policy and guidelines on the public disclosure of information on the applicant's decisions on on-lending and blending operations;
- (ii) Conditions to be met within the first 15 months of the first disbursement by the GCF for the first approved project/programme undertaken by the applicant:
1. Provide evidence of the implementation of a policy on the public disclosure of project monitoring and evaluation reports, including information on the periodic progress of individual projects; and
  2. Provide evidence of the implementation of a policy and guidelines on the public disclosure of information on the applicant's decisions on on-lending and blending operations; and
- (iii) Condition to be met on an annual basis for three consecutive years, starting after the twelfth month following the first disbursement for any GCF-financed project/programme undertaken by the applicant:
1. Provide evidence of the publication of project monitoring and evaluation reports of all GCF-funded projects/programmes.
45. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 44 (b) above, and agrees to the recommendation.

### 4.3 Remarks

46. The applicant is already taking steps to meet the conditions identified in paragraph 44 (b) (i) above.
47. The applicant demonstrates a greater degree of maturity in its environmental and social management than is required by the GCF interim ESS for the E&S risk Category C/I-3, against which the applicant is seeking accreditation. Building its experience in implementing higher E&S risk projects and programmes, the applicant may, in the future, wish to consider applying for an upgrade in its accreditation scope for the medium E&S risk Category B/Intermediation 2.