

Annex XV: Accreditation assessment of applicant 090 (APL090)

I. Introduction

1. Applicant 090 (APL090), the National Committee for Sub-National Democratic Development Secretariat (NCDDS), is a national public-sector organization based in Cambodia. The applicant is the secretariat for an interministerial mechanism for promoting democratic development through decentralization and de-concentration reforms throughout the country. The applicant is part of the Ministry of the Interior and has a fair degree of independence, which has increased because it became a government budgeting entity in 2018. Its core mission is to coordinate the Royal Government of Cambodia's National Programme for Sub-National Democratic Development. It plays an important role in implementing decentralization reform policies, local governance and capacity development by developing regulations and providing finance to local governments. Committed to addressing climate change issues, it mainly focuses on adaptation by engaging local government bodies in adaptation activities in areas such as livelihood enhancement, infrastructure and water security.

2. The applicant received support under the Readiness and Preparatory Support Programme for the gap assessment and action plan prior to submitting its application for accreditation. After having completed the readiness support, the applicant submitted its application for accreditation to the Secretariat via the online accreditation system on 14 February 2017. Accreditation fees were received from the applicant on 18 May 2017, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 28 March 2018 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 Cambodia;
- (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; and
 - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and

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 Fund, of above US\$ 10 million and up to and including US\$ 50 million for an individual project or an activity within a programme."

² Decision B.07/02.

- (e) **Maximum environmental and social risk category:** medium risk (category B/intermediation 2 (I-2)).³

II. Stage I institutional assessment and completeness check

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

2.1 Legal status, registration, permits and licences

4. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. NCDDS was established by Royal Decree No. NS/RFT/1208/1429 in 2008.

2.2 Institutional presence and relevant networks

5. As an entity composed of ministers and the heads of the units in different ministries of the Government, the applicant has a strong presence and network at the national level. Approximately 1,000 employees are based throughout head offices, ministries, provincial and district offices. By using this network, the applicant plays a key role in coordination and consultation on policies, strategies and programmes implemented at the subnational and national level.

6. The applicant works to strengthen the mandate, capacity and resources of Cambodia's subnational government bodies and thereby it also works to foster inclusive democratic development at the local level. In addition, it aims to assist local communities to adapt to the impacts of climate change and to follow low-emission development pathways by integrating climate change issues and appropriate responses into subnational planning and budget execution.

7. In order to advance the objectives of the GCF, the applicant intends to manage funds from different sources in a complementary manner to support subnational climate change adaptation projects. The applicant indicated that the GCF resources would not be blended with other funds but would be used to increase in scale the positive impacts, reduce overhead costs, and enable a programmatic approach. Its intended programmes would primarily focus on climate change adaptation and cross-cutting issues such as:

- (a) Strengthening local government institutional and regulatory systems for climate-responsive development planning; and
- (b) Financing investments in local infrastructure and services to strengthen adaptive capacity and reduce exposure to climate risks.

8. In response to the GCF requests for proposal for the enhancing direct access pilot programme, the applicant submitted a project concept note regarding climate change and local

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."

government. The applicant intends to continue developing this concept note into a funding proposal for GCF.

2.3 Track record

9. The applicant has been working with local government bodies and donors on climate adaptive investments and infrastructure, agriculture, livelihoods support and community-based adaptation. Its main activity has been achieved through the implementation of three consecutive three-year programmes, known as IP3, which were funded by the Government of Cambodia and by development partners such as the European Union, development banks and some direct donors.

10. The applicant's track record in financing climate change related projects includes the following, which fall within the GCF "small" and "micro" size categories:

- (a) USD 5 million (in grants) for the programme Reducing the Vulnerability of Cambodian Rural Livelihoods through Enhanced Subnational Climate Change Planning and Execution of Priority Actions;
- (b) USD 10 million (in grants) for the project Agriculture Services Programme for Resilience, Innovation and Extension;
- (c) USD 26.86 million (in grants) for the Land Allocation for Social and Economic Development Programme (Phase I); and
- (d) USD 1.4 million (in grants) for the Local Governments and Climate Change Programme (Bridging Phase).

III. Stage II accreditation review assessment

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

12. As part of this assessment, the AP consulted the applicant's website and third-party websites to complement the information provided in the application. The AP also undertook a site visit to the applicant's headquarters to determine whether the applicant would be in a position to strengthen its basic fiduciary capacity as would be required from an implementing entity given the strength it had shown as an executing entity for a number of development partners.

3.1 Fiduciary standards

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

13. The applicant is the secretariat of an interministerial mechanism whose governance structure consists of a body of 11 government ministers, 3 secretaries of state, a representative of the Council for Development of the country and the head of its secretariat. It normally meets twice a year.

14. The Deputy Prime Minister of the country has recently approved the "Operations Policies and Procedures" (OPP Manual) and the "Internal Audit Manual" that upgrade existing policies and procedures of the applicant. The applicant presented on 11 September 2019 a document titled "Roadmap for enhance NCDSDS to manage fund from Green Climate Fund" hereafter referred to as "Roadmap". It includes reformulating its structure and its terms of

reference to align with the new policies and guidance. Conducting training or workshops to introduce the OPP Manual is planned for the first and last quarter of 2019 and 2020. The anticipated actions listed in the Roadmap are incorporated throughout this report.

15. The applicant has a Trust Fund Review Committee that is equivalent to a steering committee and provides governance for the nine-year IP3 programme. The Trust Fund Review Committee is also tasked with oversight functions normally executed by ethics, finance and audit committees. Its membership is mainly from donor representatives. The applicant needs to decide what kind of a steering committee should be in place if it is an implementing entity for projects or programmes financed by GCF for which it cannot rely on a “donor oversight” mechanism. The need to establish capacity to have its own oversight functions was pointed out by Price Waterhouse Coopers in January 2017 but does not yet exist. The applicant’s Roadmap states, as a key action, the establishment and function of such an oversight committee in quarter 4, 2019. Until there is an oversight committee in place that can operate independently from the donors and its capacity is demonstrated there is a gap in terms of the GCF basic fiduciary standard on key administrative and financial capacities.

16. Recently the Deputy Prime Minister approved the above-mentioned 400-page OPP Manual, which upgraded the established policies and guidance relating to:

- (a) Personnel policies and procedures including an Employees Code of Conduct;
- (b) Financial policies and procedures including prohibitive practices;
- (c) Procurement policies and procedures including control over procurement of executing entities; and
- (d) Administrative policies and procedures.

17. The AP reviewed various draft versions of the manual during the accreditation review and concluded that the approved OPP Manual has adequate policies and procedures that cover the basic fiduciary requirements. There are other revisions to existing manuals approved in early 2019 including: internal audit; performance-based grants to subnational entities; and project implementation for communities.

18. Many of the governance structures described in the OPP Manual will now need to be put in place and their effectiveness needs to be demonstrated. While the applicant’s Roadmap anticipates key actions in this regard for the remainder of 2019 and for 2020 it is likely that significant gaps will exist for some time to come. The required assurance that the applicant’s future operations adhere to the OPP Manual can best be obtained through a review and verification by a third party.

19. During the accreditation review the following fiduciary gaps of the applicant were identified, in relation to the implementation and demonstration of its own policies, procedures and the basic fiduciary standards:

- (a) The OPP Manual contains excellent terms of reference for an Audit and Ethics Committee and the Roadmap anticipated that such a committee will be established in quarter 4, 2019. The need for such a committee to be established and for it to demonstrate that it is effective is crucial, given that its tasks relate to areas within the organization that are only at a basic level of maturity, including:
 - (i) Its role and responsibilities: ethics management including oversight of the Employees Code of Conduct (including the review and handling of related complaints and investigations; risk management) that needs to be implemented; governance structures; prohibitive practices (it is the owner of the policy); and the internal control framework;

- (ii) Its oversight of internal and external audit and other assurance providers: reviewing and approving internal audit policies and procedures; approving annual risk-based internal audit plans (internal audit effort has decreased in 2018 and 2019); reviewing internal audit reports and the track record of implementing recommendations (no follow-up of recommendations had been done in 2018 and 2019; and providing oversight over prohibited practices and investigations; and
 - (iii) Its responsibility for reviewing reports relating to investigations done by internal audit (no allegations received in the last three years); management letters from external auditors; overseeing the conflict of interest disclosure, review, resolution and reporting;
- (b) The applicant approved a detailed Internal Audit Manual on the 26 June 2019. The roadmap calls for a training workshop and operationalization of the Internal Audit Manual in quarter 4 2019. The manual gives the internal audit function a comprehensive scope that not only includes compliance and regulatory verification but also extends to questions of quality of reporting and the achievement of programmes, plans and objectives in an economic and efficient manner. The organizational chart for internal audit provides for a staff of five individuals. To deliver the type of value-added internal audits as described in its own manual will be a considerable leap compared with the internal audits currently performed, which consisted of 101 days in 2017, 31 days in 2018 and a planned audit effort of 40 days in 2019. Audits are limited to regulatory and compliance verification and there has been inconsistent follow-up of audit recommendations (none in 2018 and 2019 to date). There have been no internal audits of the headquarters, but the applicant has stated that those will be done in the future. The first external quality review for the internal audit function is planned for 2020;
- (c) NCDDS uses the accounting software “Peachtree Quantum 2010”, which is distributed and supported worldwide by Sage Software. The applicant has annual audited financial statements for its IP3 programme as well as separate audited financial statements for its other projects. This demonstrates the ability of the applicant to account for any GCF-funded project even though NCDDS does not maintain a financial statement for itself as one organization. This means that transactions worth an average of USD 150,000 per annum are accounted for through other stand-alone projects;
- (d) The applicant’s financial system, cash disbursements and signing authorities, and accounting procedures follow the systems of the national government and are adequate. Nevertheless, the need to adhere to the various controls and perform the required reconciliations is a recurring theme mentioned in the internal and external audit reports from the field. The adherence to these controls at the subnational level should improve once the applicant is more vigilant in ensuring that the internal and external audit recommendations are being implemented;
- (e) The OPP Manual (part II, chapter 18) describes risk management and the role and related responsibilities of the applicant’s staff. The procedures and templates for an effective risk management system still need to be developed. The Internal Audit Group is the body responsible for providing independent assurance on risk management practices, but this has never been done. Although not specifically mentioned in the applicant’s Roadmap, the implementation of the OPP Manual should result in the implementation of a risk management system. The applicant has adopted a project risk management framework that defines the risk identification and mitigation measures that are considered in programmes and projects;

- (f) The OPP Manual (part II, chapter 19) describes internal control. It covers topics such as the “tone at the top”, delegated signing authorities, segregation of duties and the need to do reconciliations and maintain records. There is a Financial Management and Internal Control Checklist, which is to be completed by the divisional directors in the subprogrammes and the Provincial Governor at the subnational level. The purpose is to determine the level and quality of internal control. There is also a Financial and Administrative Compliance Checklist to be completed twice a year by the applicant’s director of the financial administration division. Although these checklists have existed for over a decade they have not been completed. The applicant has confirmed that these will be done from now on, given that the OPP Manual is approved. This will provide a valuable self-assessment of the status of internal control. While not specifically mentioned in its Roadmap, the implementation of the OPP Manual should result in the completion of these key self-assessment documents and strengthen internal control where weaknesses have been identified;
- (g) The applicant has a vision and strategic direction, goals, objectives, outputs and indicators that are linked to the national programme of the Government. These are reported upon in the applicant’s annual report. However, the vision and strategy will need to evolve as the applicant takes on development programmes with objectives linked to those of GCF;
- (h) The applicant’s Procurement Policy and procedures are contained in part III of the OPP Manual, and cover different types of procurement. The policy and procedures meet the GCF basic fiduciary standards on key administrative and financial capacities. The policy does not include a requirement to publish procurement results, but the applicant has stated that it is drafting guidelines on awarding contracts, to be approved in quarter 2, 2020. Improvements to the procurement function can be anticipated because the Roadmap includes the establishment and functioning of a procurement oversight committee and a procurement review committee. The internal and external auditors cover procurement when they review supplier invoices, supporting documents and payments vouchers. Two procurement examples (procurement of a truck and some consultancy) were provided and showed that the applicant followed its own procedures; and
- (i) The OPP Manual includes procedures for procurement complaints. Investigations are done by the Internal Audit Group using the same system as for fraud investigations, which are under the oversight of the applicant’s Audit and Ethics Committee. However, the effectiveness of the procurement complaint system could not be demonstrated because, according to the applicant, no procurement complaints have been received in the last three years. The situation of no complaints may be evolving because the Roadmap includes making the redress mechanism systematic.

20. The AP finds that the applicant’s policies and procedures meet the GCF basic fiduciary standards on key administrative and financial capacities. However, the applicant has not demonstrated its capacity to implement its policies and procedures. The relevant gaps identified in paragraphs 15, 18 and 19 above are reflected by the corresponding conditions for accreditation in section 4.2.

3.1.2 Section 4.2: Basic fiduciary standards: transparency and accountability

21. The Employees Code of Conduct, contained in part I, chapter 1 of the applicant’s OPP Manual was revised during the accreditation review and is now applicable to individuals contracted or functionally related to the applicant at the national and subnational level and also all contractors, implementers and other stakeholders receiving funds from the applicant. However, how the application will be implemented to the individuals that are not employees

still needs to be demonstrated. The Employees Code of Conduct contains the required provisions relating to conflict of interest and the filing of declarations of financial interest.

22. Oversight of the Employees Code of Conduct, discharging related roles, including the review of complaints and handling of investigations are all to be handled by the Audit and Ethics Committee. The Roadmap anticipated that the Audit and Ethics Committee will be established and functional in quarter 4, 2019. Until this aspect has been comprehensively treated by the Audit and Ethics Committee and its recommendations, if any, are implemented by the applicant there is a gap relating to the GCF basic fiduciary standards on transparency and accountability.

23. The OPP Manual (part I, chapter 16) deals with fraud and corruption, and chapter 17 deals with zero tolerance for prohibited practices and includes adequate whistleblower provisions. The OPP Manual requires all those receiving funds through the applicant, to act in accordance with the Employees Code of Conduct. This includes its suppliers, grant recipients, implementing or executing entities, subnational administrations, contractors and agents. The Audit and Ethics Committee is owner of the policy and the Director of the Internal Audit Group is responsible for creating the required practices and carrying out the investigations. The provisions of the OPP Manual require investigations to be conducted and reported to the Audit and Finance Committee. These instructions are sufficient, given the nature of the operations of the applicant.

24. The applicant has stated that it has not received any allegations of wrongdoing for the last three years that required an investigation. The Roadmap anticipates that the Audit and Ethics Committee will be established and function in quarter 4, 2019. This must include effective discharge of its oversight over prohibited practices, including fraud and corruption, and examining the effectiveness of making the redress mechanism more systematic. Until all the elements are in place the applicant has not demonstrated its capacity and this is a gap related to the GCF Policy on Prohibited Practices.⁴

25. The applicant's policy on anti-money-laundering and countering the financing of terrorism is covered in the policy on zero tolerance for prohibited practices. There are provisions for "know-your-customer" checks and there is heavy reliance on the national banking system, which has the required policies in place. Given the development role that the applicant has, and its close working relationship with subnational entities, these procedures are sufficient.

26. The AP finds that the applicant's policies and procedures fully meet the GCF basic fiduciary standards on transparency and accountability, the GCF Policy on the Protection of Whistleblowers and Witnesses,⁵ the GCF Policy on Prohibited Practices and the GCF Anti-Money Laundering and Countering the Financing of Terrorism Policy.⁶ However, the applicant has not demonstrated its capacity to implement its policies and procedures and therefore has no track record in this regard. The relevant gaps identified in paragraphs 21, 22 and 24 above are reflected by the corresponding conditions for accreditation in section 4.2.

3.1.3 Section 5.1: Specialized fiduciary standard for project management

27. The applicant's project management policies and procedures are established, primarily, for the implementation of the National Programme for Sub-National Democratic Development (NP-SNDD). The applicant has not documented a project management framework applicable to projects other than NP-SNDD.

⁴ Decision B.22/19 and annex XIV thereto.

⁵ Decision B.21/25 and annex II thereto.

⁶ Decision B.18/10 and annex XIV thereto.

28. However, the applicant's experience as an executing entity for projects undertaken in cooperation with its country's development partners, as well as its experience implementing the NP-SNDD, provide evidence of its project management capacities. Furthermore, the national "Standard Operating Procedures For All Externally Financed Projects/Programs in Cambodia" (which, for the most part, contain the requisite elements of a project preparation, appraisal and implementation framework required by the GCF specialized fiduciary standard for project management) provide the applicant with appropriate guidance for the development of its project design, appraisal and implementation manual.

29. During the accreditation process the applicant confirmed its willingness to develop a project design, appraisal and implementation manual, as required by the GCF specialized fiduciary standard for project management; furthermore, the applicant demonstrated that it has the project management experience and resources to comply with this commitment.

30. The applicant demonstrated its capacity to incorporate project risk assessment at the preparation stage while developing the third three-year implementation plan for the NP-SNDD (IP3-III). IP3-III incorporates, for each of the five components of the plan, a detailed risk analysis, a risk rating (high, medium and low) and the proposed mitigating actions. The ability to incorporate a comprehensive risk analysis is based on the applicant's understanding of the NP-SNDD, as well as on the collaborative method used to develop IP3-III. The IP3-III preparation process was initiated with a concept note, developed by the applicant, outlining the components and objectives of the plan. Based on the initial concept document the AP considers that the applicant exhibited the required capacity to engage relevant stakeholders, such as development partners and civil society organizations, and incorporate the input received into the first draft IP3-III. The draft plan was assessed by a team of external experts, which provided an independent assessment of the plan and incorporated further relevant input by broadening the range of stakeholders consulted. The applicant displayed the capacity to consolidate the information generated, during the consultation and appraisal period, into a coherent IP3-III document approved by the National Committee for Sub-National Democratic Development (NCDD). The IP3-III preparation process, characterized by its collaborative nature and consideration of stakeholder input, provides the required information for a comprehensive understanding of the project risks, as well as providing an effective quality review of IP3-III.

31. The applicant's current project management policies and procedures include guidelines for the consistent preparation of implementation plans, budgets and periodic reporting requirements. Specifically, for the projects that are executed as part of IP3-III, the implementation plans are prepared following the national guidelines for the preparation and implementation of the national programme annual work plan and budget (AWPB) issued by the NCDD. These guidelines establish the following stages that are completed during the preparation of the AWPB:

- (a) Formulation of the AWPB: the applicant proposes, and discusses with representatives of the ministries and of the provinces, the preliminary expected outputs;
- (b) Identification of the availability of required resources;
- (c) Preparation of the draft AWPB: based on the established preliminary outputs and available resources, the ministries and provinces prepare their draft AWPBs, which are assessed by the applicant to ensure consistency with, and attainment of, the objectives of the (IP3-III);
- (d) A national workshop on AWPB formulation: this is held and feedback is provided for enhancement of the work plans; and
- (e) Preparation of the detailed AWPB: based on the outcomes of the workshop, the ministries and provinces prepare the detailed AWPB and present it for approval by the NCDD.

32. The applicant consolidates all the (IP3-III) AWPBs into its national AWPB database, which is used to exercise oversight of all stages of the AWPBs (preparation, implementation, monitoring and evaluation). However, the applicant has not developed appropriate project closure guidelines, which are required by the GCF specialized fiduciary standard for project management. It is important to note that during the accreditation assessment the applicant recognized the need to enhance its project management capabilities with appropriate project closure guidelines.
33. The applicant's monitoring & evaluation (M&E) manual was updated on June 2019 and made available on its website.⁷ As previously described, for the implementation of the NP-SNDD the applicant develops three-year implementation plans (IP3), which are operationalized by the execution of the AWPB of the IP3 executing entities. The applicant's M&E manual provides comprehensive guidance for the monitoring of the AWPBs and for the impact evaluation of the IP3.
34. The monitoring of the AWPBs is done at two levels: monitoring of the IP3 executing entities AWPBs and monitoring of the NCDD AWPB, which consolidates the results obtained by the executing entities. NCDD prepares quarterly, half-yearly and yearly monitoring reports. These periodic reports include an overview section that summarizes progress in IP3 implementation at the date of the report, as well as describing the milestones attained, implementation issues encountered, status of project indicators and project expenditure by budgeted source of funds. The second section of these reports contains a detailed consolidation, organized by project component, of progress information reported in the AWPBs of the executing entities. Finally, annexes that contain financial, procurement and staffing information are included in the reports.
35. The IP3 executing entities prepare monthly reports that provide a summary of the main achievements attained, budget execution information and implementation problems faced. Furthermore, these reports include a detailed account of execution progress and expenditure by planned activity and description of procurement activities. IP3 executing entities must establish an accounting system and prepare monthly financial reports (and a year-end closing report for the AWPB).
36. All the information collected to prepare the periodic reports must be uploaded into the national AWPB database, which serves as the repository for all information related to the AWPBs executed in the context of the NP-SNDD three-year implementation plans.
37. The AP found that the applicant's AWPB and IP3 monitoring guidelines and procedures, supported by the technical tools implemented are effective.
38. The applicant recognizes the importance of relying on independent assessments in order to obtain relevant information for enhancements of the NP-SNDD. The applicant provided several examples of independent evaluations it has commissioned. However, the requirement to undertake independent project evaluations is not mandated in its M&E manual, nor did the applicant provide a policy on disclosure of final project evaluation reports. The GCF specialized fiduciary standard for project management establishes that consistent and independent evaluation of project results must be undertaken, either by external experts or an organizational unit of the applicant that is independent from the project implementation and supervision units. Furthermore, an evaluation disclosure policy that mandates the public disclosure, to the extent possible, of project final evaluation reports must be implemented.
39. The applicant draws guidance for project-at-risk management from the various sources, including the "Standard Operating Procedures for all Externally Financed Projects/Programs in Cambodia"; the risk analysis and mitigation measures developed for IP3-III; and from the

⁷ Available at <<http://ncdd.gov.kh/wp-content/uploads/2019/06/ME-manual-ENG-Last-Version.pdf>>.

project-level risk analysis and risk management procedures included in donor-funded projects. In addition to these, the applicant has developed a project risk management framework that will apply to GCF-funded projects/programmes and to AWPB projects that do not have explicit donor requirements.

40. The project risk management framework specifies that:
- (a) The applicant will establish an independent project-at-risk function;
 - (b) The applicant will develop a project-at-risk database, managed by its M&E department, to monitor and generate project risks reports; and
 - (c) The project-at-risk procedures will be standardized for smaller projects (less than USD 250,000) and the project-at-risk procedures for larger projects will be formulated to address the specific risks of the project.
41. In addition, the project risk management framework establishes a matrix to classify the risks of every project; defines the obligation of the project managers to periodically report the status of project risk indicators; and defines the corrective actions to be implemented if a project is classified as a project-at-risk.
42. The applicant's project risk management framework satisfies the requirements of the GCF specialized fiduciary standard for project management. Specifically, the GCF specialized fiduciary standard for project management establishes that the project-at-risk unit must be independent from the project implementation and supervision units, and additionally, must have the capacity to identify project risks and propose appropriate mitigation actions. The applicant is yet to establish an independent project-at-risk function, and demonstrate the risk management capacity of this function, as defined in its project risk management framework.
43. The applicant's main project management experience comes from the implementation of the NP-SNDD. The formulation and implementation of the current NP-SNDD IP3-III demonstrates the applicant's project preparation and implementation competencies specific to the requirements of the NP-SNDD. The applicant's main responsibilities, pertaining to the NP-SNDD include:
- (a) Developing, in consultation with relevant stakeholders, the IP3 for the NP-SNDD;
 - (b) Coordinating the activities of executing entities that participate in the execution of the IP3;
 - (c) Executing the IP3 activities that are under its purview; and
 - (d) M&E of the execution of the IP3.
44. The AP finds that the applicant's policies, procedures and capacity partially meet the GCF specialized fiduciary standard on project management, and the applicant has not demonstrated its track record to implement its recently developed policies and procedures. The relevant gaps identified in paragraphs 29, 32, 38, and 42 above are reflected by the corresponding conditions for accreditation in section 4.2.

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

45. The applicant's lead role in the implementation of the NP-SNDD and its experience of implementing grant award programmes, in collaboration with development partners, mean the applicant has the potential to successfully manage grant award programmes directed towards supporting the strengthening of its country's subnational administrations (SNAs).
46. The applicant has implemented important improvements in its grant management capacities; specifically, it recently introduced a manual for performance-based grants to SNAs,

which institutionalizes the experience it acquired as an executing entity of several donor programmes that have used performance grants as the funding mechanism.

47. However, further verification is needed regarding the effective implementation of the manual for performance-based grants to SNAs. The applicant has yet to execute a performance-based grant programme guided by its recently developed manual; thus, confirmation of successful implementation is required.

48. The applicant confirmed during the accreditation process that its grant programmes will have two defining characteristics:

- (a) The grants will only be awarded to SNAs as a funding mechanism for projects that further the goals of the NP-SNDD; and
- (b) Its grant programmes will include two funding components:
 - (i) A base funding allocation; and
 - (ii) A performance-related allocation.

49. The applicant's grant award procedures require there to be a clear definition of the grant programme's objectives. For example, if the objective of the programme is to improve the capacity of SNAs to deliver a specific service, the SNAs that have the potential to obtain the most benefit from the grant are selected as target grant recipients; the evaluation and selection of target SNAs (undertaken by the applicant) is based on objective criteria and, to the extent possible, publicly available information (such as government statistics of the service deficiency that the grant programme aims to address). Once selected, the applicant provides the target SNAs with a complete description of the grant programme, including the grant award application. The interested SNAs submit their application form, authorized by the SNA Council, which is responsible for the good use of grant funds. SNAs that decline the invitation are replaced by the next highest ranked SNA. The applicant SNAs are evaluated in terms of pre-established minimum conditions required for grant award eligibility. Two outcomes are possible from this evaluation: either the applicant SNA is rejected and the next highest ranked target SNA is invited to apply, or the applicant SNA is approved with the condition that no funds be disbursed until the minimum conditions are met. Once the grant recipient SNAs have been selected, the applicant calculates the grant amounts for every recipient following the programme's pre-established allocation formula.

50. A detailed list of selected SNAs is presented to the Grants Committee for approval of the grant awards. The procedure for convening a session of the Grants Committee requires that the applicant provide the committee members, with enough anticipation, the list of SNAs considered, a summary of the evaluation exercise and criteria applied, and details of the grant allocation calculation. The Grants Committee reviews the grant awards proposal and either authorizes the grant awards or requests that the applicant review the proposal and confirm compliance with the grant programme rules, which were previously authorized by the Grants Committee. It is relevant to note that the Grants Committee cannot request changes to the grant award proposal presented by the applicant that contravene the approved terms and conditions of the grant programme.

51. Once the Grants Committee has authorized the selection of grant recipient SNAs, the applicant will publish the grant award results. The publication will contain details of the purpose of the grant awards, source of funds (donor), names of the grant recipient SNAs, the amounts awarded and, if it contributes to further enhance transparency, the selection and allocation criteria can also be published.

52. The composition of the Grants Committee includes the applicant's senior leader (who acts as chair of the committee), a representative of the donor agency, a representative of the

local governments, a representative of the relevant ministry (relevance is defined by the issue the grant award aims to address) and a representative of the Ministry of Economy and Finance.

53. The terms of reference of the Grants Committee assign functions and responsibilities that establish the required authority for effective oversight and control of the grant award process. The functions of the committee include approving the applicant's recommendations concerning purpose and objectives of grant programmes, eligible expenditure, minimum conditions, performance indicators, criteria for target SNA selection, formula for grant allocation amounts and grant award proposals.

54. In addition to the monitoring procedures established in the applicant's M&E manual the applicant has established additional monitoring and evaluation guidelines in its Manual for Performance-Based Grants to Sub-National Administrations, including the use of annual performance assessments to determine the allocation of performance-related grant funds.

55. The applicant's grant award manual establishes the following standard monitoring activities that must be undertaken for its grant award programmes:

- (a) The subnational administration (grant beneficiary) must periodically provide progress reports that contain updated information pertaining to the execution of the planned activities (including budget execution);
- (b) The subnational administration must monitor and report on the attainment of the outcomes established for the performance-based grant;
- (c) The applicant must periodically monitor the attainment of the performance-based grant programme outcome indicators and evaluate the impact of the programme; and
- (d) Independent external evaluations of the performance-based programmes should be commissioned to evaluate the grant programme in general, but mainly to determine the impact of the programme, and the attainment of the expected outcome. Independent evaluators will normally be engaged once there is enough information to evaluate (the applicant suggests in its grant award manual that the external evaluation "should be conducted every three years").

56. In addition to the standard M&E of the grant programme, the applicant will perform annual performance assessments to determine the allocation of the performance-based component of the grant awards. This annual assessment measures, for each grant beneficiary, the attainment of the agreed performance indicators, thus determining the amount of grant funds that will be allocated during the following year. In addition, the annual performance assessments help to identify any capacity development activities that the SNAs need to implement in order to further enhance their capacity to attain the performance outcomes.

57. As a result of its active participation in performance-based grant programmes, the applicant has acquired the expertise needed to implement this type of programme. The Local Governments and Climate Change Programme (which is the Cambodian adaptation of the United Nations Capital Development Fund's Local Climate Adaptive Living Facility⁸) and United Nations Development Programme/Global Environment Facility "Reducing the vulnerability of Cambodian rural livelihoods through enhanced sub-national climate change planning and execution of priority actions"⁹ are reported examples of the applicant's capacity to implement performance-based grant programmes.

58. The AP finds that the applicant's policies, procedures and capacity meet the GCF specialized fiduciary standard for grant award and/or funding allocation mechanisms.

⁸ See <<http://www.local-uncdf.org/>>.

⁹ See <<https://www.adaptation-undp.org/resources/reports-and-publications-country-teams/mid-term-review-reducing-vulnerability-cambodian>>.

However, the applicant has not demonstrated its track record of implementing its recently developed performance-based grant programme policies and procedures. The relevant gap identified in paragraph 47 above is reflected by the corresponding condition for accreditation in section 4.2.

59. The applicant applied for the small size category for projects/programme activities, as referenced in paragraph 2 above. However, following the recommendation of the AP, revised its accreditation application during the Stage II (Step 1) assessment to the micro size category.¹⁰ The applicant has recently approved key policies required by the GCF basic fiduciary standards (including the ones required on key administrative and financial capacities and on transparency and accountability), the specialized fiduciary standard for project management and the specialized fiduciary standard for grant award and/or funding allocation mechanisms. The applicant must demonstrate effective implementation of its new policies and acquire a track record in the project/programme implementation role that is required of GCF accredited entities. The applicant recognized the need to develop this track record and decided to apply for the micro size category at this time.

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

60. The applicant did not apply for assessment against this standard at this time.

3.2 Environmental and social safeguards standards

3.2.1 **Section 6.1: Environmental and social policy**

61. The applicant's environmental and social management system (ESMS) comprises its "Environmental and Social Safeguards (ESS) Policy for Sub-National Democratic Development", approved in June 2019, and the "Guideline for Managing Environmental and Social Risks (ESRM guidelines) in projects in the framework of the national programme for Sub-National Democratic Development", approved in August 2019. The environmental and social safeguards (ESS) policy is posted on applicant's website. It was developed to ensure the sustainability of the ecosystem, natural resources, cultures, traditions, customs, indigenous peoples, as well as gender equality, safety and social welfare at the subnational level. The ESS policy is part of the subnational development programme, which aims to promote the participation, responsibility, transparency and effectiveness of SNAs in respect of environmental and social protections that are in line with national and international standards for the implementation of funding projects. This policy requires the SNAs to identify and address the impacts and risks to the environment and society that may arise as a result of the project implementation by focusing greatly on gender equity, vulnerable groups, indigenous peoples and cultural heritage protection.

62. The ESS policy articulates eight strategies:

- (a) Assessment and management of environmental and social risks and impacts;
- (b) Labour and working conditions;
- (c) Resource efficiency and pollution management;
- (d) Health, safety and welfare of the community;
- (e) Land acquisition and involuntary resettlement;

¹⁰ 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".

- (f) Biodiversity conservation and sustainable management of living natural resources;
- (g) Indigenous peoples; and
- (h) Cultural heritage.

63. These eight strategies are consistent with performance standards 1 to 8 of the GCF interim ESS standards. The applicant leads and provides facilitation to the working team and the relevant ministries and institutions with regards to legal standards, strategic plans, instructions and specifics as a support for the SNAs in implementing the ESS policy. The ESS policy was approved in June 2019. ESS policy-related training for SNA staff is planned for quarter 4, 2019.

64. The AP finds that the applicant's ESS policy and related documents, supported by evidence of its track record, fully meet the GCF Environmental and Social Policy¹¹ and interim ESS standards for a maximum environmental and social (E&S) risk category B/I-2 projects/programmes with respect to performance standards 1 to 8 of the GCF interim ESS standards.

3.2.2 Section 6.2: Identification of risks and impacts

65. The ESRM guidelines serve as an annex to the applicant's ESS policy and include a description of the applicant's institutional procedure to guide staff on identifying the E&S risks and impacts of projects/programmes in line with performance standards 1 to 8 of the GCF interim ESS standards. The ESRM guidelines build on the eight strategies indicated in section 3.2.1 above and describe the applicant's E&S risk screening of projects or funding facilities to identify potential risks based on the E&S risk categories: category A/I-1 (high risk), category B/I-2 (medium risk) or category C/I-3 (low risk).

66. The applicant's organizational head is responsible for ensuring that the E&S risk management process is properly implemented. Implementation is carried out by the E&S safeguards officers who carry out technical tasks on E&S risk screening; preparation of the environmental and social management plan (ESMP); and monitoring, learning and knowledge management. The applicant's Project Implementation Unit is responsible for the design and implementation of projects. The applicant provided a sample of E&S risk screening for projects using strategies 2–8 of its ESS policy, which include a project in the category B smallholder rural livelihood programme and a climate resiliency in infrastructure project, and a category C programme to reduce gender violence.

67. The AP found that the applicant's system of identification of E&S risks and impacts, supported by evidence of its track record, fully meet the GCF Environmental and Social Policy and interim ESS standards for a maximum E&S risk category B/I-2 projects/programmes.

3.2.3 Section 6.3: Management programme

68. The ESRM guidelines describe the applicant's institutional process to track and manage mitigation measures and actions stemming from the E&S risk identification process for E&S risk category B/I-2 and C/I-3 projects, in line with performance standards 1 to 8 of the GCF interim ESS standards. The ESRM guidelines provide details of the process for the preparation of an environmental and social impact assessment (ESIA) or an ESMP for category B/I-2 projects. Category C/I-3 projects do not require an ESMP.

69. The applicant provided examples of two E&S risk category B/I-2 appraisal reports on financing to the applicant's Government: one on the land allocation for a social and economic development project (April 2016) financed by the World Bank; and another on a poverty

¹¹ Decision B.19/06 and annex X thereto.

reduction and smallholder development project (October 2009) financed by the Asian Development Bank and the International Fund for Agriculture Development. Both of these project appraisal documents have well-formulated E&S assessment and mitigation management plans, although they were prepared by the lending institutions. The applicant also provided documents on two road projects financed through the Commune/Sangkat (community/village) Fund, which include a limited E&S assessment. The applicant stated that it has not independently developed plans for managing E&S mitigation measures in the project design phase. The AP found that these reports do not constitute sufficient evidence on the applicant's capacity to independently develop mitigation and plans. The applicant indicated that it is willing to comply with requirements to develop ESIA/ESMP for GCF-funded projects/programmes in E&S risk category B/I-2, using the procedures described in its ESS policy and ESRM guideline.

70. The ESS policy includes a requirement for the applicant to conduct an external audit on the effectiveness of its institution's E&S management programme for GCF-funded projects/programmes. However, the applicant could not provide a sample of an external audit report on its ESS policy. The applicant indicated that it would be willing to provide an external audit report for GCF-funded projects/programmes in accordance with its ESS policy, once accredited.

71. The AP finds that the applicant's management programme and track record do not fully meet the GCF Environmental and Social Policy and interim ESS standards for a maximum E&S risk category B/I-2 projects/programmes. The applicant could not provide ESIA/ESMP for projects/programmes in E&S risk category B/I-2. The applicant also could not provide an external audit report on implementation of its ESS policy. The relevant gaps identified in paragraphs 69 and 70 above are reflected by the corresponding conditions for accreditation in section 4.2.

3.2.4 Section 6.5: Monitoring and review

72. The ESRM guidelines describe the applicant's internal processes to support a monitoring/supervision programme that tracks and ensures completion of mitigation activities. The applicant is responsible for monitoring, evaluating, facilitating and counselling with the relevant ministries, SNAs and relevant institutions regarding the practices of its ESS policy. The applicant may also use an external (independent) monitoring and evaluation team, depending on the resources and budgets available. The safeguards officers are responsible for following up on implementation of the ESMP and compliance with the ESS policy for all projects, except where alternative arrangements are made in line with donor requirements.

73. The applicant provided its annual safeguards reports, which contain summaries of evaluations on the management of E&S mitigation measures. The applicant has demonstrated a long track record in managing and monitoring E&S risks in subprojects based on the guidelines in its project implementation manual for the Commune/Sangkat Fund, and provided an example of an environmental analysis that was conducted on the basis of these guidelines, as well as an example of a land acquisition plan prepared for Commune/Sangkat Fund subproject. However, the AP found that these documents do not constitute sufficient evidence of the applicant's monitoring and review of E&S mitigation measures. The applicant indicated that future safeguards monitoring reports will report on compliance under each of the strategies (1–8) of the revised ESS policy, which are aligned with performance standards 1 to 8 of the GCF interim ESS standards.

74. The AP finds that the applicant's system of monitoring and review does not fully meet the GCF Environmental and Social Policy and interim ESS standards. The applicant could not provide E&S monitoring reports on its projects/programmes in E&S risk category B/I-2 in line with performance standards 1 to 8 of the GCF interim ESS standards. The relevant gap

identified in paragraph 73 above is reflected by the corresponding condition for accreditation in section 4.2.

3.2.5 Section 6.6: External communications; consultations, information disclosure, and grievance redress mechanism

75. The applicant maintains a corporate-level website that provides contact details of the applicant's personnel, through which citizens can contact the organization. The applicant provided its communications strategy and an accompanying "Communications plan for inclusive civic engagement, social services and accountability". The procedure for submitting and managing complaints through the website is described in the applicant's OPP Manual. However, the OPP Manual does not address E&S-related complaints. Complaints can also be submitted in writing, by telephone or in person. In all cases, the complaints are recorded and appropriately investigated. The applicant's safeguards officers are informed of all cases of complaints concerning ESS. The safeguards officers are involved in investigating the complaint, except in the case where the safeguards officers, or actions they are responsible for, are themselves the subject of the complaint.

76. The applicant indicated that it is willing to develop and implement a communication and complaints-handling system for GCF-funded projects/programmes, once accredited, and that the complaints-handling procedure (including a register to record complaints and related responses) will be put in place following approval of the OPP Manual.

77. At the SNA level, complaints are being handled through an "accountability box" system whereby the public can submit complaints/issues through boxes that are located at each Commune and Sangkat council office nationwide (1,645 local councils) plus additional locations. The accountability boxes are under the management of the Accountability Working Group (AWG), an independent body. The applicant provided a document describing the structure and responsibilities of the AWG. The complaint handling at SNAs is done by an Ombudsman Office in accordance with regulations and procedures. The applicant also oversees a local-government (SNA) level complaints process through an Ombudsman system that has been in pilot-form since 2005 and is now being rolled out nationally to replace the existing accountability box system). The applicant provided data on complaints handled through this system.

78. The ESRM guidelines briefly describes the applicant's grievance redress mechanism; however, the AP found that it is not sufficient to meet the GCF requirements. The applicant has indicated that it is willing to develop guidelines for an independent grievance redress mechanism including a register of queries and complaints in quarter 4, 2019, by the new AWG structure as mentioned above. For the time being the existing AWG mechanism will be used. This will be linked with the subnational level to the Ombudsman system and at national level to the applicant's complaints system described in the OPP Manual.

79. The ESRM guidelines include requirements for the applicant and its executing entities on the disclosure and consultation on E&S assessment information, including the duration of the disclosure period in line with the requirements for the disclosure of E&S information for E&S risk category B/1-2 contained in the GCF Information Disclosure Policy. The applicant does not have a track record on implementing its E&S assessment information disclosure.

80. Further, the applicant's ESS policy needs to include a requirement for its executing entities to have a project-level grievance redress mechanism in place for GCF-funded projects/programmes.

81. The AP finds that the applicant's system of external communications, consultations, information disclosure, and grievance redress mechanism do not fully meet the GCF Environmental and Social Policy, interim ESS standards and the GCF Information Disclosure

Policy requirements on disclosure of E&S information for a maximum E&S risk category B/I-2 projects/programmes. More specifically, the applicant does not have an external communication system such as a website to receive, respond and register E&S complaints. Furthermore, the applicant does not have an independent grievance redress mechanism at its institutional level, and it does not have a track record in implementing its E&S information disclosure policy for E&S risk category B/I-2 projects/programmes. The relevant gaps identified in paragraphs 75, 76, 78, 79 and 80 above are reflected by the corresponding conditions for accreditation in section 4.2.

3.2.6 Section 6.4: Organizational capacity and competency

82. The applicant's ESS policy contains the organizational structure, while the ESRM guidelines describe the role of the management and safeguards officers responsible for E&S monitoring and review. The applicant leads and provides facilitation to the working team and the relevant ministries and institutions with regards to legal standards, strategic plans, instructions and specifics as a support for the SNAs in implementing the ESS policy.

83. The safeguards officers select a sample of projects that have "risk flags" and visit the selected projects to verify that safeguards procedures were followed properly; whether any negative environmental or social impacts occurred; whether the local community and other stakeholders are satisfied with the implementation of safeguards; and whether there are any lessons that can be learned for future projects. If the safeguards officers discover that the ESMP and ESS policies have not been correctly implemented, they investigate the reasons for incorrect implementation of the ESMP or ESS; investigate whether any serious negative impacts have resulted; discuss these with the SNA and with stakeholders; and make recommendations to correct the problem, including redress to affected people where appropriate. In serious cases the safeguards officers may recommend that the applicant halt further project financing to the SNA until the problem is resolved and compliance with the ESS policy and ESMP can be assured in future.

84. The safeguards officers prepare a quarterly E&S summary report and an annual report that should include number, type and location of project activity sites inspected; number of projects found compliant with the ESMP and ESS policies; number of projects where violations of the ESMP and ESS policies were found; and actions taken to correct violations of the ESMP and ESS policies. The annual E&S monitoring report then summarizes general issues identified with implementation of the ESS policy and recommendations, including strengthening of the ESS policy and ESRM guidelines, additional resources, training or other actions needed. The relevant staff have previously undergone training on E&S matters and further training on the E&S policy and ESRM guidelines is planned for later in 2019.

85. The AP finds that the applicant's organizational capacity and competency, supported by evidence of its track record, fully meet the GCF Environmental and Social Policy and interim ESS standards for a maximum E&S risk category B/I-2 projects/programmes.

3.3 Gender

86. The applicant provided its Gender Policy entitled "Gender Equality for Sub-National Democratic Development", approved in 2018, which is in line with the GCF Gender Policy. The aim of the applicant's policy is to ensure management, arrangement and delivery of public services in an effective and socially equitable manner through integrating gender into all aspects and levels of activity within the framework of the implementation of subnational democratic development (decentralization and deconcentration) reforms. The applicant provided a gender checklist to be applied when implementing its Gender Policy.

87. One of the key strategies of the Gender Policy is to develop programmes, projects, activity plans and budgets that respond to gender equality needs. The main activities the strategy promotes include:
- (a) Development of guidelines, forms and procedures for studying, preparing, procuring and implementing infrastructure projects and service projects that meet the needs of vulnerable groups as well as promoting gender equality;
 - (b) Use of gender data (segregated by gender, age, group, status and so on) to analyse the impacts on gender that may arise from the implementation of projects or development work at the subnational level;
 - (c) Ensuring a gender balance in the participation of both men and women in the design of projects and programmes;
 - (d) Reviewing and fully responding to the need for the elimination of gender inequality and for the promotion of inclusion in the description of the vision, purpose, goals and strategies as well as components of the national programmes;
 - (e) Ensuring that monitoring and evaluation of project activities and other tasks of the programmes clearly define the focus and ensure a review of the impacts on gender and inclusion;
 - (f) Ensuring that the development and implementation of medium- and long-term activity plans and budgets of the programmes take into account and support gender mainstreaming and women's empowerment;
 - (g) Coordination and collaboration with development partners, civil society organizations and other projects to implement the activities that respond to gender equality needs;
 - (h) Strengthening cooperation and support for consultations and dialogues related to gender equality at the subnational administration level through broadcast media or other events; and
 - (i) Compilation and wide dissemination of good practices related to gender equality promotion.
88. The applicant provided an organigramme, terms of reference and curriculum vitae of its gender experts, which demonstrate that the applicant has sufficient capacity to implement its Gender Policy. The applicant indicated that further training will be provided to all of its staff, including the national institutions and SNA, once accredited.
89. The applicant provided two project documents (on sustainable resilient livelihoods financed by the Global Environment Facility and a small holders project co-financed by the International Fund for Agriculture Development and Asian Development Bank) with specific reference to women and men who have benefitted from climate change projects. The applicant's projects provide evidence that projects to which the entity lends benefit both men and women equitably. Furthermore, the projects are linked to climate change and also have non-discriminatory practices in terms of benefits and remuneration for both men and women employees.
90. The AP finds that the applicant's Gender Policy, procedures and capacities, supported by evidence of its track record, fully meet the requirements of the GCF Gender Policy.

IV. Conclusions and recommendation

4.1 Conclusions

91. Following its assessment, the AP concludes the following in relation to the application:
- (a) The applicant meets the requirements of the GCF basic fiduciary standards on transparency and accountability, the GCF Policy on the Protection of Whistleblowers and Witnesses, the GCF Policy on Prohibited Practices and the GCF Anti-Money Laundering and Countering the Financing of Terrorism Policy. The applicant only partially meets the requirements of the GCF basic fiduciary standard on key administrative and financial capacities, because a number of important activities contained in its own policies and procedures are not in place. These include organizational risk management and oversight of key activities by the applicant's Audit and Ethics Committee. Investigative procedures relating to prohibited practices and procurement could not be demonstrated because the applicant stated that it has not received allegations and complaints in the last three years despite the country ranking low according to the Transparency International ratings. The applicant also only partially meets the GCF specialized fiduciary standard for project management. In order to fully meet this standard the applicant must fulfil the following requirements: develop a project management manual that addresses project design, appraisal, implementation and project closure; include in its M&E manual a section on independent project evaluation; develop a project evaluation disclosure policy; and provide evidence of the effective implementation of its project risk management framework. Further, the applicant partially meets the GCF specialized fiduciary standard for grant award and/or funding allocation mechanisms, because validation of the effective implementation of its "Manual for Performance Based Grants to Sub-National Administrations" is required;
 - (b) The applicant partially meets the requirements of the GCF Environmental and Social Policy, the interim ESS standards and the GCF Information Disclosure Policy requirements on disclosure of E&S information in relation to the medium E&S risk (category B/I-2). As the applicant's ESS policy and ESRM guidelines were developed only recently some of the required elements were missing:
 - (i) The applicant could not provide evidence on implementation of the policy and guidelines in terms of management of E&S mitigation measures, and related monitoring and reporting;
 - (ii) The applicant needs to conduct an external audit of its ESMS;
 - (iii) The applicant does not have an external communication channels such as a website to receive, respond and register E&S-related complaints;
 - (iv) The applicant does not have a track record of implementing its E&S information disclosure policy in line with the GCF Information Disclosure Policy requirements on the disclosure of E&S information for E&S risk category B/I-2 projects/programmes; and
 - (v) The applicant has yet to develop a guide on an independent grievance redress mechanism at its institutional level and the project level (i.e. applicable to its executing entities' projects), including a register to record grievances and their responses, for GCF-funded projects/programmes; and
 - (c) The applicant has demonstrated that it has competency, 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 consideration in the context of climate change.

4.2 Recommendation on accreditation

92. The AP recommends, for consideration by the Board, applicant APL090 for accreditation as follows:

(a) **Accreditation type:**

(i) **Maximum size of an individual project or activity within a programme:** micro;¹²

(ii) **Fiduciary functions:**

1. Basic fiduciary standards;
2. Specialized fiduciary standard for project management; and
3. Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and

(iii) **Maximum environmental and social risk category:** medium risk (category B/I-2) (including lower risk (category C/intermediation 3 (I-3)¹³); 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 signature of the accreditation master agreement during Stage III of the accreditation process:

1. Provision by the applicant of a detailed implementation plan with specific milestones and implementation dates for all the policies and procedures contained in the applicant's Operational Policies and Procedures Manual, the Internal Audit Manual, the project risk management framework, the Monitoring and Evaluation Manual and the Manual for Performance-Based Grants to Sub-National Administrations; and
2. Provision by the applicant of the terms of reference, to the satisfaction of the AP, for the procurement of an independent entity, preferably a recognized external audit firm, that will periodically verify whether the execution of the following is appropriate:
 - a. Implementation plan referenced in paragraph 92(b)(i)(1) above; and
 - b. Implementation of the actions contained in the document titled "Roadmap for enhance NCDs to manage fund from Green Climate Fund" provided by the applicant to the AP via email on 11 September 2019.

The terms of reference shall include an assessment of the effectiveness of the Audit and Ethics Committee per its terms of reference contained in the OPP Manual (part II, chapter 22) and contained in the Employees Code of Conduct (part I, chapter 1); and the chapters on fraud and

¹² 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 Fund, of up to and including US\$ 10 million for an individual project or an activity within a programme".

¹³ 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".

- corruption (part II, chapter 16) and prohibited practices (part II, chapter 17);
- (ii) Conditions to be met prior to the submission of the first funding proposal to GCF:
1. Provision by the applicant of evidence in the form of an executed legal agreement demonstrating that it has procured an entity in accordance with the terms of reference identified in paragraph 92(b)(i)(2) above;
 2. Provision by the applicant of the project management manual approved by the applicant's board that addresses project design, appraisal, implementation and project closure;
 3. Provision by the applicant of procedures approved by the applicant's board for the independent evaluation of projects/programmes. The procedures may be included in the applicant's Monitoring and Evaluation Manual;
 4. Provision by the applicant of a project evaluation disclosure policy that provides the guidelines for the public disclosure of final evaluation reports for GCF-funded projects/programmes;
 5. Provision by the applicant of a procedure adopted by the applicant's board on the establishment of an institutional grievance redress mechanism;
 6. Provision by the applicant of an updated ESS policy containing the requirements for the applicant's executing entities to establish a grievance redress mechanism at the project/programme-level; and
 7. Provision of evidence by the applicant on the establishment of an external communication system, which may include a website, to receive, register and respond to any E&S-related complaints;
- (iii) Conditions to be met with the submission of the first funding proposal to GCF that is categorized as E&S risk category B/I-2:
1. Provision by the applicant of an environmental and social management plan including an E&S monitoring plan for the first funding proposal to GCF that is categorized as E&S risk category B/I-2; and
 2. Provision of evidence by the applicant on the disclosure of the environmental and social management plan for the first funding proposal to GCF that is categorized as E&S risk category B/I-2 consistent with the requirements of the GCF Information Disclosure Policy for category B/I-2 projects/programmes;
- (iv) Condition to be met on a semi-annual basis for five (5) consecutive years, starting with the calendar year 2020:
1. Provision by the applicant of semi-annual verification and progress reports conducted in accordance with the terms of reference identified in paragraph 92(b)(i)(2) above; and
- (v) Condition to be met within three (3) years of the first disbursement by GCF for the first approved GCF project/programme to be undertaken by the applicant:
1. Provision by the applicant of a final report prepared by an independent body assessing the effectiveness of the implementation of the applicant's

environmental and social management system, which shall include examples of its application and of lessons learned.

93. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 92 above, and agrees to the recommendation.

4.3 Remarks

94. The applicant may wish to:

- (a) Seek, through a Readiness and Preparatory Support Programme proposal made by the national designated authority, support to address the accreditation conditions identified in paragraphs 92(b)(i) and 92(b)(ii)(2)–(7) above; and
- (b) Consider applying the project evaluation disclosure policy referred to in paragraph 92(b)(ii)(4) above to all projects/programmes (e.g. not only GCF-funded projects/programmes as required in the condition) such that the information contained in the project evaluation reports can be used as a valuable input for the design and implementation of other projects/programmes with similar objectives. Furthermore, the disclosure of these reports greatly enhances transparency of project implementation.