

## Annex XVI: Accreditation assessment of applicant 091 (APL091)

### I. Introduction

1. Applicant 091 (APL091), CRDB Bank PLC, is a national, private sector financial institution based in the United Republic of Tanzania. Its mission is to provide competitive and innovative financial solutions while delivering a sustainable contribution to the society. In addition, with its vision of being a leading financial services provider in the country, the applicant promotes responsible citizenship, sustainability and social consciousness. The applicant recognizes the urgent need to address causes and consequences of climate change and has been undertaking various climate change-related projects and programmes within the context of the United Nations Framework Convention on Climate Change. By becoming accredited to GCF, the applicant aims to catalyse low emissions and climate resilient development by implementing various projects with grants, loans and other fit-for-purpose bank products.

2. The applicant submitted its application for accreditation to the Secretariat via the online accreditation system on 26 September 2017. Accreditation fees were received from the applicant on 18 December 2017, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 20 December 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 GCF fit-for-purpose approach:

- (a) **Access modality:** direct access, national. The applicant received a national designated authority or focal point nomination for its accreditation application from the United Republic of Tanzania;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or activity within a programme:** medium;<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, equity and guarantees); and
- (e) **Maximum environmental and social risk category:** high risk (category A/intermediation 1 (I-1)).<sup>3</sup>

<sup>1</sup> As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), “medium” 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\$ 50 million and up to and including USD 250 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 A is defined as “Activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented” and intermediation 1 is defined as “When an intermediary’s existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented”.

## II. Stage I institutional assessment and completeness check

### 2.1 Legal status, registration, permits and licences

3. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. The applicant is registered under the Tanzania Revenue Authority (Reference No. 100-476-541), and it provided documents to demonstrate its legal status.

### 2.2 Institutional presence and relevant networks

4. The applicant, which has a network of 260 branches, 455 microfinance partner institutions, 11,000 Bank Agents (registered business individuals and companies that offer basic banking products and services within CRDB Bank network within a pre-determined threshold), 12 mobile branches and online banking services, offers a wide range of services to its clients. Such services include corporate business, retail, small and medium-sized enterprises, business insurance, agent banking and wholesale microfinance services. In addition, the applicant continuously provides both financial and non-financial support to promote sustainability and social consciousness, particularly in the areas of environment, education and health.

5. The applicant has a strong commitment to help the United Republic of Tanzania achieve its nationally determined contribution. It intends to undertake projects or programmes financed by GCF resources in key sectors that would contribute to 10 to 20 per cent emissions reductions relative to the business as usual scenario by 2030 in the United Republic of Tanzania, such as renewable energy, agriculture, livestock, coastal and marine environment, water resources, forestry and tourism.

6. To advance the objectives of GCF, the applicant aims to implement projects/programmes that drive a paradigm shift from current business practices, which include the following projects and programmes:

- (a) Increasing renewable energy in the national grid power mix through construction of geothermal power plants, gas turbine combined power plants, and Malagarasi river hydropower plants, among others;
- (b) Improving mass mobility through constructing bus rapid transit systems and central railway lines; Introducing climate-smart housing to provide modern and sustainable housing estates fast growing cities in the United Republic of Tanzania (e.g. Dodoma government city, Dar es Salaam, Mwanza, Arusha, Unga);
- (c) Increasing carbon sequestration through afforestation and forest conservation by promoting privately and public owned forest programmes;
- (d) Supporting the National Food Reserve Agency to increase food security through addressing local food shortages; and
- (e) Increasing climate resilience in globally renowned national parks in selected areas of Tanzania (e.g. Kilimanjaro, Ngorongoro, Serengeti, Tanager, Ruaha, Selous, Burigi, Minziro and Mkomazi).

### 2.3 Track record

7. The applicant, as a commercial bank, has rich experience in on-lending and blending activities, such as extending loans and establishing guarantee facilities to implement projects across all sectors of the Tanzanian economy. In addition, the applicant has experience in introducing innovative financial products and services to attract finance from private banking and investors, as well as to provide finance to small and medium-sized enterprises.
8. In addition, the applicant has a track record in financing various sectors of agriculture, fisheries, forestry, tourism and hotels, transportation, energy, water, and health. The applicant's track record in financing sustainable development and climate change-related projects to date includes the following:
  - (a) USD 51 million out of USD 200 million (in loans) for an infrastructure project to construct Terminal 3 airport in Dar es salaam, Tanzania;
  - (b) USD 1.04 million (in equity) to the mortgage financing scheme for a housing project to support enhancing livelihood through urban development;
  - (c) USD 3.5 million (in guarantees) for a water supply and sanitation project to support expansion of water distribution network along the lake Victoria surrounding regions in Tanzania.

### III. Stage II accreditation review assessment

9. 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 GCF standards.
10. As part of this assessment, the AP consulted the applicant's website to complement the information provided in the application. The AP also undertook a site visit to the applicant's headquarters in Dar es Salaam, the United Republic of Tanzania. During the site visit the AP assessed the applicant's various policies and procedures and conducted a number of interviews with the applicant's staff to determine whether the applicant's policies and procedures meet GCF accreditation standards.

## 3.2 Fiduciary standards

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

11. The applicant has a governance structure suitable for a full-service commercial bank. An organizational chart lays out the institution's key areas of authority, responsibilities and reporting lines. The Board of Directors is aided by several board committees of which the Audit and Risk Committee is the most prominent. It assists the Board of Directors in fulfilling its oversight role with regard to risk governance, financial reporting, system of internal control, management of internal and external audits and regulatory compliance. Terms of reference of the Audit and Risk Committee and sample minutes of its meetings show that the Committee carries out its functions in accordance with its mandate.
12. The applicant has a process for setting its short- and long-term objectives. The process is managed by a fully-fledged Department of Strategy and Innovation headed by a Director of Business Transformation. A copy of the applicant's current five-year strategic plan (2018–2022) was provided and reviewed by the AP.
13. The applicant has an independent Internal Audit Department headed by a Director who reports to the Board of Directors through the Audit Committee. The work of the Department is guided by an internal audit charter and a comprehensive internal audit manual, which is revised regularly to keep it in line with international best practice. A risk-based audit workplan

is prepared annually and approved by the Audit Committee. Sample reports of internal audits carried out in the past three years were provided along with additional information that shows that implementation of audit recommendations is actively followed up by both management and the Audit Committee, and that the internal audit function is carried out in accordance with internationally recognized standards.

14. The applicant has a process to monitor and assess the overall effectiveness of the internal audit function. Performance of internal audit is assessed by the Audit Committee annually. In addition, the Committee now requires that an independent external assessment of the effectiveness of the internal audit function be carried out after every five years. Such an assessment is scheduled for the first quarter of 2020.

15. The applicant's annual financial statements are audited by independent external audit firms. The audited financial statements for the past two fiscal years were provided and show that the applicant continues to register strong financial performance. The external auditors' reports confirm that the applicant's financial statements were prepared in accordance with the International Financial Reporting Standards and the applicable requirements of the Companies Act and the country's central bank.

16. The applicant has a well-documented internal control framework that defines the roles for the Board of Directors, internal oversight bodies, management, internal and external auditors, and other personnel. Risk assessment processes are in place to identify, analyse and provide a basis for proactive risk responses in each of the operational areas. Risks are assessed at multiple levels and plans of action are in place for addressing risks that are deemed significant.

17. The procedures for payment of the applicant's expenditures and the system/processes for disbursement of loans are laid out in the applicant's Financial Policy and Credit Operating Manual, respectively. Evidence of a system for periodic compliance check/audit of the payment and disbursement system was provided.

18. The applicant has appropriate procurement policies and guidelines for promoting economy, fairness, transparency and efficiency in procurement. The guidelines include written standards and procedures that specify procurement requirements, accountability and authority to take procurement actions, and guidelines for different types of procurement, such as consultants, contractors and service providers. The applicant provided examples of two separate recent major procurements undertaken and a copy of an audit of procurement, which demonstrate compliance with the applicant's procurement policies, procedures and guidelines. The applicant has a process for resolution of procurement disputes, which the AP finds meets the GCF initial basic fiduciary standards regarding procurement. The AP found that the applicant's procurement practices are also consistent with recognized international practices.

19. To meet GCF initial basic fiduciary standards regarding procurement, the applicant has revised its procurement procedures to incorporate provisions for assessing procurement practices of the entities that would execute GCF-funded projects/programmes. However, evidence of assessments of procurement procedures of beneficiary institutions was not provided.

20. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, do not fully meet the GCF basic fiduciary standards on key administrative and financial capacities. The relevant gaps identified in paragraphs 14 and 19 above are addressed in the corresponding conditions for accreditation in section 4.2 of this document.

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

21. The applicant has a Code of Conduct and Ethics, which applies to its staff and all parties with which it has business relationships, such as consultants and service providers. The Code of Conduct and Ethics is shared with all staff through the applicant's intranet, to which all staff have access. It is also issued to all third parties who have a business relationship with the applicant, who are also required to sign an anti-bribery commitment form.
22. The applicant has recently put in place a "disciplinary framework" through which oversight of the ethics function is exercised. Its main objective is to ensure that misconduct/ethical issues are managed and dealt with in a fair, transparent and consistent manner.
23. A comprehensive Conflict of Interest Policy has recently been put in place. Its main objective is to effectively identify, disclose and manage any actual, potential or perceived conflicts of interest in order to protect the institution and manage associated risks. The Policy provides examples of what constitutes a conflict of interest, and all staff are required to sign a declaration of conflict of interest annually.
24. The applicant has a clear policy on zero tolerance for fraud, financial mismanagement and other forms of malpractice. The policy is published on the applicant's website. Furthermore, the policy is communicated to consultants, contractors and other relevant parties in the form of an anti-fraud declaration they are required to sign as a condition of business engagement with the applicant.
25. The applicant provided a copy of a revised Whistle-blower Policy that incorporates mechanisms for protecting whistle-blowers who report violations. The Policy includes information, which is publicized on the applicant's website, on the mechanism for reporting suspected ethics violations, misconduct and other forms of malpractice.
26. The applicant has an investigation function under which cases of reported or suspected fraud and other forms of misconduct are investigated by the Internal Audit Department. The information provided shows that the function has adequate procedures for processing cases of fraud and mismanagement, undertaking the necessary investigative activities and generating periodic reports for information and follow-up by the ethics function. The investigation function has a defined process for periodically reporting case trends. Information on cases of fraud investigated and disposed of in the past three years was provided.
27. The applicant has a robust Anti-money-laundering and Countering the Financing of Terrorism (AML-CFT) Policy, which was revised in 2018 to align it with international best practice. The Policy is guided by:
  - (a) The country's Anti-Money Laundering Act, 2006, the Prevention of Terrorism Act, 2002; and the Banking and Financial Institutions Act 2006;
  - (b) Regulations, guidelines and directives issued by the county's central bank and the Financial Intelligence Unit; and
  - (c) The International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation of the Financial Action Task Force.
28. In accordance with the central bank's regulations, the applicant has a designated Compliance Officer whose duty is to ensure that the AML/CFT Policy is effectively implemented and complies with applicable laws and regulations. The Internal Audit Department is required to conduct an annual review of the applicant's anti-money-laundering controls process and provide a report to the Board on the level of compliance with the requirements of the applicant's AML/CFT Policy and the relevant anti-money-laundering legislation.
29. Sound "know-your-customer" (KYC) due diligence procedures are in place to combat money laundering and financing of terrorism. The procedures guide the applicant's staff in conducting due diligence to determine the identity of customers, the legitimacy of their

businesses and the sources of funds used. The procedures require that a full KYC process is completed before opening an account for any individual or business enterprise. As part of the due diligence process, all new accounts are classified as either high, medium or low risk. Accounts classified as high risk are flagged and subjected to more intensive monitoring. The procedures further require reporting of suspicious and unusual transactions to the central bank and the Financial Intelligence Unit. The applicant regularly monitors electronic funds transfers to ensure that funds are received from bonafide sources and paid to the intended beneficiaries. Samples of reports on KYC due diligence carried out and monitoring reports on electronic fund transfers were provided.

30. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the GCF basic fiduciary standards on transparency and accountability, as well as the GCF Policy on the Protection of Whistleblowers and Witnesses,<sup>4</sup> GCF Policy on Prohibited Practices<sup>5</sup> and GCF AML/CFT Policy.<sup>6</sup>

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

31. The applicant has a set of well-documented policies and procedures that guide its operations. These include:

- (a) A Credit Policy that lays out the framework/guidelines for appraisal of projects financed by the applicant; and
- (b) Several policies relating to management of resources, investments, risk, asset and liability management, project closure and independent evaluation of project results.

32. These policies are supplemented by a newly developed Project Appraisal and Management Procedures Manual, which includes:

- (a) Appraisal templates/formats for use during the credit appraisal process;
- (b) Procedures for preparation of project implementation plans, project budgets and reporting guidelines; and
- (c) Procedures for reporting on project results achieved and lessons learned.

33. Sample project appraisal documents, implementation plans, and monitoring and evaluation reports provided by the applicant demonstrate its capacity to effectively use the appraisal guidelines and assess project risks and integrate corresponding mitigation strategies at the project appraisal stage.

34. The applicant has a monitoring and evaluation function with well-defined roles and responsibilities. Monitoring and evaluation are independent of the project appraisal function. The applicant also has a Policy on Independent Evaluation of Project Outcomes and Results. The Policy requires that the body undertaking such evaluation is completely independent and not accountable for the particular project. As the applicant does not have an in-house independent evaluation unit, independent evaluation of projects is carried out by external firms. A copy of the terms of reference for independent evaluation of projects and copies of independent evaluation reports were provided. These demonstrate that the applicant's evaluation function follows impartial and widely recognized professional standards and methods.

35. The applicant has a risk management function handled by the Risk and Compliance Department. The function is segregated from the project implementation and supervision functions, which are the responsibility of the Credit Department. As part of risk management, the applicant has a project-at-risk system for monitoring of projects to detect potential project

<sup>4</sup> Decision B.BM 2018/21 and annex I thereto.

<sup>5</sup> Decision B.22/19 and annex XIV thereto.

<sup>6</sup> Decision B.18/10 and annex XIV thereto.



problems at an early stage to ensure appropriate remedial actions are taken in a timely manner. Examples were provided of project problems identified and remedial actions taken; these demonstrate effectiveness of the applicant's risk management function and the project-at-risk system.

36. To ensure transparency in the use of funds provided by GCF for projects/programmes, the applicant has recently put in place an Information Disclosure Policy with provisions for publication of project monitoring and evaluation reports, project results and beneficiaries. However, effective implementation of the Policy can only be demonstrated during and at the end of implementation of a GCF-funded project/programme.

37. The AP finds that the applicant's policies, procedures and capacity fully meet the GCF specialized fiduciary standard for project management. However, the applicant has not yet demonstrated implementation of these policies and procedures as they are new. This gap, identified in paragraph 36 above, is addressed in the corresponding condition for accreditation in section 4.2 of this document.

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

38. The applicant did not proceed with applying for assessment against this standard following the recommendation of the AP. Upon review by the AP of the information provided by the applicant, the AP found that the applicant did not have a sufficient track record or the policies and procedures required for accreditation for this standard at this time.

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

39. The applicant's policies and procedures for its on-lending, blending, equity investments and guarantee operations are contained in two main documents: the Credit Policy and a credit operating manual. The two main policies are supplemented by several other operational policies including:

- (a) A Financial Policy that guides management of the applicant's financial resources;
- (b) An Investment Management Policy;
- (c) A Limit Policy that guides the level of investments in treasury bonds;
- (d) An Asset and Liability Management Policy; and
- (e) A Financial Risk Management Policy.

40. The Financial Risk Management Policy has provisions for instituting and implementing risk management strategies with a focus on credit, liquidity, foreign exchange and operational risks. The applicant provided information that shows that the major financial risk management strategies are effectively implemented.

41. In processing credit applications, the applicant uses an internal credit rating system and a credit scoring system, which are designed to suit the country's lending environment while reflecting best internationally acceptable lending practices.

42. The applicant provided:

- (a) Sample due diligence reports in respect of its on-lending and blending operations. The reports show that the due diligence process places emphasis on the borrowers' track record in project management, financial and economic viability of the proposed project, and capacity to service the financing provided;

- (b) Guidelines and procedures for managing its investment portfolio and to guarantee operations;
- (c) Copies of loan and equity portfolio management reports;
- (d) Data relating to three projects that provide evidence of the advantages to final beneficiaries of the projects it finances; and
- (e) External annual audits of its financial statements.

43. Based on the information provided as indicated above, the AP has found that the applicant has demonstrated its capacity to effectively and transparently channel funds that could be provided by GCF in line with the GCF specialized standard for on-lending and/or blending for loans, blending, undertaking equity investments and providing guarantees.

44. The applicant has recently put in place an Information Disclosure Policy with provisions, among others, for providing the public with information on: its decisions on GCF-funded on-lending and/or blending operations, and beneficiaries and results of GCF-funded projects. However, the applicant has not demonstrated effective implementation of this Policy as required by the GCF specialized fiduciary standard for on-lending and/or blending for loans, blending, undertaking equity investments and providing guarantees since the Policy is new and applicable to GCF-funded projects/programmes.

45. To support its lending operations the applicant mobilizes resources from several institutions. The applicant has raised a total of USD 300 million from the African Development Bank, European Investment Bank, International Finance Corporation (IFC) and Kreditanstalt für Wiederaufbau.

46. The AP finds that the applicant's policies, procedures and capacity fully meet the GCF specialized fiduciary standard for on-lending and/or blending for loans, undertaking equity investments and providing guarantees. However, the applicant lacks demonstration of implementation of these policies and procedures as they are new. The gap identified in paragraph 44 above is addressed in the corresponding condition for accreditation in section 4.2 of this document.

### 3.3 Environmental and social safeguards standards

#### 3.3.1 Section 6.1: Environmental and social policy

47. The applicant's environmental and social management system (ESMS) comprises the environmental and social risk assessment (ESRA) manual adopted in January 2017. The ESRA manual states that the applicant is committed to promoting environmentally and socially sound and sustainable development in the full range of its credit products. The applicant confirmed to the AP during the site visit that environmental and social (E&S) sustainability is a fundamental aspect of achieving outcomes consistent with its Credit Policy and recognizes that projects that foster E&S sustainability rank among the highest priorities of its activities.

48. The applicant adheres to its national environmental regulations, primarily the Environmental Management Act of 2004 and related Environmental Impacts Assessment and Audit Regulations of 2005, as well as IFC Performance Standards 1 to 8 (PS 1-8). The applicant's Credit, Environmental and Social Risk Unit is responsible for overseeing the implementation of the ESRA manual. The applicant's Credit Policy also defines the E&S safeguards applied during lending procedures. The Credit Policy states that no borrower will qualify for credit if it does not adhere to E&S standards that closely align to PS 1-8. The Credit Policy is communicated internally to all staff and training for the whole organization is arranged annually.



49. The AP finds that the applicant's ESRA manual, supported by evidence of its track record, fully meets the GCF Environmental and Social Policy<sup>7</sup> and interim environmental and social safeguards (ESS) standards for maximum E&S risk category A/I-1 projects/programmes with respect to PS 1-8.

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

50. The ESRA manual describes the applicant's institutional process to guide its staff in identifying the E&S risks and impacts of projects/programmes as they evolve over the project life. The applicant's categorization process starts from the project origination stage whereby a lending officer fills out an E&S checklist, which is included in an annex of the ESRA manual. The checklist is reviewed through all stages of the credit approval process. The ESRA manual applies to all three financing instruments, namely loans, equities and guarantees.

51. The applicant provided samples of E&S risks and impacts identification and assessment for projects in E&S risk category A for forest management and gold mining; for category B on airport development and a road project; and for category C on software development and the purchase of construction material, in line with PS 1-8 of the GCF interim ESS standards. The applicant provided an illustrative list of projects and descriptions from the past three years and their risk category, including an indication of who within the organization made the risk categorization determination for E&S risk category A/I-1, B/I-2 and C/I-3.

52. The AP finds that the applicant's system of identification of E&S risks and impacts, supported by evidence of its track record, fully meets the GCF Environmental and Social Policy and interim ESS standards for maximum E&S risk category A/I-1 projects/programmes.

### 3.3.3 Section 6.3: Management programme

53. The ESRA manual describes the applicant's institutional process for managing mitigation measures and actions stemming from the E&S risk identification process, with more details in annexes of the ESRA manual. This process includes follow-up and site visits for medium (E&S risk category B/I-2) and high risk (E&S risk category A/I-1) projects, review of a client's monitoring reports, ensuring grievance mechanisms are in place in projects executed by a client, and preparing E&S compliance reports.

54. The ESRA includes a policy statement requiring audit of the effectiveness of the applicant's institution-wide ESMS. The IFC and Commonwealth Development Corporation Group Limited, who are part of the shareholders of the applicant's organization, have frequently reviewed the applicant's ESMS. The applicant provided a sample of the international investor/shareholder reports on the favourable review of the audit of the applicant's ESMS. Currently, the IFC, in collaboration with the Commonwealth Development Corporation Group, are primarily responsible for checking the effectiveness of the applicant's ESMS and conduct periodic site visits to review compliance of the applicant's ESMS. The applicant provided a sample of an E&S performance report and an E&S monitoring report submitted to the IFC.

55. The applicant provided three environmental and social impact assessment (ESIA) documents for E&S risk category A projects (for gold mining, granite mining, tourism and a recreational facility) and two environmental and social management plans (ESMPs) for E&S risk category B/I-2 projects (ceramic tiles construction and a fuel station). The applicant's sample project documents also cover examples of its intermediary operations I-1, I-2 and I-3. The applicant also provided related due diligence reports as evidence of its internal review and approval process of these documents in line with its ESRA manual. The applicant has indicated

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<sup>7</sup> Decision B.19/06 and annex X thereto.

that it is willing to conduct an audit of the application of its ESMS for GCF-funded projects once accredited.

56. The AP finds that the applicant's management programme, supported by evidence of its track record, fully meets the GCF Environmental and Social Policy and interim ESS standards for maximum E&S risk category A/I-1 projects/programmes.

#### 3.3.4 Section 6.5: Monitoring and review

57. The ESRA manual describes the applicant's monitoring and review procedures that instruct staff on how to systematically track completion of mitigation and performance improvement measures, including roles and responsibilities. The applicant uses an Excel-based tracker, which captures various issues identified on E&S risks and impacts for different projects/sectors with implementation status and timeline for ensuring completion of mitigation and performance improvement measures. Supervision/monitoring is done through periodic site visits by the E&S Risk Analysts from the applicant's E&S unit and/or Lending Officers from its business units. E&S issues identified during supervision are shared with all staff dealing with lending for common understanding regarding E&S management on projects financed by the applicant. The loan facility letters provided by the applicant to project loan borrowers clearly indicate all the environmental laws that borrowers are required to comply with during the entire life of the project. The same applies to the applicant's equity and guarantee operations. This information is also part of the E&S dissemination to the public. The applicant provided a sample of a loan facility letter titled "standard terms and conditions", which refers to E&S compliance clauses. The same were also provided for the applicant's equity and guarantee operations.

58. The applicant provided sample E&S project monitoring and evaluation reports for E&S risk category A/I-1 projects (for a forest management project, a mining project and a tourism and recreational project). The applicant provided sample external E&S audit reports on projects it has implemented that formed the basis for the update to its ESMS.

59. The AP finds that the applicant's system of monitoring and review, supported by evidence of its track record, fully meets the GCF Environmental and Social Policy and interim ESS standards for maximum E&S risk category A/I-1 projects/programmes.

#### 3.3.5 Section 6.6: External communications: consultations, information disclosure and grievance redress mechanism at the institutional level

60. The applicant provided a link to its corporate website to receive and register external communications, including E&S related complaints and grievances on projects from the public. The website is used to screen and assess issues raised and determine how to address them as well as to provide, track, and document responses. The applicant provided a documented, "Customer Complaints Redressal Procedure", which describes its grievance redress mechanism procedure on who and how to handle complaints from the point of receiving, addressing, re-opening and closure. The ESRA manual includes information on its external communications channels, including telephone numbers, call boxes, and email contact addresses, among others. All grievances received in the field would be received by the Manager of the Credit Operation, located at the applicant's branch offices in the field. The grievances would then be forwarded to the Credit, Environmental and Social Risk Unit at the Risk and Compliance Department for its analysis and response. The Director of Risk and Compliance at the applicant's headquarters is responsible for managing the grievance redress mechanism in an independent manner.

61. The applicant has a customer complaint register in all its branches where complaints of all kinds and levels are registered. The applicant indicated that currently no complaints related to E&S, and registered as such, had been directly sent to National Environment Management

Council. The applicant provided examples of cases of E&S related inquiries/complaints that have met successful closure. The applicant has established a register in order to capture E&S related enquiries/complaints for GCF-funded projects/programmes once accredited.

62. The ESRA manual includes the policy statement on the requirement for the applicant and its executing entities to disclose E&S assessment documents in line with the GCF Information Disclosure Policy, specifically for E&S risk category A/I-1 and B/I-2 projects/programmes. The ESRA manual also includes a requirement for the applicant's executing entities to include a grievance redress mechanism in projects it finances.

63. The AP finds that the applicant's system of external communications, consultations, information disclosure and grievance redress mechanism, supported by evidence of its track record, fully meets the GCF Environmental and Social Policy, interim ESS standards and the GCF Information Disclosure Policy requirements on disclosure of E&S information for maximum E&S risk category A/I-1 projects/programmes.

### 3.3.6 Section 6.4: Organizational capacity and competency

64. The ESRA manual contains the applicant's organizational structure, which defines roles, responsibilities, reporting lines and authority. Detailed activities of each of the responsible officers for ESMS implementation are also provided. Credit, Environmental Risk Assessment (ERA) is a unit in the Risk and Compliance Department headed by the senior manager and assisted by five staff members specializing in the two key functions of Credit and E&S risk management. The CESR Unit is independent from the risk taking unit i.e. Credit team and reports directly to the Director of Risk and Compliance who has an overall responsibility to ensure control oversight and implementation of the Credit Policy and ESRA manual and to ensure the quality of the applicant's loan, equity and guarantee portfolios and all credit management functions from project origination to collection/recovery. The Director of the Credit Department which is responsible for the day to day management of the credit portfolio is responsible for carrying out routine and periodic performance appraisal for the Credit Analyst Team.

65. The applicant's specific procedures for coordination of work and information sharing among investment (business) units, credit and legal officers in respect of the organization's E&S requirements and ESMS are clearly elaborated in the flow chart for the E&S risk assessment and monitoring procedure in the ERA manual.

66. The ESRA manual describes the E&S responsibilities of the CESR Unit. The applicant also provided curricula vitae of the staff in the CESR Unit of the Risk and Compliance, including their training conducted by IFC and a list of participants as well as samples of their work demonstrating that they have a good understanding of the PS 1-8.

67. 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 maximum E&S risk category A/I-1 projects/programmes.

## 3.4 Gender

68. The applicant provided its May 2019 Gender Policy, including an action plan. As the Gender Policy was adopted just recently, the applicant provided a plan for conducting gender training for its staff; this is planned for later in 2019 and early 2020.

69. The applicant is committed to promoting gender mainstreaming as a means of fostering poverty reduction, economic development and gender equality in all its operations. The focus is on implementation and integration of the gender issues in all its functions and activities in terms of accountability, learning and engendering climate change. The vision includes creating

opportunities for women, disadvantaged and marginalized people, and communities so that they can participate in, and benefit from, the development of their communities. The applicant believes that inclusive growth and social cohesion will lead to peaceful, stable and vibrant societies. The applicant and its implementing partners will strive to uphold women's rights as universal human rights and to attain the goal of gender equality and the equal treatment of women and men, including equal opportunities for access to resources and services, in all its operations through a gender mainstreaming approach.

70. This Gender Policy reaffirms the applicant's commitment to: reduce gender disparities; transform gender relations; promote women's empowerment; strengthen organizational structures and systems for gender equality by incorporating them into policies, plans, strategies and programmes; redress gender gaps and inequalities between men and women; and guide the applicant's different business units on gender issues.

71. The procedures in the Gender Policy facilitate gender analysis of proposed projects and programmes, to ensure that gender issues are considered at all the appropriate stages of the project cycle, including identification, preparation, appraisal, implementation and evaluation. A special loan programme and product were established by the applicant to provide loans to women with less stringent conditions. The applicant has a special account that is specifically designated to encourage a saving culture among women and that supports women's economic empowerment activities.

72. The applicant provided descriptions of three lending operations (a hydroelectric power project, forest management project and sugar refinery project), which contain specific reference to the numbers of men and women who have benefited from these projects and outlined how this was achieved. The applicant's project examples clearly demonstrate how it links gender and climate change. The applicant's Credit Policy requires that non-discriminatory practices are included in its projects/programmes, on-granting and on-lending, among others. The sugar production company, one of the applicant's borrowers, adopts non-discriminatory practices in terms of benefits and remuneration for both male and female employees.

73. The AP finds that the applicant's Gender Policy, procedures and capacities, supported by evidence of its track record, fully meet the GCF Gender Policy.

## **IV. Conclusions and recommendation**

### **4.1 Conclusions**

74. 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 AML/CFT Policy. The applicant partially meets the requirements of the GCF basic fiduciary standards on key administrative and financial capacities, specialized fiduciary standard for project management, and specialized fiduciary standard for on-lending and blending for loans, equity and guarantees. Relevant gaps relate to a lack of demonstration of the applicant's Information Disclosure Policy and are identified in paragraphs 14, 19, 36 and 44 above and are addressed in the corresponding conditions for accreditation in section 4.2 of this document;
- (b) The applicant meets the requirements of the GCF Environmental and Social Policy, interim ESS standards and the GCF Information Disclosure Policy on disclosure of E&S information in relation to the high E&S risk (Category A/I-1); and

- (c) The applicant has demonstrated that it has the 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

75. The AP recommends, for consideration by the Board, applicant APL091 for accreditation as follows:

- (a) **Accreditation type:**
- (i) **Maximum size of an individual project or activity within a programme:** medium (including micro<sup>8</sup> and small<sup>9</sup>);
  - (ii) **Fiduciary functions:**
    - 1. Basic fiduciary standards;
    - 2. Specialized fiduciary standard for project management; and
    - 3. Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees); and
  - (iii) **Maximum environmental and social risk category:** high risk (category A/I-1) (including lower risk (category B/intermediation 2 (I-2)<sup>10</sup> and category C/intermediation 3 (I-3)<sup>11</sup>);
- (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) **Condition to be met prior to the first disbursement by GCF for the first approved GCF project/programme to be undertaken by the applicant:**
    - 1. Provision of evidence by the applicant of an independent external quality assessment of the overall effectiveness of the applicant's internal audit function;
  - (ii) **Condition to be met within one year of the first disbursement by GCF for the first approved GCF project/programme to be undertaken by the applicant:**

<sup>8</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 Fund, of up to and including US\$ 10 million for an individual project or an activity within a programme".

<sup>9</sup> As per annex I to decision B.08/02, "small" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US\$ 10 million and up to and including US\$ 50 million for an individual project or an activity within a programme".

<sup>10</sup> As per annex I to decision B.07/02, category B is defined as "Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures" and intermediation 2 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented".

<sup>11</sup> As per annex I to decision B.07/02, category C is defined as "Activities with minimal or no adverse environmental and/or social risks and/or impacts" and intermediation 3 is defined as "When an intermediary's existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts".

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1. Provision of evidence by the applicant, in the form of a report, on the assessment of procurement procedures and practices of executing entities in the first approved GCF-funded project/programme;
- (iii) Condition to be met on an annual basis for two consecutive years starting from the date of the first disbursement by GCF for the first approved GCF project/programme to be undertaken by the applicant:
1. Provision of evidence by the applicant of the publication on the applicant's website of information on the periodic progress of the first approved GCF project/programme, including budget utilization; and
- (iv) Condition to be met within one year of the closure of the first approved GCF project/programme to be undertaken by the applicant:
1. Provision of evidence by the applicant of the publication on the applicant's website of the final evaluation report, including information on project results and beneficiaries, for the first approved GCF project/programme.
76. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 75 above, and agrees to the recommendation.