

Annex XX: Accreditation assessment of applicant 095 (APL095)

I. Introduction

1. Applicant 095 (APL095), Cassa Depositi e Prestiti S.p.A. (CDP), is a public and private sector entity based in Italy that operates internationally. The applicant is an Italian national promotional institution mandated to promote international development and cooperation and national economic development and growth. The applicant supports national foreign policies, strategies and programmes with regard to international cooperation for sustainable development, human rights and peace, poverty eradication, conflict prevention and reconciliation, and education. In addition, the applicant acts as a financial institution and has carried out various activities to promote Italy's actions in development cooperation by providing finance to the government, local authorities and public entities and also in support of the local private sector.

2. The applicant submitted its application for accreditation to the Secretariat via the online accreditation system on 28 February 2018. Accreditation fees were received from the applicant on 8 August 2018, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 27 June 2019 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:** international access;
- (b) **Track:** the applicant became fast-track eligible under the Directorate-General for International Development and Cooperation of the European Commission (DG DEVCO) part-way through Stage I;
- (c) Maximum size of an individual project or activity within a programme: large;¹
- (d) Fiduciary functions:²
 - (i) Basic fiduciary standards;
 - (ii) Specialized fiduciary standard for project management;
 - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
 - (iv) Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees); and
- (e) **Maximum environmental and social risk category:** high risk (category A/Intermediation 1 (I-1)).³

II. Stage I institutional assessment and completeness check

¹ As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "large" is defined as "total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US\$ 250 million for an individual project or an activity within a programme".

² Decision B.07/02.

³ As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), category A is defined as "Activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented" and intermediation 1 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented".

3. The applicant initially applied under the normal track and later became eligible for the fast-track accreditation process as a DG DEVCO entity. Its application has been assessed by the Secretariat during Stage I under the normal track, and later in accordance with the requirements and gaps identified in decisions B.08/03 and B.12/30.

2.1 Legal status, registration, permits and licences

4. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. The applicant is a joint-stock company (Law Decree No. 269/2003) registered in Rome under the Chamber of Commerce, Industry, Handicrafts and Agriculture of Rome. The applicant's largest shareholder is the Ministry of Economy and Finance of Italy, followed by private shareholders and treasury shares. In accordance with Law n.125/2014, the applicant is authorized to perform the task of acting as a financial institution for international development cooperation.

2.2 Institutional presence and relevant networks

5. The applicant is a national promotional institution with its public mandate and acts as a financial institution. Therefore, the applicant serves as a bridge between the public and private sectors and aims to develop a 360-degree approach to address climate finance. The applicant deploys various financial instruments to invest in sectors where the scarcity of investments and the lack of coordination of interventions are likely to compromise the achievement of development goals. For example, the applicant crowds-in private sector actors through initiatives that help remove market distortions and improve market regulatory frameworks.

6. Furthermore, the applicant has a global presence in 69 countries in Africa, Asia Pacific, Eastern Europe, and Latin America and the Caribbean with a special focus on small island developing States and the least developed countries. It promotes investments in green economy and places "green initiatives" as a priority of its operations. As a lender and investor using its own resources, the applicant provides soft loans, sovereign loans, private loans and equity investments. In addition, it co-finances green projects and initiatives with various partners, such as national governments, private funds, multilateral development banks and international financial institutions.

7. The applicant supports the sustainable and low carbon growth of the private sector and promotes the financing of development cooperation projects. It aims to leverage more finance and provide financial support to advance the paradigm shift towards new development models to address climate change and sustainability issues, in particular by mobilizing finance to unblock bottlenecks to private investment by addressing the risks involved, and by developing an inviting business environment for climate investments.

8. The applicant is committed to the Paris Agreement and the United Nations 2030 Agenda for Sustainable Development. It aims to identify a new balance between public and private resources and to foster effective public-private partnerships in order to achieve positive results in terms of transition to a low emission and climate-resilient economic system. It also intends to leverage its experience at the national level and focus on renewable energy, smart grids and energy savings through the promotion of clean and innovative technologies.

9. In order to advance the objectives of GCF, the applicant intends to deploy innovative financing tools and blending schemes to leverage private sector interventions. The applicant intends to finance climate projects in its identified strategic regions, such as Africa, small island developing States and South-East Asia. In addition, it aims to focus on both mitigation and adaptation actions and intends to prioritize the following GCF results areas:

- (a) Energy generation and access;
- (b) Buildings, cities, industries and appliances; and
- (c) Infrastructure and built environment.

2.3 Track record

10. The applicant has track record in using different and innovative financing tools, including grants, loans, equity and guarantees, and also has experience in treasury, risk management and credit risk analysis. For example, the applicant has been working on launching a risk-sharing platform with multilateral financial institutions in order to provide guarantees to foster the financing of small renewable energy development projects for local private beneficiaries in Sub-Saharan Africa.

11. In collaborations with other financial institutions, the applicant also gained experience in managing the full project cycle from financial assessment, disbursement, financial monitoring in several key sectors of the economy.

12. The applicant's track record in financing sustainable development and climate change-related projects to date includes the following:

- (a) USD 600 million (in grants) for the Kyoto Fund to improve energy efficiency of school buildings;
- (b) USD 28 million (in grants and loans) for a revolving fund for development cooperation to provide access to drinking water for schools, cities and rural areas in the Plurinational State of Bolivia;
- (c) USD 274 million (out of USD 274 million) (in loans) for the Mosul Dam project in Iraq;
- (d) USD 240 million (out of USD 800 million) (in loans) for a Lima Metropolitana Project in Lima, Peru;
- (e) USD 60.95 million (out of USD 265 million) (in equity) for a European Energy Efficiency Fund project to finance member states of the European Union through public-private partnerships in small-scale renewable energy and clean urban transport projects; and
- (f) USD 42 million (out of USD 140 million) (in guarantees) for a project in Italy to modernize the Milazzo refinery to reduce dust emissions and consumption of gas fuels.

2.4 Potential support for direct access entities

13. The applicant aims to support national and regional entities in improving their institutional functions, so that these entities have a strengthened capacity to better assist their countries in implementing a "green revolution" towards low carbon and climate-resilient development. For example, the applicant intends to support direct access entities through the following strategies:

- (a) Partnering with developing countries' subnational, national and regional entities as well as intermediaries in designing, developing and implementing projects for GCF;
- (b) Providing technical assistance in selecting specific projects and improving awareness and accountability in climate initiatives;
- (c) Providing capacity-building for risk assessment and management of financial issues related to investment projects, and development of innovative financial tools; and

- (d) Supporting direct access entities' partnerships with international and European financial organizations.

14. In addition, in order to support direct access entities in their accreditation to GCF, the applicant intends to provide for direct involvement of national and regional entities in projects and initiatives that CDP will bring forward to GCF. It intends to help direct access entities in the selection of appropriate financial instruments dedicated to projects that can contribute to GCF objectives. It also intends to share knowledge and experience gained in its network of international financial institutions to promote new initiatives.

III. Stage II accreditation review assessment

15. The applicant is eligible for, and applied under, the fast-track accreditation process as a DG DEVCO entity. Its application has been assessed by the Accreditation Panel (AP) during Stage II (Step 1) against GCF accreditation standards in accordance with the requirements and gaps identified in decisions B.08/03 and B.12/30.

16. 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 gain better knowledge and understanding of its operations and check the information provided with the application and especially the applicant's capacity to meet GCF requirements under the Environmental and Social Policy and Gender Policy.

3.1 Fiduciary standards

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

17. As per paragraph 15 above, the basic fiduciary standards concerning key administrative and financial capacities is considered to have been met by way of fast-track accreditation.

3.1.2 Section 4.2: Basic fiduciary standards: transparency and accountability

18. As per paragraph 15 above, the basic fiduciary standards concerning transparency and accountability, with the exception of items 4.2.3, prohibited practices and whistle-blowers and witnesses, and 4.2.5, anti-money-laundering (AML) and countering the financing of terrorism (CFT) policies, have been met by way of fast-track accreditation.

19. Regarding item 4.2.3, the applicant has adequate policies and procedures and capacity to prevent or deal with financial mismanagement and other forms of malpractice. In this context, the applicant has: a code of ethics that lays out the institution's policy on zero tolerance for fraud, financial mismanagement and other forms of malpractice by staff and all other relevant parties associated directly or indirectly with the general operations of the applicant; avenues and tools for reporting suspected ethics' violations, misconduct and any kind of malpractice; a function for investigating allegations of fraud and corruption and other forms of malpractice; disclosure of conflict of interest procedures; and a policy and associated mechanisms for protecting whistle-blowers and witnesses.

20. The AP finds that the applicant's policies, procedures and capacity fully meet the GCF Policy on Prohibited Practices and its Policy on the Protection of Whistleblowers and Witnesses.

21. Regarding item 4.2.5, the applicant has a comprehensive AML/CFT Policy, which is designed to comply with: European Union Directive (2015/849); the Financial Action Task

Force international standards and recommendations; Italian Legislative Decree 231/2007; and AML/CFT regulations of the Supervising Authorities (i.e. the Bank of Italy and the Italian Financial Intelligence Unit. The framework for preventing money laundering and financing of terrorism includes:

- (a) “Know-your-customer” procedures to achieve real knowledge of counterparties. The procedures follow a risk-based approach and provide for enhanced measures/scrutiny in the case of clients with a high risk profile;
- (b) Systems and procedures to identify suspicious transactions which are reported to the Italian Financial Intelligence Unit;
- (c) Maintenance of a database where information is updated on a regular basis and stored for a least 10 years; and
- (d) Annual educational events to spread AML/CFT knowledge among the applicant’s employees.

22. The applicant’s “know-your-customer” due diligence procedures involve three key steps: client verification, registration of information, and reporting of suspicious transactions. Sample copies of recent reports on “know-your-customer” due diligence undertaken were provided. The reports are comprehensive and are consistent with the applicant’s “know-your-customer” due diligence procedures. The applicant traces and monitors the transfers of funds between itself and its clients by keeping records of all transactions in a dedicated financial transactions database. Sample copies of reports on monitoring of funds transfer were provided.

23. 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 by way of fast-track accreditation, as well as the GCF Policy on the Protection of Whistleblowers and Witnesses,⁴ GCF Policy on Prohibited Practices⁵ and the GCF AML/CFT Policy.⁶

3.1.3 Section 5.1: Specialized fiduciary standard for project management

24. The applicant has several policies, frameworks and guidelines used in the management of its loan, equity investment and guarantee operations. The main ones include:

- (a) Project preparation and appraisal guidelines;
- (b) Procedures for undertaking project quality review during the project preparation and appraisal processes;
- (c) Procedures for assessing project risks, including provisions for the development and implementation of appropriate risk mitigation strategies and actions;
- (d) Policies and operational procedures for the preparation of project implementation plans and budgets;
- (e) Project monitoring and evaluation procedures; and
- (f) Policies and procedures relating to project closure.

25. The applicant also has an Evaluation Disclosure Policy that provides guidance on disclosure of project information in accordance with the applicant’s “Regulation for the Disclosure of Privileged Information to the Public”. The information provided by the applicant clearly demonstrates that the above policies and procedures are effectively implemented.

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

⁵ Decision B.22/19 and annex XIV thereto.

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

26. The applicant has a sound process for undertaking project quality review during the project preparation and appraisal stages. The first stage of this process is performed by the Risk Operation Department, which is independent of the business unit that originates the project proposal. The second stage of the process is carried out by the Credit Committee, comprising representatives of the Legal, Risk Operation, Risk Management Compliance, and Finance Departments. Sample quality review reports were provided and show that the process operates effectively.

27. The applicant has well-documented procedures for monitoring and evaluation of its lending, equity finance and guarantee operations. However, even though in practice the applicant uses independent advisers to carry out evaluations of some of the projects it finances, these procedures did not include specific provisions for independent evaluation of projects/programmes as required by the GCF specialized fiduciary standard for project management. Accordingly, the applicant has subsequently revised its monitoring and evaluation procedures to include a clear requirement for independent evaluation of GCF-funded projects.

28. The applicant's overall project oversight and control function is handled by two main units. While the Business Management Unit monitors the overall project implementation progress, the independent Internal Audit Unit focuses on monitoring counterparty compliance with the applicant's internal policies, procedures, as well as the terms and conditions set out in financing agreements.

29. The applicant has a project-at-risk system, which is independent of the project implementation and project supervision functions. The system is overseen by the Business Management Unit. Examples of project problems identified and addressed to demonstrate effectiveness of the use of the system 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 specialized fiduciary standard on project management.

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

31. As per paragraph 15 above, the specialized fiduciary standard for grant award and/or funding allocation mechanisms is considered to have been met by way of fast-track accreditation.

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

32. The applicant has a set of well-documented policies and procedures for its on-lending, blending, equity and guarantee operations. These include: due diligence policies and procedures for assessing the capabilities of the counterparties seeking financing; an investment management policy; and a comprehensive risk management policy. The latter has provisions for implementing risk management strategies to mitigate a broad range of risks including equity risk, credit risk, liquidity risk, exchange rate risk, operational risk, reputational risk, country risk, and interest rate risk.

33. The applicant has a policy/guidelines for publishing information on its lending, equity and guarantee operations. The information is made available to the public by publication on the applicant's website and in its annual report. In addition, as required by the GCF specialized fiduciary standard for on-lending and/or blending, the applicant provides public access to information, via its website, on beneficiaries and results of the projects it finances. Evidence of publication of information on the applicant's operations was provided.

34. The applicant has experience and capacities in mobilizing funds for its on-lending, blending, equity investment and guarantee operations from international and multilateral sources. In 2015, the applicant successfully passed the European Union Seven Pillars Assessment Procedure for the management of resources available under the European Union blending facilities for the financing of international development cooperation projects. The applicant is currently participating in two initiatives with other international development financial institutions aimed at stimulating investment in Africa. The applicant is also in the process of negotiating with the European Commission the terms of three Guarantee Agreements, including:

- (a) A guarantee programme for a renewable energy initiative whose aim is to support the financing of small renewable energy plants in sub-Saharan Africa;
- (b) A programme jointly promoted by the applicant and two other development finance institutions which aims at addressing the causes of migration inflows from sub-Saharan Africa by promoting financial inclusion and local entrepreneurship; and
- (c) An initiative promoted jointly with the African Development Bank to support the development of Africa's most ambitious small and medium-sized enterprises.

35. The applicant has a system for ensuring that the funding it provides is used for the intended purposes. In accordance with the applicant's business management procedures, the Internal Audit Division verifies the effective allocation and utilization of the financing provided by the applicant. Examples of internal audit reports on the use of funds and evidence of advantages to final beneficiaries were provided.

36. The applicant provided information that shows there is clear segregation of the treasury function and operations. The segregation of duties is demonstrated in relation to disbursement of financing provided by the applicant. Disbursement requests are prepared by business units which are entered into the applicant's information technology system along with supporting documentation. The Treasury Office receives the request for payment directly from the information technology system, verifies the supporting documentation and proceeds with the payment.

37. In addition to its lending and on-lending activities, the applicant undertakes equity investments primarily through investment in funds set up by institutions such as the European Investment Bank, the European Commission and other entities. Examples of such funds include: (a) the European Energy Efficiency Fund, whose main objective is to combat climate change through investments proposed by public bodies within the European Union; and (b) InfraMed Fund, sponsored by the applicant, the European Investment Bank and French, Moroccan and Egyptian financial institutions to support diversified long-term investments in infrastructure in the fields of transport, energy and urban areas development. The applicant also provides guarantees for loans by the European Investment Bank and other financial institutions to finance a broad range of private and public sector activities, such as the financing of an oil refinery to improve energy efficiency and operational reliability and ensure compliance with Italy's national environmental legislation, and a project for increasing the availability and quality of broadband services in Italy and Brazil. Although the applicant does not provide grant financing from its own resources it has a strong track record in managing grants from the European Commission, the Italian Ministry of Environment and other donors. Examples of grant funds managed by the applicant on behalf of the various donors were provided.

38. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the GCF specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees.

3.2 Environmental and social safeguards standards

3.2.1 Section 6.1: Environmental and social policy

39. The applicant provided its new draft Environmental, Social (E&S) and Gender Policy, The draft E&S and Gender Policy also refers to the United Nations Sustainable Development Goals, a scaled risk-based approach, use of a mitigation hierarchy and stakeholder engagement.

40. The service provider for E&S services is within the applicant's group structure. It provides E&S services to group members, including to the applicant. The service provider has adopted and implemented the Organisation for Economic Co-operation and Development Recommendation of the Council on Common Approaches for Officially Supported export Credits and Environmental and Social Due Diligence (the Common Approaches) since 2001, as its Environmental and Social Management System (ESMS) when providing all E&S services. The principles and objectives of the Common Approaches focus on: human rights; the International Labour Organization Declaration on Fundamental Principles and Rights at Work; host country standards and regulations; related international agreements and conventions; E&S assessment procedures aligned to the International Finance Corporation (IFC) performance standards (PS) 1-8 on environmental and social sustainability; and World Bank Group Environmental, Health and Safety Guidelines (EHS Guidelines). The applicant has signed a new agreement with the service provider for it to conduct the E&S assessment of any GCF-funded project/programme.

41. The applicant has endorsed the declaration by the European Long-Term Investors Association⁷ to contribute to the transition to a low carbon economy. The applicant's commitment to energy transition and climate change (as well as to equal opportunity, non-discrimination and social change) are highlighted in its 2018 Annual Report.

42. The new draft E&S and Gender Policy will be approved and made publicly available by the end of 2019/early 2020. The AP finds that the applicant's draft E&S and Gender Policy (including annexes) once adopted, supported by its E&S service providers' track record under the Common Approaches, will meet the GCF Environmental and Social Policy⁸ 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. The gap related to the applicant's Board approving the draft E&S and Gender Policy identified in paragraph 39 above is addressed by the condition for accreditation in section 4.2 of this document.

3.2.2 Section 6.2: Identification of risks and impacts

43. The applicant's draft E&S and Gender Policy describes the institutional process to identify E&S risks and impacts and to categorize projects/programmes, in line with IFC PS 1-8. The service provider has the tools (e.g. checklists) and personnel to conduct this process, categorizing projects from A/I-1 (projects with significant impacts) to C/I-3 (projects with minimal impacts) and identifying further E&S studies, where needed. The service provider provides the screening/categorization report to the applicant's Business Unit (e.g. international development department) and Risk Department. The Sustainability Unit supervises and provides oversight, ensuring compliance of the applicant's ESMS.

44. The applicant provided a list of projects (e.g. two combined-cycle power plants, an urban development project and a food/beverage project), which were categorized on its behalf by the service provider to demonstrate its track record of categorizing projects from A/I-1 to C/I-3 using IFC PS 1-8.

45. The AP finds that the applicant's system to identify E&S risks and impacts and to categorize projects, supported by its E&S service providers' track record under the Common

⁷ See <<https://www.eltia.eu/>> and <http://www.d20-ltic.org/images/ELTI_website_info_as_brochure.doc_3.pdf>.

⁸ Decision B.19/06 and annex X thereto.

Approaches, meets the GCF Environmental and Social Policy and interim ESS standards for maximum E&S risk category A/I-1 projects/programmes.

3.2.3 Section 6.3: Management programme

46. The draft E&S and Gender Policy describes in detail the applicant's ESMS and institutional process to manage mitigation measures and actions stemming from the E&S risk and impact identification process, from risk identification to monitoring, reporting and evaluation. The policy includes process flowcharts showing integration of E&S into the applicant's project cycle and project-appraisal cycle. The project-appraisal cycle requires that all risks (i.e. economic, financial and E&S risks) be assessed. In the case of E&S risks, the service provider or an external supplier will review the full ESIA (category A/I-1) or limited ESIA (category B/I-2). When the ESIA predicts E&S risks and impacts, the E&S mitigation measures and time-bound corrective actions are outlined in an Environmental and Social Management Plan (ESMP) and/or Environmental and Social Action Plan (ESAP), in line with IFC PS 1-8 and the EHS Guidelines.

47. The ESIA findings are summarized by the service provider, including any proposed E&S loan conditions, in conjunction with the applicant's Business Unit and Sustainability Unit. The applicant's Risk Department reviews all risks and submits its overall findings to senior management, for final decision-making.

48. The applicant provided a copy of the service provider's ESMP/ESAP template and several ESMPs/ESAPs (e.g. for the combined-cycle power project and urban transportation project) to demonstrate integration of E&S risk management over the project cycle in line with IFC PS 1-8.

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

3.2.4 Section 6.5: Monitoring and review

50. The draft E&S and Gender Policy describes the E&S monitoring, review and reporting framework and procedure. The framework comprises project-specific annual performance reports, and interim and final evaluations/audits to ensure implementation of the ESMPs/ESAPs and E&S conditions. The applicant's projects are subject to three levels of internal control:

- (a) The service provider is responsible for E&S monitoring, review, reporting and coordination on any follow-up action, which can include site visits and conference calls with relevant parties. An independent consultant is typically hired (especially under co-financing arrangements) to assess the implementation and effectiveness of mitigation measures. The monitoring and review reports are checked by the applicant's Business Unit and Operational and Legal Department;
- (b) The applicant's Risk Management Department conducts the second-level check on all risks and mitigation measures; and
- (c) The applicant's Sustainability Unit conducts the third-level oversight check, compiling the periodic and final E&S monitoring and review reports based on the information from the other levels.

51. In the case of a GCF-funded project/programme, the applicant will use a risk-based approach to monitor all projects from category A/I-1 (frequent monitoring) to C/I-3 (limited monitoring to confirm the category C/I-3 designation).

52. The draft policy requires that the effectiveness of ESMP/ESAP mitigation measures and the effectiveness of the ESMS be reviewed periodically to capture lessons learned during implementation and to align with the evolving international best practices. The draft policy requires the review results to be reported to its senior management on a periodic basis. The draft E&S and Gender Policy provides a monitoring report template, which covers the requirements of IFC PS 1-8.

53. Several ESAP monitoring reports (e.g. for the steel mill project, transportation project and combined-cycle power plants) were provided, demonstrating that the applicant's projects under the Common Approaches framework are monitored and reviewed against IFC PS 1-8, that the implementation and effectiveness of the mitigation measures are reviewed by external independent consultants, and that additional corrective measures are identified and tracked, where needed.

54. The applicant does not have a track record in conducting ESMS effectiveness reviews and reporting the results to its senior management. This track record will be built once it starts implementing its new ESMS for a GCF-funded project/programme.

55. The AP finds that the applicant's system of monitoring and review, supported by evidence of its E&S service provider's track record under the Common Approaches framework, partially meets the GCF Environmental and Social Policy and interim ESS standards for maximum E&S risk category A/I-1 projects/programmes. The relevant gap identified in paragraph 54 above is addressed by the corresponding condition for accreditation in section 4.2 of this document.

3.2.5 **Section 6.6: External communications; consultations, information disclosure, and grievance redress mechanism at the institutional level**

56. The draft E&S and Gender Policy requires projects to have a stakeholder engagement plan to describe the process to conduct meaningful consultation and the provisions for E&S information disclosure. Furthermore, ESIA/ESMPs/ESAPs must document all consultation meetings and describe the schedule for communicating with the affected communities. The draft policy requires category A/I-1 and B/I-2 projects to be disclosed 120 days and 30 days, respectively, before Board approval, with the documents provided in English and the local language. This requirement is aligned to the requirements for E&S information disclosure in the GCF Information Disclosure Policy.

57. The applicant provided a track record for consultation and information disclosure in line with the Common Approaches (i.e. category A/I-1 ESIA were disclosed 30 calendar days before final commitment). The applicant will apply the consultation and information disclosure provisions of its new draft E&S and Gender Policy to all GCF-funded projects/programmes.

58. The applicant provided its 2016 grievance redress mechanism (GRM) policy ("Rules for Managing Complaints"). The applicant's website provides its GRM procedure ("Complaints Procedure") and a link to the complaints form. The GRM policy and procedure are in line with best practices (e.g. transparency, accessibility, and predictability) and describe the type of complaints eligible for resolution under the GRM, the expected timelines and the appeal procedure. Complaints can be submitted by letter, fax, or through a dedicated email address. The draft E&S and Gender Policy refers to the applicant's GRM policy and procedure, further emphasizing good-practice GRM principles. The draft E&S and Gender Policy also explicitly requires the applicant's executing agencies to provide an adequate project-level GRM.

59. The applicant provided evidence of its competency to manage its GRM, submitting the curricula vitae of its Compliance Unit staff assigned to register and manage complaints. The Compliance Unit staff provide annual reports to senior management on the status of grievances

and the effectiveness of the GRM. The applicant also provided a register of complaints for 2016 to 2017. No E&S complaints have been submitted to the applicant's GRM system to date.

60. The applicant indicated that it will establish a dedicated web portal, with its own independent GRM, for its GCF-funded projects/programmes.

61. The AP finds that the applicant's system of external communications, consultations, information disclosure and grievance redress mechanism, supported by evidence of its E&S service provider's track record, partially meets the requirements of the GCF Environmental and Social Policy, interim ESS standards and GCF Information Disclosure Policy requirements on disclosure of E&S information for maximum E&S risk category A/I-1 projects/programmes. The gap identified in paragraph 60 above is addressed by the corresponding condition for accreditation in section 4.2 of this document.

3.2.6 Section 6.4: Organizational capacity and competency

62. The applicant provided various organizational charts and two process flowcharts to show the E&S reporting lines and the departments responsible for the ESMS. The draft E&S and Gender Policy identifies in detail the E&S responsibilities and roles, as follows. The Internal Auditing Department assesses the suitability of the internal control systems and compliance with applicable rules and management instructions. Audit findings are reported to senior management through the Board Risk Committee, Board of Directors, and Board of Statutory Auditors on a quarterly basis. The Operations Management Department ensures that the counterparty is meeting its contractual obligations.

63. The applicant's Risk Department is responsible for E&S risk assessment; the Business Unit is responsible for ESMS implementation and monitoring. The Sustainability Unit coordinates and supervises the ESMS implementation and is responsible for updating and disseminating the E&S and Gender Policy/ESMS. The service provider performs the E&S activities (i.e. screening/categorization, recommending E&S covenants and monitoring and review), submitting E&S findings to the applicant's Business Unit and Risk Department.

64. The applicant provided the curriculum vitae of its service provider staff, as well as work samples, showing capacity to identify E&S risks, categorize projects and monitor and review ESMP/ESAP performance. The applicant also provided the curricula vitae of its own internal staff responsible for the ESMS implementation and supervision.

65. The service provider has trained the applicant's staff in line with the Common Approaches and a copy of the E&S training materials was provided. The applicant will need to conduct a training programme in early 2020 to disseminate and build capacity to fully implement the new E&S and Gender Policy.

66. The AP finds that the applicant's organizational capacity and competency, supported by evidence of its E&S service provider's track record, partially meets the GCF Environmental and Social Policy and interim ESS standards for maximum E&S risk category A/I-1 projects/programmes. The gap identified in paragraph 65 above is addressed by the corresponding condition for accreditation in section 4.2 of this document.

3.3 Gender

67. The draft E&S and Gender Policy provides the applicant's Gender Policy and gender-sensitive approach. It supports a country-ownership approach, refers to the gender requirements under IFC PS 1, 2, 5 and 7 and requires gender analysis, a gender action plan and gender-sensitive monitoring and evaluation over the project cycle. The gender provisions apply to all clients and beneficiaries of any future GCF project/programme.

68. The applicant's Code of Ethics emphasizes that it is an equal opportunity employer and that it does not discriminate on the basis of gender or sexual orientation. The new management model is oriented towards creating a non-discriminatory and inclusive work environment.

69. The applicant provided the curricula vitae of the service provider's staff, responsible for the gender aspects related to IFC PS 1, 2, 5 and 7 and the curricula vitae of its Sustainability Unit staff specifically responsible for gender mainstreaming in line with the new draft E&S and Gender Policy. As the draft E&S and Gender Policy is new, the applicant will need to train its staff on the gender provisions of the new draft E&S and Gender Policy in early 2020.

70. The applicant's commitment to gender equity and gender equality is highlighted in its Annual Reports. The applicant provided project examples with components to enhance the participation of women (e.g. through a technical training project that trained low-income women in non-traditional skills, such as carpentry; a programme, which included a gender equality analysis, that focused on encouraging diaspora investments into small and medium-scale enterprises, including women's enterprises). The applicant is a founding member of the 2X Challenge,⁹ a programme that provides capital to improve women's leadership skills, access to finance and access to gender-sensitive products and services.

71. The AP finds that the applicant's gender policies, procedures and capacities, supported by evidence of its E&S service provider's track record, partially meets the GCF Gender Policy requirements. The gap identified in paragraph 69 above is addressed by the corresponding condition for accreditation in section 4.2 of this document.

IV. Conclusions and recommendation

4.1 Conclusions

72. Following its assessment and noting that the applicant has applied under the fast-track accreditation process, the AP concludes the following in relation to the application:

- (a) The applicant meets the requirements of the GCF basic fiduciary standards, the GCF Policy on the Protection of Whistleblowers and Witnesses, the GCF Policy on Prohibited Practices and the GCF AML/CFT Policy, specialized fiduciary standard for grant award and/or funding allocation mechanisms, specialised fiduciary standard for project management, and specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees.
- (b) The applicant partially meets the requirements of the GCF E&S Policy and interim ESS standards as well as the GCF Information Disclosure Policy requirements on disclosure of E&S information in relation to the high E&S risk (category A/I-1). The main gaps identified in paragraphs 39, 54, 60 and 65 above relate to the applicant having a new draft E&S and Gender Policy approved by its Board; conducting and reporting on ESMS effectiveness reviews; establishing an independent GRM on its portal for GCF-funded projects/programmes; and implementing a training programme to disseminate the new E&S and Gender Policy. The gaps are addressed in the corresponding conditions for accreditation in section 4.2 of this document; and
- (c) The applicant has demonstrated that it partially meets the competencies in order to implement its Gender Policy. The main gap identified in paragraph 69 above, relating to training its staff on the gender provisions in the new draft E&S and Gender Policy, is

⁹ See <<https://www.2xchallenge.org>> and <https://www.cdp.it/sitointernet/page/en/women_empowerment_3_billion_dollars_for_investment_in_women?contentId=PRG20059>.

addressed in the corresponding condition for accreditation in section 4.2 of this document.

4.2 Recommendation on accreditation

73. The AP recommends, for consideration by the Board, applicant APL095 for accreditation as follows:

- (a) **Accreditation type:**
- (i) **Maximum size of an individual project or activity within a programme:** large (including micro,¹⁰ small¹¹ and medium¹²);
 - (ii) **Fiduciary functions:**
 - 1. Basic fiduciary standards;
 - 2. Specialized fiduciary standard for project management;
 - 3. Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
 - 4. Specialized fiduciary standard for on-lending and/or blending (for loans, 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)¹³ and category C/intermediation 3 (I-3)¹⁴);
- (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 of evidence by the applicant of the adoption by its Board and publication on its website of the E&S and Gender Policy; and

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 Fund, of up to and including USD 10 million for an individual project or an activity within a programme”.

¹¹ 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”.

¹² As per annex I to decision B.08/02, “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 US\$ 250 million for an individual project or an activity within a programme”.

¹³ 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”.

¹⁴ 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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2. Provision of evidence by the applicant demonstrating that the applicant has implemented its 2019 training programme on the new E&S and Gender Policy (i.e. provide the training materials and workshop report);
 - (ii) 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 demonstrating that the web portal for the first approved GCF project/programme was established and that this web portal has its own independent grievance redress mechanism for this first project/programme; and
 - (iii) Condition to be met within two 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 ESMS, which shall include examples of its application and of lessons learned.
74. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 73 above, and agrees to the recommendation.