

Annex V: Accreditation assessment of applicant 108 (APL108)

I. Introduction

1. Applicant 108 (APL108), the Infrastructure Development Bank of Zimbabwe (IDBZ) is a national direct access entity based in Zimbabwe. The applicant aims to promote economic development and growth and improve the living standards of Zimbabweans through the development of infrastructure. It focuses on the development of various sectors, including energy power supply, transport, water and sanitation, information communication technology and housing.

2. The applicant submitted its application for accreditation to GCF via the online accreditation system on 1 April 2019. Accreditation fees were received from the applicant on 1 August 2019, thereby launching the stage I institutional assessment and completeness check. Stage I was completed on 30 June 2020 and the applicant was progressed to the stage II (step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of GCF:

- (a) **Access modality:** direct access, national. The applicant received a national designated authority or focal point nomination for its accreditation application from the Republic of Zimbabwe;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or activity within a programme:** small;¹
- (d) **Fiduciary functions:**²
 - (i) Basic fiduciary standards;
 - (ii) Specialized fiduciary standard for project management; and
 - (iii) Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees); and
- (e) **Maximum environmental and social risk category:** medium risk (category B/intermediation 2 (I-2)).³

II. Stage I institutional assessment and completeness check

3. The applicant applied and was assessed by the Secretariat during stage I under the normal track accreditation process in accordance with the GCF policies and standards below:

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

² Decision B.07/02.

³ As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), category B is defined as “Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures,” and intermediation 2 is defined as “When an intermediary’s existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented.”

- (a) “Guiding Framework and Procedures for Accrediting National, Regional and International Implementing Entities and Intermediaries, Including the Fund’s Fiduciary Principles and Standards and Environmental and Social Safeguards” (decision B.07/02);
- (b) “Guidelines for the Operationalization of the Fit-for-purpose Accreditation Approach” (decision B.08/02);
- (c) “Interim Policy on Prohibited Practices” (exhibit A of the accreditation master agreement considered in decision B.12/31);
- (d) “Policy on Prohibited Practices” (decision B.22/19);
- (e) “Anti-Money Laundering and Countering the Financing of Terrorism Policy” (AML/CFT Policy) (decision B.18/10);
- (f) “Policy on the Protection of Whistleblowers and Witnesses” (decision B.BM-2018/21);
- (g) “Environmental and Social Management System: Environmental and Social Policy” (decision B.19/10);
- (h) “Comprehensive Information Disclosure Policy of the Fund” (decision B.12/35) regarding the disclosure of environmental and social (E&S) information;
- (i) “Gender Policy and Action Plan” (decision B.09/11); and
- (j) “Updated Gender Policy and Gender Action Plan 2020–2023” (decision B.24/12).

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 was established as a body corporate pursuant to section 3 of Chapter 24:14 of the Infrastructure Development Bank of Zimbabwe Act.

2.2 Institutional presence and relevant networks

5. As a national development finance institution, the applicant has a strong national presence to support development projects and programmes in all sectors of the Zimbabwean economy. It closely collaborates with national governments, non-governmental organizations, development partners and executing entities to implement low-emission and sustainable infrastructure projects. It also interacts with academia and local vulnerable groups to minimize adverse impacts resulting from the implemented projects. Furthermore, it mobilizes resources from both public and private sectors and further catalyses private sector finance through promotion of public-private partnerships and other innovative financial mechanisms, such as infrastructure bonds.

6. The applicant has a strong commitment to contributing to the achievement of the nationally determined contributions of Zimbabwe. Up until 2020, the applicant was guided by its medium-term strategy (2016–2020) which was based on the Zimbabwe Agenda for Sustainable Socio-Economic Transformation, the Ten-Point Plan and the United Nations’ 2030 Agenda for Sustainable Development. To that a new national transformative and inclusive development agenda, the Government of Zimbabwe has come up with its Vision 2030, which envisages an upper middle-income status for the country by 2030. The country has since launched National Development Strategy 1 (NDS1), which will run until 2025, followed by another five-year strategy (NDS2). The applicant is thus currently developing a long-term strategy (2021–2030) to support Vision 2030 priorities and envisaged growth targets under NDS1. In order to achieve national climate priorities, the applicant intends to focus on

promoting climate resilient agriculture, increasing renewable energy sources, developing integrated waste management systems, changing existing thermal power station technologies to low carbon technologies, establishing smart cities, and supporting development of effective urban public transport systems.

7. In order to advance the objectives of GCF, the applicant intends to improve its institutional capacity to manage climate finance and climate projects through capacity-building programmes. In addition, it intends to utilize the Project Preparation Facility upon accreditation to address gaps in project preparation activities and accelerate development of its climate project pipeline. The applicant intends to use GCF resources with a focus on areas of energy access, energy efficiency and agriculture for the following activities to continue to assist the Government of Zimbabwe in the implementation of its nationally determined contributions, including:

- (a) Off-grid solar projects in partnership with the Rural Electrification Agency to reduce pressure on the grid whilst increasing availability of affordable, reliable and clean energy;
- (b) Blending concessional resources from GCF to catalyze increased private sector investments in scalable renewable energy projects;
- (c) Investing in integrated solid waste management that promotes composting, recycling and landfilling with gas flaring;
- (d) Development of solar-powered off-grid and water-efficient irrigation schemes and drought-proof agriculture sector projects, to enhance agricultural production, food security, job creation, and poverty alleviation in Zimbabwe; and
- (e) Low-emission development strategies to use alternative energies, for example, solar lighting systems, solar water heaters, and energy-efficient designs for construction and operation of accommodation facilities, such as under its University Students and Staff Accommodation Programme.

8. The applicant's overall planned use of GCF resources is coherent with information that the country has presented in the draft version of the Zimbabwe Country Programme, shared with the Secretariat in the fourth quarter of 2020 (the final version of Zimbabwe's Country Programme has not been shared with GCF as at the date of finalizing this recommendation on accreditation).

2.3 Track record

9. Since its establishment the applicant has been working to promote development of infrastructure and economic growth of Zimbabwe. It provides capital for expansion and modernization of existing, as well as the creation and development of new, infrastructure facilities and enterprises. With a focus on agriculture (irrigation infrastructure), energy, transport, water and sanitation, housing and information communication technology sectors, the applicant mobilizes public and private finance to appraise, implement and monitor development projects and programmes. It also provides technical assistance with regard to identification, preparation, evaluation, financing and management of such projects and programmes. The applicant facilitates participation of local communities and vulnerable groups in its projects. Furthermore, it has mainstreamed and integrated gender equity and environmental and social safeguards in the design, implementation and management of its infrastructure projects. The applicant also has experience in providing loans, equity and guarantees to clients, projects and businesses.

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

- (a) USD 50 million (loans) for the Expansion of Kariba South Hydro Power Station Project of Zimbabwe Power Company;
 - (b) USD 45 million (loans) for the Prepaid Metering Project by the Zimbabwe Electricity Transmission and Distribution Company which has helped to enhance revenue collection and electricity use and availability as well as reduce load-shedding and the use of kerosene and diesel/petrol generators;
 - (c) USD197,690 (loan) to finance a bankable feasibility study for the proposed Osborne Dam Mini-hydro Project in Manicaland Province in Zimbabwe;
 - (d) USD 14.8 million (equity) for the Kariba Housing Development Project to develop residential land in Kariba town in Zimbabwe;
 - (e) USD 5.8 million (equity) for the Empumalanga West Housing Project to develop residential land in Hwange town in Zimbabwe;
 - (f) USD 4,700 (guarantees) for Max Haivo Electrical and Hardware Enterprise to support the Rural Electrification Agency to establish a performance bond for the supply and delivery of drop out fuses; and
 - (g) USD 429,331 (guarantees) for Hualong Construction Company for the construction of the head office for the Cell Insurance Company (Private) Limited in Harare.
11. The applicant has experience with projects/programmes related to the following GCF results areas:
- (a) Mitigation: reduced emissions from:
 - (i) Energy generation and access;
 - (ii) Transport; and
 - (iii) Buildings, cities, industries and appliances;
 - (b) Adaptation: increased resilience of:
 - (i) Livelihoods of people and communities;
 - (ii) Health, food and water security; and
 - (iii) Infrastructure and built environment.

III. Stage II accreditation review assessment

12. The applicant applied under the normal track accreditation process. Its application has been assessed by the Accreditation Panel (AP) during stage II (step 1) against the standards of GCF in accordance with the accreditation requirements set out in the GCF policies and standards identified in paragraph 3 above except for paragraph 3(c) as that policy was no longer valid and superseded by that in paragraph 3(d) and except for paragraph 3(i) which was superseded by that in paragraph 3(j), both at the time the application entered stage II (step 1).

13. As part of this assessment, the AP consulted the applicant's website to complement the information provided in the application.

3.1 Fiduciary standards

3.1.1. Basic fiduciary standards: key administrative and financial capacities

14. The applicant has a governance structure suitable for its scope of operations. An organizational chart lays out the institution's key areas of authority, responsibilities and reporting lines. The Board of Directors is assisted by four board committees: Corporate Governance, Ethics and Sustainability Committee; Finance, Risk and ICT Committee; Human Resources Committee; and Audit Committee. The latter assists the Board in exercising oversight of the entity's internal controls, internal and external audit processes and reporting, and financial governance processes that are designed to support the achievement of the entity's strategic objectives. Terms of reference of the committees and sample minutes of committee meetings show that the committees carry out their functions in accordance with their mandates.

15. The applicant has a process for setting its short- and long- term objectives. The process is driven by the entity's Economics, Strategy and Performance Monitoring Unit. The applicant normally develops strategies of up to five years and three-year rolling work programmes and budgets. However, the applicant is currently working on a long-term strategy for the next 10 years, from 2021 to 2031. A copy of the applicant's current strategic plan (2016–2020) was provided. A review by the AP showed the strategic plan supports and is aligned with the entity's overall mission.

16. The applicant's external audit reports reviewed by the AP confirm that the entity's annual financial statements are prepared in accordance with International Financial Reporting Standards, the requirements of the country's Banking Act and the Infrastructure Development Bank of Zimbabwe Act. As a public sector entity, the applicant is under the purview of the Office of Auditor General who is responsible for the appointment of the external auditor (currently Baker Tilly Chartered Accountants) through a competitive process. External audit reports examined by the AP are comprehensive and include:

- (a) Assertions by the external auditor that the financial statements are audited in accordance with International Standards on Auditing; and
- (b) Information on the status of management responses to external audit observations/recommendations of previous years.

17. The policies and procedures relating to payments for the applicant's expenses and disbursement of the financing it provides are detailed in a Finance Procedures Manual and Delegation of Authority Matrix. Evidence of a system for periodic compliance check/audit of the payment and disbursement system was provided.

18. The applicant has an independent Internal Audit Unit which functionally reports to the Board Audit Committee and administratively to the entity's Chief Executive Officer. Work of the Unit is guided by an Internal Audit Charter and an Internal Audit Manual. Both documents outline the scope, purpose, authority and responsibilities of the internal audit function. Sample internal audit reports provided show that: (a) implementation of audit recommendations is actively followed up by both management and the Board Audit Committee; and (b) the performance of services provided by the Internal Audit Unit is guided by the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing. The Unit's work is based on annual audit plans. Sample audit plans, audit reports and information on the status of execution of the last three years' internal audit plans reviewed by the AP confirm that the Internal Audit Unit carries out its function in accordance with its Charter. While the applicant has a policy requiring periodic assessment of the overall effectiveness of the internal audit function, evidence of implementation of the policy was not provided. However, the applicant has started the process of engaging the Institute of Internal Auditors to undertake an independent assessment.

19. 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 in the organization. The applicant manages the risk inherent in its

business activities through an ongoing process of identification, measurement and monitoring, in line with approved risk limits and other controls. The applicant continuously reviews and where necessary revamps its compliance risk management framework to ensure adherence to the applicable laws, regulatory requirements, internal policies and procedures, industry standards and best practice.

20. The applicant has appropriate procurement policies and procedures detailed in a Procurement Policy Manual. The policies and procedures are designed to: (a) promote economy, fairness, transparency and efficiency in the procurement process; (b) specifically ensure compliance with the country's Public Finance Management Act, Public Procurement and Disposal of Public Assets Act and the Procurement Regulations S.I.5 of 2018; and (c) generally, comply with international, regional and national procurement best practices. The applicant also has guidelines for different types of procurement, such as consultants, contractors and service providers under the projects it finances. Documents relating to two separate major procurement activities undertaken in the recent past were reviewed by the AP. They demonstrate compliance with the entity's procurement policies, guidelines and procedures. The applicant has a satisfactory process for resolution of procurement disputes. In accordance with the Public Procurement and Disposal of Public Assets Act and Regulations, the applicant's procurement policies and awards are publicly disclosed in the Government Gazette and major newspapers. Evidence of public disclosure of the applicant's procurement policies and procurement awards was provided.

21. The applicant has in place appropriate procedures and adequate organizational resources for assessing the procurement procedures of beneficiary institutions, executing entities or sponsors of projects that would be funded by GCF. However, effective implementation of these procedures has not been demonstrated. Evidence of assessments of the procurement procedures of beneficiary institutions, executing entities or project sponsors in relation to GCF projects/programmes, as well as evidence showing that the applicant's procurement policies and awards under GCF-funded projects are publicly disclosed on its website would be provided only after implementation of GCF-funded projects/programmes has commenced.

22. The AP finds that the applicant's policies, procedures and capacity, supported by the evidence of track record, partially meet the basic fiduciary standards on key administrative and financial capacities. The relevant gaps are identified in paragraphs 18 and 21 above and are reflected by the corresponding condition of accreditation in section 4.2.

3.1.2. Basic fiduciary standards: transparency and accountability

23. The applicant has a Code of Ethics to provide general guidance on standards expected of all employees and persons/entities associated with the applicant. The policy requires all board members, management and employees to acknowledge that they are aware of the Code and have complied with its provisions by signing a Code of Ethics Compliance Form on joining the institution and again when there are substantial changes to the Code of Ethics policy. Samples of the forms signed by staff members in compliance with the provisions of the policy were provided. The Code of Ethics is communicated to all other persons/entities with a business relationship with the applicant through appropriate provisions in signed contracts, sensitization workshops, newsletters/bulletins and disclosure of the Code of the Ethics on the applicant's website.

24. In addition to the Code of Ethics, the applicant has in place other policies and procedures for promoting transparency and accountability in its operations as well as prevention of financial mismanagement and other malpractices. These include:

- (a) An anti-fraud policy which specifies the applicant's zero tolerance to fraud, corruption and other forms of misconduct;

- (b) A financial disclosure policy that specifies the prohibited personal financial and business interests which have to be declared and the sanction measures taken against parties that do not comply with the policy;
- (c) Procedures for handling conflict of Interest;
- (d) Comprehensive whistle-blowing procedures which include:
 - (i) use of an independent whistle-blowing service (Deloitte Tip-offs Anonymous reporting system) to report cases of misconduct;
 - (ii) anonymous tip-offs which are published on the applicant's website to ensure accessibility to the public;
 - (iii) anonymous tip-off posters displayed at the reception, customer service areas, rest rooms and banking hall area within the applicant's premises; and
 - (iv) free post envelopes distributed to employees through pay slips at least once every six months; and
- (e) Mechanisms for protecting whistle-blowers and witnesses.

25. 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 Unit. The function's terms of reference are provided in the applicant's anti-fraud policy document. In order to strengthen the function, a new Investigations, Integrity & Loss Control Division is being established. Apart from recruitment of additional staff with the appropriate skills and experience, strengthening of the investigation function, expected to be completed in 2021, entails revision of the function's terms of reference to include appropriate procedures for periodic reporting of case trends for information and follow-up by the Board's Corporate Governance, Ethics and Sustainability Committee which assists the Board in ensuring the organization has an embedded culture of ethical conduct. Provision of evidence showing that the Investigations, Integrity & Loss Control Division has been established and is fully operational is required to meet the GCF basic fiduciary standard on transparency and accountability with respect to the investigation function.

26. The applicant is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a regional AML/CFT watchdog and has a robust Anti-Money Laundering and Anti-Terrorist Financing Policy which is designed to comply with Regional and global AML/CFT standards such as Financial Action Task Force (FATF) 40 Recommendations as well as applicable national laws and guidelines including:

- (a) Money Laundering and Proceeds of Crime Act;
- (b) Suppression of Foreign and International Terrorism Act;
- (c) Reserve Bank Guidelines on Anti-Money Laundering (AML);
- (d) Prevention of Corruption Act;
- (e) Criminal Law (Codification and Reform) Act; and
- (f) Statutory Instrument 76 of 2014: Suppression of Foreign and International Terrorism.

27. The applicant has a sound "know your customer" (KYC) due diligence process for combating money laundering and financing of terrorism. The process is guided by well documented procedures including: AML/CFT Due Diligence Guideline 2018; Money Laundering and Terrorist Financing Institutional Risk Assessment; and Compliance Policy and Sanctions Screening Process.

28. As part of the KYC due diligence process, all individual and corporate customers are screened through the SWIFT Sanctions Screening System and the Dow Jones Politically Exposed

Persons (PEP) lists to check their PEP and sanctions status. In addition, prior to account opening, all new individual customers are required to provide national identity documents and proof of residence.

29. The applicant has mechanisms to trace/monitor electronic transfer/wiring of funds to ensure that funds are received from bonafide sources and paid to the intended beneficiaries. The applicant uses an automated SWIFT transactions screening engine which screens Real Time Gross Settlements (RTGs) and telegraphic transfers. The system screens against competent sanctions lists including the UN Sanctions List, Office of Foreign Assets Control (OFAC) sanctions list and sanctions lists issued by the United Kingdom and Canadian governments. Samples of reports on KYC due diligence carried out, and monitoring reports on electronic fund transfers were provided and reviewed by the AP.

30. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, partially meet the basic fiduciary standards on transparency and accountability, the Policy on the Protection of Whistleblowers and Witnesses,⁴ the Policy on Prohibited Practices⁵ and the AML/CFT Policy.⁶ However, the AP finds that the applicant's track record is insufficient. The relevant gap is identified in paragraph 25 above and is reflected by the corresponding condition of accreditation in section 4.2.

3.1.3. Specialized fiduciary standard for project management

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

- (a) Policies, Operations Guidelines Manuals which lay out the framework/guidelines for project identification, preparation and appraisal;
- (b) Project Risk Assessment Framework; and
- (c) Several policies and procedures relating to management of resources, investments, asset and liability management, project monitoring and evaluation, project closure and independent evaluation of project results, and reporting on project results achieved and lessons learned.

32. The applicant has a comprehensive risk management function handled by a stand-alone Risk Management Unit. The function is segregated from the project implementation and supervision functions. As part of the project appraisal process, a risk register is prepared detailing identified risks, risk triggers as well as preventative measures. The risk register is continuously updated to ensure that all risks are identified and addressed. The Head of the Risk Management Unit monitors the register to ensure risk levels are correctly measured and adequate mitigation plans are in place. The Credit and Operations Department independently monitors changes in the risk triggers and prepares quarterly reports which are reviewed by the Management Asset and Liabilities Committee. The Audit and Compliance Units carry out checks on compliance with regulations, policies and procedures to provide assurance of the adequacy of the risk management system.

33. As part of the risk management function, the applicant has a project-at-risk system for monitoring projects to detect potential problems at an early stage in order to ensure that appropriate remedial actions are taken in a timely manner. The system is independent of the project implementation and project supervision functions. Examples of project problems identified and remedial actions taken that demonstrate the effectiveness of the applicant's risk management function and the project-at-risk system were provided.

⁴ Decision B.21/25 and annex II thereto.

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

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

34. The applicant has a monitoring and evaluation function which is independent of the project origination and supervision functions and is undertaken by the Implementation, Monitoring and Evaluation Division. In carrying out its monitoring and evaluation responsibilities, the Division focuses on tracking project implementation progress, identifying ways of improving delivery of project interventions and learning from experience. The monitoring and evaluation teams also pay specific attention to financial/disbursement performance against project implementation plans/budgets, highlight causes of major variances, such as cost overruns, and propose appropriate remedial actions to get project implementation back on track. The applicant provided sample reports on the status of projects currently under implementation, which show that monitoring and evaluation procedures are effectively used and demonstrate that the function follows impartial and widely recognized professional standards and methods.

35. To ensure transparency in the use of funds provided by GCF, the applicant has recently revised its Information Disclosure Policy and included provisions for public disclosure of project monitoring and evaluation reports on projects that could be funded by GCF. However, public disclosure of this information can be demonstrated only during and at the end of implementation of GCF-funded projects/programmes.

36. 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. The applicant engages external consultants to carry out independent evaluation of projects. However, effective implementation of the policy has not been demonstrated.

37. The AP finds that the applicant's policies, procedures and capacity, supported by the evidence of track record, partially meet the specialized fiduciary standard for project management. The relevant gaps are identified in paragraphs 35 and 36 above and are reflected by the corresponding conditions of accreditation in section 4.2.

3.1.4. Specialized fiduciary standard for grant award and/or funding allocation mechanisms

38. The applicant did not apply for accreditation for this standard at this time.

3.1.5. 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 and blending operations are detailed in 3 main documents: Policies, Operations Guidelines and Manuals; Credit/Lending Manual; and Bank Loans and Project Investment Approval Process. The applicant is the lead institution providing long-term loans to projects in five main sectors: public housing, energy and power supply, water and sanitation, information communications technology, and transport.

40. In addition to its lending, on-lending and blending operations, the applicant undertakes equity financing and provides guarantees to enhance the credit profiles of its clients. The same policies and procedures and the due diligence process applicable to on-lending and blending operations are used by the applicant for undertaking equity investments and providing guarantees. As of June 2020, the applicant had a total equity investment portfolio of USD 37.8 million. The portfolio comprises investments in various subsidiaries, associate companies and joint ventures. In the past three years, the applicant has provided guarantees amounting to USD 674,696.

41. The applicant has a detailed process for undertaking due diligence of the projects it finances either through loans, equity or guarantees. The key stages in the due diligence process

include: (a) preparation of a Project Identification Report which requires clearance by the Director of Infrastructure Projects and approval by the Loans and Investment Committee; (b) detailed appraisal of the proposed project by a multi-disciplinary team; and (c) approval by the Loans and Investment Committee for financing of up to USD 1.5 million or by the Board of Directors for financing above this threshold. However, irrespective of the amount, all equity investments require approval by the Board of Directors.

42. The applicant's guidelines and procedures for managing its investment portfolio are contained in two main documents: Corporate Banking and Trade Finance Unit Processes Manual, and the Equity Investment Performance Evaluation Manual. Sample investment portfolio management reports reviewed by the AP demonstrate that the above procedures and guidelines are followed in the investment portfolio management process.

43. The applicant has an Asset and Liability Management Committee whose role is to ensure the institution achieves an appropriate match between its assets and liabilities by maximizing earnings and return on capital within acceptable and controllable levels of interest rate, market, liquidity and credit risks. Sample minutes of the committee meetings provided show that it carries out its responsibilities effectively.

44. To support its lending operations, the applicant has mobilized resources from external sources including the Common Fund for Commodities (Netherlands), African Export-Import Bank (Afreximbank) and Norsad Finance, a regional private credit firm offering risk capital to mid-market growth companies in the Southern African Development Community (SADC) member states. The applicant is currently pursuing a line of credit from Afreximbank and another line of credit from the Trade and Development Bank, a trade and development financial institution operating in Eastern and Southern Africa to support private sector lending operations.

45. The applicant has revised its Information Disclosure Policy which now includes provisions for public disclosure on its website, information regarding its decisions on on-lending, equity and guarantee operations, as well information on beneficiaries and results of projects/programmes that could be funded by GCF. However, public disclosure of information on beneficiaries and results of projects/programmes can be demonstrated only during and at the end of implementation of GCF-funded projects/programmes.

46. The applicant is yet to be rated by any of the leading global rating agencies. However, as a member institution of the Association of African Development Finance Institutions, it is assessed based on the Association's prudential standards, guidelines and rating system since 2012. The applicant has obtained an A rating for 2015, 2016 and 2017, and a rating of A+ for 2018 and 2019, based on certified results of assessments in the areas of governance, financial and operational standards.

47. The information reviewed by the AP on the applicant's policies and procedures for on-lending, blending, equity investments and guarantee operations, as well as examples of loans, equity investments and guarantees financed, demonstrate the applicant's effective implementation of its policies and procedures, and a sound track record of on-lending, blending, equity investment and guarantee operations.

48. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, partially meet the specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees. The relevant gap is identified in paragraph 45 above and is reflected by the corresponding condition of accreditation in section 4.2.

3.2 Environmental and social safeguards

3.2.1 Environmental and social policy

49. The applicant's environmental and social management system (ESMS) comprises its Environmental and Social Sustainability Policy (ESSP) and Environmental and Social Sustainability Management System (ESSMS) manual. Both documents were approved by the applicant's Executive Management Committee in November 2018, and then by the applicant's Board of Directors following review by its Corporate Governance, Ethics and Sustainability Committee. The applicant provided a copy of its March 2020 Board Resolution meeting indicating the formal approval of the ESSP and ESSMS manual by its full Board.

50. The applicant is committed to sustainable environmental and social management practices, climate change management, staff well-being, and worker and community health and safety. The applicant ensures that the projects/programmes it finances, co-finances and/or administers are designed and implemented in such a way as to optimize social and environmental benefits based on the precautionary principle and comply with appropriate environmental and social standards. The ESSP addresses environmental and social requirements for the applicant's participation in equity and debt structures and provision of guarantees. The ESSP requires compliance with all applicable international laws and standards including performance standards 1–8 of the International Finance Corporation (IFC). The applicant also follows the principle of free, and prior informed consent (FPIC) as part of its stakeholder engagement, particularly in its engagement with indigenous peoples.

51. Overall responsibility for ensuring compliance on the ESSP rests with the Chief Executive Officer. The administration and enforcement of the ESSP is the responsibility of the Director of the Resource Mobilization and Climate Finance department. The ESSP is communicated to all staff within the applicant's organization through periodic in-house seminars and training. The ESSP is available on the applicant's website.

52. The AP finds that the applicant's environmental and social management system, comprising the ESMS, supported by evidence of its track record, fully meets the Environmental and Social Policy and interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8.

3.2.2. Identification of environmental and social risks and impacts

53. The applicant's ESSMS manual serves as the guidelines for implementing the ESSP. The ESSMS manual describes the process for identification of E&S risks and impacts of projects/programmes in line with the IFC performance standards 1–8. The ESSMS manual contains annexes that guide the applicant's E&S experts with E&S screening and categorizing project/programme and identification of associated potential impacts.

54. Categorization of projects/programmes is the responsibility of the project team appointed by management to prepare the project and which consists of experts on E&S sustainability issues, gender, risk management, legal, engineering, finance and economics which identifies and assesses the project/programme and determines the risks associated with it. Their evaluation results in the project/programme being categorized as E&S risk levels A/I-1, B/I-2, and C/I-3 consistent with the three-tier E&S risk category defined in the GCF Environmental and Social Policy and GCF interim ESS standards.

55. To address the challenges of climate change and to support a low-carbon economy, the applicant carries out screening of proposed project/programme to identify potential climate change risks and impacts as well as opportunities for climate change mitigation and adaptation.

56. The applicant provided E&S risk and impacts screening and categorization forms in line with IFC performance standards 1–8 for its past projects in category B/I-2 comprising: a university students accommodation development; two housing development projects; a mini-hydro power plant; and categorization of two category B/I-2 projects under appraisal at the time of preparation of this recommendation.

57. 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 Environmental and Social Policy and interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1-8.

3.2.3. Environmental and social management programme

58. The applicant's borrower is responsible for conducting the environmental and social impact assessment/environmental and social management plan (ESIA/ESMP) studies and submits them for review to the applicant and the national E&S regulatory body called the Environmental Management Agency (EMA). When the EMA is satisfied with the ESIA/ESMP, the E&S compliance certificate is issued for project implementation to begin. The applicant then discusses the ESIA/ESMP with the borrower and agrees on its scope and timeframe for completion.

59. The ESSMS manual provides for the undertaking of internal and external audit of effectiveness of the institutional management programme for mitigation actions of the applicant's ESMS. The system auditing function lies with the applicant's Compliance Department which engages external consultants to conduct the audit. However, since the ESMS was approved by the Management Executive Committee in November 2018 and then its Board in March 2020, the applicant has not yet been subjected to an external audit. The applicant indicated that it is willing to prepare and provide external audit report on the effectiveness of the institutional management programme for mitigation actions for GCF projects/programmes.

60. The applicant provided a sample of two ESIA's for E&S risk category B/I-2 project loans and equity structures comprising a housing project and a mini hydro power project, both of which conform to IFC performance standards 1-8. The applicant does not have evidence of its experience with E&S risk and impacts identification, mitigation management and monitoring and reporting for its projects/programmes involving guarantees. However, the applicant's track record on E&S management provided for its projects/programmes involving loans provides sufficient evidence also for guarantees, as guarantees are a form of unfunded loan. Thus the lack of track record with respect to guarantees has not been identified as a gap. The applicant is willing to assess E&S impacts for its first GCF project/programme involving guarantees.

61. The AP finds that the applicant's management programme fully meets the Environmental and Social Policy and interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1-8. However, the AP finds that the applicant's track record is insufficient. The relevant gap is identified in paragraph 59 above and is reflected by the corresponding condition for accreditation in section 4.2.

3.2.4. Monitoring and review

62. The ESSMS manual describes the applicant's monitoring and reporting (M&R) framework to assess the project's performance against applicable IFC performance standards 1-8. In addition, the applicant's Operations Guidelines manual also includes the guidelines on project monitoring, completion and evaluation. The M&R of projects/programmes is undertaken on a quarterly basis in line with the requirements of the national Environmental Management Act and the ESSMS manual. The ESSMS manual includes a supervision template used for recording of project-level E&S issues. The monitoring record is used in subsequent visits to evaluate the effectiveness of each mitigation measure. Project monitoring reports generated from this process are shared with the applicant's Executive Committee, where any new measures for managing impacts and the associated budgets are discussed and agreed.

63. The applicant provided a sample of project monitoring and evaluation reports for its two housing development projects. The applicant provided metrics that contain the results of monitoring of social and environmental impacts of its housing and construction projects.

64. The AP finds that the applicant's system of monitoring and review, supported by evidence of its track record, fully meets the Environmental and Social Policy and interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1-8.

3.2.5. External communications, consultations, information disclosure and grievance redress mechanism at the institutional level

65. The ESSMS manual describes the external public communication channels which include a website and the various social media platforms. As some of the applicant's stakeholders have no access to internet facilities or the print media, external communication also takes the form of public meetings with stakeholders and includes complaints boxes located within the project area where affected people can post their complaints. The community also has mobile numbers and WhatsApp numbers to contact the E&S team. The E&S team has the responsibility of bringing issues from project sites to management for redress through the applicant's grievance redress mechanism.

66. The applicant provided a document describing its entity level Grievance Redress Mechanism (GRM). The GRM is housed within the applicant's Compliance and Review Unit which is an independent arm of the institution reporting to its Board of Directors. The grievances are promptly channelled to the Compliance Officer for processing and commencement of the grievance redress process. Where grievances are submitted at the project site, the Site Manager receives them and promptly forwards them to the Compliance Officer. The ESSMS manual describes the requirement for borrowers (executing entities) to establish project-level GRM. The GRM includes a record form used to register external inquiries/complaints received along with responses. This form is filled in each time a grievance is received, thereby generating the grievance register. The applicant indicated that it has not received E&S related complaints on any of its projects/programmes.

67. The applicant complies with its national level regulations to disclose information related to the ESIA/ESMP at project preparation stage, as well as after the ESIA report is approved by the EMA, before project implementation, and during the project implementation period. The ESSMS manual indicates the disclosure periods for E&S information in line with GCF Information Disclosure Policy (IDP) requirements for the disclosure of E&S information for E&S risk category B/I-2 projects/programmes.

68. The AP finds that the applicant's system of external communications, consultations, information disclosure and grievance redress mechanism at the institutional level, supported by evidence of its track record, fully meets the Environmental and Social Policy, interim ESS standards and Information Disclosure Policy regarding E&S information disclosure requirements for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1-8.

3.2.6. Organizational capacity and competency

69. The ESSMS manual contains an organizational chart and describes the roles, responsibilities, reporting lines and authority (including those of units, departments and senior management) to implement the ESMS. The Climate Finance and Sustainability Manager reporting to the Director of Resource Mobilization and Climate Finance are responsible for overseeing the day-to-day activities on implementation of the ESMS. The applicant's Chief Environmental and Social Sustainability and Gender experts lead work related to the review

against the IFC performance standards including E&S risk categorization. The applicant has two E&S experts and two gender experts. One E&S expert and one gender expert are under supervision of the manager responsible for climate finance and sustainability issues and responsible for the ESSMS implementation, whilst another E&S expert and gender expert are in the Infrastructure Projects Department under supervision of the Director of Infrastructure Projects and are responsible for project level ESIA process implementation. In addition, the applicant has a human resource expert and economists who work with the E&S and gender experts. The applicant provided brief biographical information of these experts, including their relevant qualifications and experience as well as a sample of work prepared by the in-house staff.

70. The Climate Finance and Sustainability Manager, among other duties, is responsible for leading efforts to develop and implement the ESSMS, as well as for communicating with senior management on environmental and social issues and concerns. This individual is also responsible for developing and updating the procedures and documents that are part of ESSMS. The Manager also evaluates the E&S risks at the portfolio level and provides assistance to relevant project managers and analysts in evaluating and monitoring the environmental and social performance of borrowers.

71. The applicant's staff have received training concerning the IFC performance standards following approval of the ESSMS in November 2018. The applicant provided a description of its E&S and gender-related training programme and attendance register for one of the staff trainings undertaken.

72. The AP finds that the applicant's organizational capacity and competency, supported by evidence of its track record, fully meet the Environmental and Social Policy and interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1-8.

3.3 Gender

73. The applicant provided its Gender Policy which was approved by its Management Executive Committee in November 2018 and then by its main Board of Directors in March 2020 after being reviewed by its Corporate Governance, Ethics and Sustainability Committee. The applicant provided a copy of the Board Resolution of its March 2020 Board meeting which indicates a formal approval of the Gender Policy by its full Board. The Gender Policy has been finalized and uploaded to the applicant's website.

74. The key objectives of the Gender Policy are to: build equally women's and men's resilience to, and ability to address climate change; ensure that women and men will equally contribute to, and benefit from, activities supported by the applicant; pursue affirmative action and quotas for more rapid and efficient progress towards redressing gender inequality; ensure that the projects/programmes mainstream gender, promote equality and equity in access to economic opportunities for men, women, and socially excluded groups including those with disability; establish capacity-building and knowledge-sharing programmes on gender and social inclusion for all staff members; and provide a guideline for all the applicant's staff to conduct their work and activities in a gender-sensitive manner.

75. The Gender Policy commits to mainstream gender in all the applicant's operations and projects/programmes through early gender analysis and to develop gender action plans as necessary to close any identified gender gaps throughout the project life cycle. The Gender Policy also includes provision for adequate resource allocation through gender-sensitive budgeting within the applicant's various departments, specific projects/programmes and in related institutional activities. The gender action plan will have a specific budget to ensure effective implementation.

76. The procedure for implementing the Gender Policy has been incorporated in the applicant's updated Policies, Operations Guidelines and Manuals. The ESSMS manual also contains a section on gender implementation arrangements which describes how the applicant integrates gender issues into the projects/programmes. The applicant requires the incorporation of a gender expert in every ESIA consultancy. The applicant provided a sample ESIA terms of reference for a municipality water augmentation project, demonstrating the commitment to gender mainstreaming in its projects.

77. The applicant has recruited two gender experts responsible for ensuring that gender issues are mainstreamed throughout the life cycle of projects. The curriculum vitae of its gender experts were provided, describing their qualifications and experience in implementing the Gender Policy. In-house training for its staff on the Gender Policy was also provided.

78. The applicant provided an example of one completed project involving a loan and equity and one project involving a loan and equity under development, both of which demonstrate gender mainstreaming including division of equitable and non-discriminatory benefits between men and women comprising: (i) mini hydro power project providing access to modern energy to help improve health and education opportunities particularly for women, girls and other disadvantaged persons; and (ii) the terms of reference for consultancy services for an ESIA study, which includes a gender impact study for a solar project. The scope of work requires an analysis of how the project will affect women, men, girls and boys, any differential impacts, and mitigating measures. Stakeholder consultations will be held to capture both women's and men's views. Both projects include linkages between climate change and gender. The applicant does not have a track record on gender mainstreaming for its projects/programmes involving guarantees. However, its track record on gender mainstreaming for its projects/programmes involving loans is sufficient evidence also for guarantees, as guarantees are a form of unfunded loan. Thus the lack of track record with respect to guarantees has not been identified as a gap.

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

IV. Conclusions and recommendation

4.1 Conclusions

80. The AP concludes, following its assessment of the application against the standards of GCF in accordance with the accreditation requirements identified in paragraph 12 above, the following:

- (a) The applicant partially meets the requirements of the basic fiduciary standards on key administrative and financial capacities, on transparency and accountability, the Policy on the Protection of Whistleblowers and Witnesses, the Policy on Prohibited Practices, the AML/CFT Policy, the specialized fiduciary standard for project management, and specialized fiduciary standard for on-lending, blending for loans, equity and guarantees. The key gaps (addressed in the corresponding conditions of accreditation in section 4.2) are related to:
 - (i) Lack of evidence of a periodic assessment of the overall effectiveness of the applicant's internal audit function reflected in paragraph 18;
 - (ii) Lack of evidence of: (a) assessments of the procurement procedures of beneficiary institutions, executing entities or project sponsors; and (b) public disclosure on the applicant's website of its procurement policies and procurement awards under GCF-funded projects/programmes reflected in paragraph 21;

- (iii) Lack of evidence showing that the applicant's Investigations, Integrity & Loss Control Division has been established and is fully operational reflected in paragraph 25;
 - (iv) Lack of evidence of public disclosure of project monitoring and evaluation reports on projects/programmes reflected in paragraph 35;
 - (v) Lack of evidence of implementation of a policy on independent evaluation of projects reflected in paragraph 36; and
 - (vi) Evidence of public disclosure of information on project beneficiaries and results reflected in paragraph 45;
- (b) The applicant partially meets the Environmental and Social Policy, interim ESS standards and the Information Disclosure Policy on disclosure of E&S information in relation to the medium E&S risk (Category B/I-2). The gap (addressed in the corresponding conditions of accreditation in section 4.2) is related to:
- (i) Lack of an external audit of the effectiveness of the applicant's ESMS reflected in paragraph 59 above; and
- (c) The applicant has demonstrated that it has a policy, procedures and competencies in order to implement its gender policy, which is found to be consistent with the Updated Gender Policy, and has demonstrated that it has experience in gender consideration in the context of climate change.

4.2 Recommendation on accreditation

81. The AP recommends, for consideration by the Board, applicant APL108 for accreditation as follows:

- (a) **Accreditation type:**
- (i) **Maximum size of an individual project or activity within a programme:** small⁷ (including micro⁸);
 - (ii) **Fiduciary functions:**
 1. Basic fiduciary standards;
 2. Specialized fiduciary standard for project management;
 3. Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees);
 - (iii) **Maximum environmental and social risk category:** medium risk (category B/I-2) (including lower risk (category C/intermediation 3 (I-3)⁹));
- (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

⁷ As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "small" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 10 million and up to and including US\$ 50 million for an individual project or an activity within a programme."

⁸ As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "micro" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of up to and including US\$ 10 million for an individual project or an activity within a programme."

⁹ As per annex I to decision B.07/02, category C is defined as "Activities with minimal or no adverse environmental and/or social risks and/or impacts," and intermediation 3 is defined as "When an intermediary's existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts."

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 submission of the first funding proposal to the Board:
 1. Provision by the applicant of evidence of an independent assessment of the overall effectiveness of the applicant's internal audit function;
- (ii) Conditions to be met within one year, starting from the date of the first disbursement by GCF for the first executed Funded Activity Agreement for a project/programme to be undertaken by the applicant:
 1. Provision by the applicant of a report on the activities of its Investigations, Integrity & Loss Control Division to demonstrate that the Division has been established and is fully operational; and
 2. Publication on the applicant's website of independent evaluation reports for two projects financed by the applicant;
- (iii) Conditions to be met on an annual basis for two consecutive years, starting from the date of the first disbursement by GCF for the first executed Funded Activity Agreement for a project/programme to be undertaken by the applicant:
 1. Provision by the applicant of at least one report per year on the assessment of the procurement procedures and/or practices of executing entities, project sponsors or beneficiary institutions of the first executed Funded Activity Agreement of a GCF project/programme;
 2. Provision by the applicant of evidence of the publication of periodic monitoring reports for the first executed Funded Activity Agreement for a GCF project/programme to be undertaken by the applicant; and
 3. Provision by the applicant of evidence on its website of public disclosure of procurement policies and awards in relation to the first executed Funded Activity Agreement for a GCF project/programme;
- (iv) Condition to be met within three years of the first disbursement by GCF for the first executed Funded Activity Agreement of a project/programme to be undertaken by the applicant:
 1. Provision by the applicant of a final report prepared by an independent body assessing the effectiveness of the implementation of the applicant's environmental and social management system, which shall include examples of its application and of lessons learned; and
- (v) Condition to be met within one year of completing the implementation of the first approved GCF project/programme to be undertaken by the applicant:
 1. Provision by the applicant of evidence of public disclosure on its website:
 - a. The list of beneficiaries under the first approved GCF project/programme; and
 - b. The results and outcomes of the first approved GCF project/programme.

82. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 81 above, and agrees to the recommendation.

4.3 Remarks

83. The applicant is already taking steps to meet the conditions identified in paragraphs 81(b)(i) and 81(b)(ii).