

Annex VII: Accreditation assessment of applicant 110 (APL110)

I. Introduction

1. Applicant 110 (APL110), the Vietnam Development Bank (VDB), a national direct access entity based in Viet Nam, is a state-owned development bank mandated to execute the state development investment and export credit policies conforming to the regulations of the government. With a mission and related functions focused on fund mobilization, credit activities, entrustment and participation in the domestic and international interbank market, the applicant operates for non-profit purposes to carry out the tasks of the state and other tasks as stipulated by the government. In this regard, the applicant has extensive experience in managing foreign capital and domestic funds and in financing development projects in line with the Vietnamese Government's development targets. In order to adapt to the rapid development in Viet Nam and having recognized the vulnerability of the country to climate change, the applicant aims to be proactive to mobilize resources and obtain access to diversified sources of funds, which would allow the applicant to support the country in mitigating climate change impacts and improving climate change resilience and adaptation capacities.

2. The applicant submitted its application for accreditation to GCF via the online accreditation system on 23 January 2017. Accreditation fees were received from the applicant on 6 March 2017, thereby launching the stage I institutional assessment and completeness check. Stage I was completed on 22 February 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 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 Viet Nam;
- (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;
 - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
 - (iv) Specialized fiduciary standard for on-lending and/or blending (for loans and guarantees); and
- (e) **Maximum environmental and social risk category:** medium risk (category B/intermediation 2 (I-2))³.

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

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:
- (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; and
 - (i) “Gender Policy and Action Plan” (decision B.09/11).

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. VDB was established by the Government of Viet Nam on 19 May 2006 (Decision No. 108/2006/QD-TTg). The applicant is recognized as a legal entity⁴ with capital, a balance sheet and seal, and with accounts opened in the State Bank of Vietnam, the State Treasury of Viet Nam, and domestic and foreign commercial banks. In addition, VDB is allowed to operate in the interbank payment system and provide payment services as regulated by the law. The applicant is guaranteed by the Government of Viet Nam for its solvency, and its operation is regulated under the decision mentioned above, which was approved by the Prime Minister.

2.2 Institutional presence and relevant networks

5. As a development bank of the Government of Viet Nam, the applicant has a strong national presence working with both public and private sector entities. The applicant mobilizes domestic and foreign capital to provide investments with an emphasis on development assistance, provides guarantees for small-and medium-size enterprises’ loans and on-lends official development assistance for over 400 projects. With state funds, the applicant has financed development projects in prioritized sectors (e.g. renewable energy, agriculture, infrastructure, waste treatment, forestation and health) in rural and mountainous areas. The

a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented.”

⁴ Decision N 1515/2015/QD-TTg.

applicant has been involved in renewable energy and energy efficiency projects with a focus on the private sector with the use of funds from international donors.

6. In order to advance the objectives of GCF and drive a paradigm shift by channelling GCF resources to projects, the applicant will continue with projects in the agriculture, rural development, infrastructure construction, forestation and waste management sectors. Furthermore, the applicant intends to focus more on new sectors and initiatives instead of repetitively implementing activities that have already been undertaken in Viet Nam. For example, instead of focusing on hydropower projects, which are more developed in the country, the applicant intends to provide loans to wind power and solar power projects. In addition, the applicant also intends to prioritize adaptation projects, such as projects related to early warning systems, climate risk reduction and awareness-strengthening. The applicant aims to use GCF resources to attract local investors to ensure that their Viet Nam-based projects are conducive to mitigating and adapting to climate change impacts.

2.3 Track record

7. The applicant has rich experience in financing climate change mitigation and adaptation projects in both public and private sectors, focusing on agriculture, rural development, infrastructure construction and forestation. It also has a track record in intermediary functions such as providing grants, loans and guarantees. The applicant's track record in financing climate change-related projects/programmes includes the following:

- (a) USD 135 million (loans) for the mitigation of water loss, the expansion of the water supply network and capacity-building for the Sai Gon Water Supply Corporation for 2011–2015 in Viet Nam;
- (b) USD 46 million (loans) for the Bac Lieu Wind Farm Project (Phase I) in Viet Nam;
- (c) USD 21 million (loans) for the Nam Can 2 Hydropower Plant in Viet Nam;
- (d) USD 10 million (loans) for power generation from sugar cane waste from the Lam Son Sugar Plant in Viet Nam; and
- (e) VND 6.75 billion (guarantees) for the Thua Thien Hue branch of the Vietnam Bank for Agriculture and Rural Development for an agriculture and rural development project in Viet Nam.

8. 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) Buildings, cities, industries and appliances; and
 - (iii) Forests and land use; and
- (b) Adaptation: increased resilience of:
 - (i) Health, food and water security.

III. Stage II accreditation review assessment

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

- (a) GCF policies and standards identified in paragraph 3 above; and
- (b) “Updated Gender Policy and Action Plan 2020–2023” (decision B.24/12).

10. The AP conducted a virtual site visit to facilitate its review of the applicant during stage II (step 1). During the site visit, the AP assessed various processes and procedures and conducted a number of interviews with the applicant’s staff to determine whether the applicant’s institutional systems meet the relevant GCF fiduciary, environmental, social and gender standards as indicated in paragraph 9 above. Particular emphasis of the review was placed on the applicant’s environmental and social systems. During the virtual site visit, the AP also discussed the applicant’s potential project pipeline, taking into account the Government of Viet Nam’s programming process with GCF, with the participation of the national designated authority.

11. As part of this assessment, the AP consulted the applicant’s website and third-party websites to complement the information provided in the application.

3.4 Fiduciary standards

3.4.1. Basic fiduciary standards: key administrative and financial capacities

12. As a fully government-owned development bank, VDB has strong and effective systems of oversight and financial management, which are characteristic of a closely held and tightly controlled entity. The Government of Viet Nam plays an active role in the management of VDB through a Supervisory Board, which operates under Ministry of Finance (MoF) regulations and whose head and members are appointed by MOF. The Supervisory Board reports directly to the MoF and is responsible for overseeing, monitoring and auditing the activities of the VDB Board of Directors and General Director.

13. The VDB Board of Directors has two sub-committees: the Human Resources and Finance Committee and the Risk Management and Policy Committee. VDB does not have a dedicated Ethics Committee, but the Human Resources and Finance Committee fulfils this role and creates a separate Disciplinary Committee as and when needed to evaluate and appraise violations of the VDB code of ethics. VDB also does not have an Audit Committee, but has an internal audit function that reports directly to the Supervisory Board and has all the responsibilities and the mandate of a typical Audit Committee.

14. The strategic plan for 2020 of VDB has been provided, which references long-term and financial objectives through 2030. During the implementation of strategic plans, department heads report to the General Director on performance against the plan. Progress reports are prepared monthly, quarterly, semi-annually and annually. Specific objectives, indicators and metrics are set for each department, and evidence has been provided of the actions resulting from periodic evaluations of the working plan performance. Reports from these evaluations are published on the VDB website.

15. Audited financial statements are prepared by the external auditor of VDB using Vietnamese accounting standards, which are taking account of the International Accounting Standards. In addition, the Vietnamese state auditor does annual audits of VDB. Extensive management information system reports are provided by an application called VDB Online, which is Oracle-based. VDB has provided manuals for financial management, risk assessment, control frameworks, and payments and disbursements, as well as their investment credit manual. Examples of the payments and disbursements procedures have been provided, and this function is audited at least twice a year by the external auditor and the internal audit unit of VDB.

16. The internal audit unit meets monthly and is independent of management in that it reports directly to the Supervisory Board. The internal audit policy of VDB has been provided, and the principles and standards applied are consistent with international standards for the professional practice of internal auditing issued by the Institute of Internal Auditors. The effectiveness of the internal audit function of VDB has been demonstrated with examples of minutes of meetings, internal audit plans and reports, and the status of action on findings and recommendations.
17. Procurement is governed by Vietnamese regulations and is found by the AP to meet the GCF basic fiduciary standards on key administrative and financial capacities with respect to procurement. Procurement policies and procedures include overseeing the procurement of beneficiaries of VDB funding. Examples of procurements and oversight reports have been provided, and results of procurements are made available to the public. To date there have been no complaints regarding procurements.
18. 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 key administrative and financial capacities.

3.4.2. **Basic fiduciary standards: transparency and accountability**

19. VDB has a well-documented code of ethics that applies to all employees. While staff are not required to explicitly sign up to the code of ethics, their labour contract requires them to follow the internal rules and regulations of VDB, which include the code of ethics. Directors of departments and branches are responsible for disseminating the code of ethics to all employees. As explained in paragraph 13 above, VDB does not have a dedicated Ethics Committee, but the Human Resources and Finance Committee fulfils this role with the help of an ad hoc Disciplinary Committee as and when needed to evaluate and appraise violations of the code of ethics.
20. VDB has well-established policies for conflicts of interest and financial disclosure and has provided its general disciplinary procedures upon rule violations. While not specific to conflicts of interest, these procedures comprehensively address the review and resolution process for all rule violations, and this is deemed sufficient to meet the requirements of the GCF basic fiduciary standard on transparency and accountability regarding conflicts of interest. VDB has not been able to provide examples of conflicts of interest because to date there have been no such cases.
21. VDB addresses issues of financial mismanagement through an anti-corruption plan, which is directly overseen by the General Director. It covers corruption and bribery and was recently updated to include fraud and other forms of malpractice in order to meet GCF requirements. It also includes provisions for whistleblower protection. It applies to all employees, and evidence has been provided to demonstrate that it also applies to consultants and contractors. Suspected cases can be reported through the VDB legal department by phone, email or through a website link.
22. The anti-corruption plan also details procedures of the VDB investigation function. This involves the internal control department and an anti-corruption steering committee. In response to the accreditation review, VDB has agreed to publish the details of its investigation function on its website and has provided the link to demonstrate this. The anti-corruption steering committee reports to the Government of Viet Nam's national anti-corruption steering committee, and details of the members and terms of reference have been provided. Anti-corruption activities are reviewed every year as evidenced by the reports provided.
23. VDB has a robust anti-money laundering policy, which includes know-your-customer (KYC) procedures. An online system called Tracer is used to create remittance orders in order

to trace transfers, and examples of KYC reports have been provided in addition to examples of electronic funds transfer monitoring reports.

24. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the basic fiduciary standards on transparency and accountability, the Policy on the Protection of Whistle-blowers and Witnesses,⁵ the Policy on Prohibited Practices⁶ and the AML/CFT Policy.⁷

3.4.3. Specialized fiduciary standard for project management

25. The investment credit manual of VDB provides a comprehensive framework for all aspects of project management. It contains guidance on the appraisal of investment projects, including guidelines to analyse the risk factors and sensitivity of a project at the preparation and appraisal stage. Three examples of appraisal reports have been provided, which demonstrate how project objectives are set and how indicators are used to assess achievement of stated objectives. The investment credit manual also details the quality review process, and reports have been provided as evidence of effective quality control, including follow-up actions and monitoring to be addressed during implementation. Policies and procedures for project implementation and project closure have been provided together with examples of reports on implementation oversight. The process for monitoring actual project expenditure versus budgeted expenditure has been demonstrated. Monitoring and evaluation is carried out by the internal control department, which reports to risk management. This department is independent of the project appraisal, supervision and credit approval functions, as well as the branches that manage the projects. The samples of the monitoring and evaluation reports for the number of projects have been provided.

28. For past projects, VDB has not published evaluation reports but, as a result of virtual site visit conducted by the AP, a policy on publishing monitoring and evaluation reports has been drafted and VDB has committed to enforce this policy for GCF-funded projects/programmes. The gap between formally adopting the draft policy and demonstrating the implementation of the procedure for publishing monitoring and evaluation reports will be addressed by a corresponding condition.

29. The investment credit manual gives guidelines for identifying and managing project risks, and two examples have been provided of problems encountered and how they were addressed. Risk assessment and management is the responsibility of a debt handling department, which is independent of project implementation and supervision. Examples of project risk reports have been provided.

30. The AP finds that the applicant's policies, procedures and capacity partially meet the specialized fiduciary standard for project management. The AP also finds that the applicant's track record is insufficient. The relevant gap is identified in paragraph 26 and reflected in the corresponding condition of accreditation in section 4.2.

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

31. In response to the AP review, VDB recently updated its grant award manual and procedures to align with GCF requirements for grant awards. Prior to this, VDB had extensive experience with a Post-Investment Subsidy (PIS) grant product. While the policies and procedures used for the PIS are sufficient to demonstrate the track record of VDB to apply policies and procedures for working with grants, the PIS would not have been considered by

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

⁶ Decision B.22/19 and annex XIV thereto.

⁷ Decision B.18/10 and annex XIV thereto.

GCF as an eligible grant product in that it was awarded post-investment. In addition, following a Vietnamese Government decision, the product was discontinued in 2015, although the VDB PIS department continued to operate to monitor and manage grants already awarded under this programme. The following paragraphs explain the PIS procedures to demonstrate how they meet GCF standards for grant awards. The new grant award manual builds on these existing policies and procedures and updates them to align them with the requirements for providing grant awards that would be eligible for GCF-funded projects.

32. The PIS product was offered on a competitive basis, with a dedicated support and trust fund management department which evaluated projects for eligibility and made recommendations for awarding the grants to the VDB Director General. The call for proposals was both competitive and transparent, and the procedures were publicly available. While these grant awards were not specifically audited, they were included in the scope of the annual external audit. The PIS product demonstrates the track record of VDB in managing grants while the new manual, which fully meets the requirements of the GCF specialized fiduciary standard for grant award and/or funding allocation mechanisms, provides the framework for VDB to award grants through a competitive mechanism basis using GCF resources in the future.

33. The PIS department, now replaced by the grant award department, was responsible for appraisal and recommendations of grant awards in three stages: (i) evaluation and recommendation by specialists; (ii) consideration by and opinion of division chief; and (iii) recommendation to VDB senior management by the director of the PIS department based on a report from specialists and the chief of division. Examples of rejections of PIS grants have been provided together with the template for the equivalent rejection or acceptance of a grant proposal for potential GCF projects/programmes that have a grant award structure.

34. VDB has provided details of supervision of PIS grants as well as examples of monitoring reports. Grant recipients and project promoters are required to comply with the Government of Vietnam's and hence VDB procurement rules. The procedure for on-site checks to monitor the implementation of the project has been provided, along with the process for suspending or terminating grants in the event of breaches of contract. The new grant award manual includes equivalent provisions for all of the above.

35. The applicant has stated that, in general, the policy is not to publicize grant award results due to regulations on state confidentiality. However, if required by GCF, VDB is ready to submit a request to MOF and the Government of Viet Nam for approval to establish a disclosure channel to publicize grants awarded using GCF resources issued to project developers. This gap will be addressed by a corresponding condition.

36. The AP finds that the applicant's policies, procedures and capacity fully meet the specialized fiduciary standard for grant award and/or funding allocation mechanisms. However, the AP finds that the applicant's track record is insufficient. The relevant gap is identified in paragraph 35 and is reflected in the corresponding condition of accreditation in section 4.2.

3.4.5. **Specialized fiduciary standard for on-lending and blending (for loans and guarantees)**

37. The VDB investment credit manual details the policies, procedures and processes for project management and on-lending and blending operations.

38. The examples of project appraisals financed through the loans and on-lending and guarantees agreements have been provided.

39. The applicant has a procedure for undertaking due diligence of the loan beneficiaries. VDB uses software called CIC (Credit Information Centre) built by the State Bank of Viet Nam to assess the credit worthiness of potential borrowers. CIC captures the credit information of

customers and all credit institutions in Viet Nam, and recent CIC reports have been provided to demonstrate credit ratings and effective due diligence.

40. Lending portfolio analysis reports have been provided to demonstrate monitoring and evaluation capabilities. VDB only discloses information on lenders and portfolios to respective donors and to the Government of Viet Nam due to confidential information policies. However, if requested by GCF, VDB would seek the approval of Government of Viet Nam to publicize information about GCF-supported loans and projects, including evaluation reports, on the VDB website and in its monthly magazine. VDB has drafted a policy to establish this disclosure channel for GCF-funded projects/programmes. This gap will be the subject of a corresponding condition.

41. The applicant has established a comprehensive risk management strategy throughout its operations. To support the evidence of the effective implementation of the risk management strategy, the applicant has provided samples of the reports on action plans and the implementation of risk strategies. Reports on the VDB Treasury asset and liability balancing operations have been also provided, and a segregation of the duties of the treasury and operations has been confirmed.

42. VDB has extensive experience in and a track record of on-lending, having worked with many international organizations on over 460 projects. While not rated by an international credit rating company, VDB is 100 per cent owned by the Government of Viet Nam, which guarantees the solvency of the entity. The credit risk of VDB is therefore that of the Government of Viet Nam: BB- by Standard & Poor; B1 by Moody's; and BB- by Fitch.

43. The AP finds that the applicant's policies, procedures and capacity fully meet the specialized fiduciary standard for on-lending and/or blending for loans and guarantees. However, the AP finds that the applicant's track record is insufficient. The relevant gap is identified in paragraph 40 and is reflected in the corresponding conditions of accreditation in section 4.2.

3.5 Environmental and social safeguards

3.5.1 Environmental and social policy

44. The applicant's environmental and social management system (ESMS) adheres to and is incorporated in the environmental and social (E&S) laws and standards of its national regulatory system. The overarching E&S law is the "Law on Environmental Protection 2014" (LEP 2014),⁸ which provides statutory provisions on environmental protection activities; measures and resources used for the purpose of environmental protection; and the rights, powers, duties and obligations of regulatory bodies, agencies, organizations, households and individuals who are tasked with the task of environmental protection. The key principle of the law states that environmental protection must be harmonized with economic growth, social security, assurance of children's rights, promotion of gender equality, development and conservation of biodiversity, and response to climate change in order to ensure the human right to live in a pure environment.

45. The AP compared the applicant's ESMS against the GCF Environmental and Social Policy, the GCF interim ESS standards and the GCF Information Disclosure Policy regarding E&S information disclosure requirements for maximum E&S risk category B/I-2 projects/programmes with the aim of identifying the gaps in the ESMS. These gaps were reflected as additional E&S provisions and formulated as the "E&S Policy addendum" for the applicant to apply for GCF-funded projects/programmes to complement its ESMS. More

⁸ See <<https://www.ecolex.org/details/legislation/law-on-environmental-protection-no-552014qh13-lex-faoc168513/>>.

specifically, these gaps addressed in the E&S Policy addendum include the applicant's (i) description of external communication systems to receive, respond to and record E&S complaints; (ii) policy on E&S information disclosure; (iii) description of the institutional-level and project-level grievance redress mechanism (GRM); and (iv) requirement for GRM in projects/programmes executed by the applicant's executing entities, which have been found by the AP to be in line with the GCF 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.

46. The applicant's Board of Directors and General Director have approved the adoption of the E&S Policy addendum and establishment of an environmental, social and gender evaluation unit for GCF funded projects. The applicant's first funding proposal to GCF is therefore expected to comply not only with its ESMS based on its national E&S regulations, but also to the relevant provisions in the E&S Policy addendum. The implementation of the applicant's past donor-funded projects/programmes indicate that the applicant complied with its E&S national regulations as well as the donor's E&S safeguards. The Director General of the applicant is responsible for ensuring the applicant's compliance on the national legislation as well as with respect to the E&S Policy addendum for GCF projects/programmes.

47. The AP finds that the applicant's ESMS, comprising its ESMS complemented by the E&S Policy addendum and 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.

3.5.2. Identification of environmental and social risks and impacts

48. The applicant's ESMS follows the national regulations on E&S risk categorization according to Decree no. 18/2015/ND-CP,⁹ which details a number of articles and measures to implement the provisions of the Law on Environmental Protection (LEP 2014) regarding the environmental protection master plan, strategic environmental assessment, environmental impact assessment and environmental protection plan. Decree no. 18/2015/ND-CP defines four levels of E&S risk categories: (i) entities subject to conduct a Strategic Environmental Assessment (SEA); (ii) entities subject to conduct an Environmental Impact Assessment; (iii) entities subject to conduct an Environmental Protection Plan; and (iv) entities exempt from the registration of an Environmental Protection Plan. The SEA is used for E&S assessment of the impacts of policies, plans and economic or sector reform programmes. The latter three risk categories (i.e. (ii), (iii) and (iv)) are for investment projects/programmes and are in line with the three-tier GCF E&S risk categories in the GCF Environmental and Social Policy (i.e. E&S risk levels A/I-1, B/I-2 and C/I-3) as reflected in the E&S Policy addendum.

49. As evidence of its track record on the identification of E&S risks and impacts, the applicant provided a sample of documents to its various state agencies for the following projects/programmes financed by it: (i) water supply; (ii) wind farm; (iii) hydropower dam; and (iv) a river-crossing cable car. The sample project documents include the environmental and social impact assessments (ESIAs) carried out in line with the ESMS as well as with the applicable donor safeguards, where relevant. The financing instruments include loans and guarantees.

50. The AP finds that the applicant's system of identifying E&S risks and impacts, supported by evidence of its track record, fully meets the GCF Environmental and Social Policy and interim

⁹ See <<https://www.ecolex.org/details/legislation/decreed-no-182015nd-cp-prescribing-environmental-protection-master-plan-strategic-environmental-assessment-environmental-impact-assessment-and-environmental-protection-plan-lex-faoc168510/>>.

ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8.

3.5.3. Environmental and social management programme

51. LEP 2014 stipulates the process for the preparation, review and certification of the applicant's ESIA's for its projects/programmes. The ESIA's are required to be prepared at the time of the preparation of project/programme feasibility studies. In order to comply with the 2014 LEP and related laws and decrees, the applicant works with different government agencies, in particular the Ministry of Natural Resources and Environment (MONRE), the nation's environment administration that assists MONRE with regard to environmental protection and compliance with/enforcement of LEP 2014, and the national Environmental Police Agency that conducts inspections and enforces administrative sanctions for environmental violations. These agencies control the environmental impact assessment process and assess the content of ESIA reports, while the applicant ensures that its executing entities follow the ESIA process and apply the respective monitoring throughout project implementation.

52. The applicant's scope and depth of the E&S assessment are proportional to the level of risks and impacts. For E&S risk category B/I-2, activities with (a) limited and reversible impacts; (b) a fit-for-purpose ESIA and/or an environmental and social management plan that describes the potential impacts; and (c) appropriate mitigation, monitoring and reporting measures are required. For E&S risk category C/I-3, activities that have no potential significant or minimum E&S impacts do not require any E&S assessments, although a pre-assessment or E&S risk screening confirms that the activities are indeed in E&S risk category C/I-3. The applicant's clients (executing entities or project owners) have to consult various relevant government agencies, organizations and communities that are likely to be impacted by the applicant's projects/programmes.

53. As evidence of its track record on the E&S mitigation and management programme, the applicant provided a sample of ESIA's comprising (i) a wind farm; (ii) a cable-car system across a river; (iii) a hydropower project; and (iv) an urban water supply project. The ESIA's were carried out in line with the applicant's ESMS as well as the applicable donor safeguards, where relevant. The applicant has yet to conduct an external audit of the effectiveness of the management of mitigation measures in its ESMS. However, the applicant has agreed to commission an external audit of its ESMS, including the E&S Policy addendum, during the implementation of its first GCF funded project/programme.

54. 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 52 above and is reflected by the corresponding condition of accreditation in section 4.2.

3.5.4. Monitoring and review

55. LEP 2014 states that MONRE directs, instructs and monitors environmental monitoring at the national level and organizes the implementation of national environmental monitoring. The People's Committees of Provinces organize and oversee an environmental monitoring programme in their respective project areas and report to the People's Provincial Council (PPC) at the provincial level and MONRE on monitoring results.

56. The applicant is responsible for conducting E&S monitoring and reporting in line with the E&S Policy addendum for GCF projects/programmes. When acting in an intermediary function, the applicant would require its executing entities to ensure that they fulfil the activity-

level monitoring and reporting requirements prescribed in the E&S Policy addendum and provide the requisite monitoring and reporting information to the applicant for GCF-funded projects/programmes.

57. In monitoring the environmental and social performance of activities, the applicant undertakes all necessary measures to ensure participatory monitoring through the involvement of communities, local stakeholders, indigenous peoples (ethnic minorities) and civil society organizations in all the stages of the life cycle of activities. This participatory monitoring approach also encourages the national designated authorities or focal points to organize country portfolio reviews involving people affected by the activities and other local stakeholders. Where relevant, the applicant applies the principle of Free, Prior and Informed Consent for its projects/programmes. The applicant provided a sample of E&S monitoring and reporting by the applicant's PPC for a sample of project documents indicated in paragraph 52 above, which include the stakeholder engagement.

58. 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.

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

59. Decision No. 90/QD-NHPT (dated 24/2/2016)¹⁰ of the applicant's General Director details the assigned responsibilities for receiving and handling complaints from the public, including project-affected people. During the settlement of complaints, the applicant's officers are responsible for reviewing and inspecting the complaints and coordinate with concerned agencies and organizations in gathering information and documents related to the complaint. The applicant encourages mediation between the disputing parties before the complaints are addressed and settled by its Director General or the Director of Transaction Centre of the respective branch.

60. The E&S Policy addendum adopted by the applicant complements the above-described process and includes the applicant's entity-level and executing entity-level GRM to be implemented by the applicant in line with the GCF Environmental and Social Policy and the GCF interim ESS standards for GCF projects/programmes. The applicant has designated its Internal Control Department to be the independent GRM function and to take corrective actions to resolve the complaints in collaboration with applicant's units that are directly responsible for providing the explanations, clarifications and information received.

61. The E&S Policy addendum also includes the provisions for the applicant to publicly disclose E&S reports related to GCF projects/programmes in line with the GCF Information Disclosure Policy on E&S information disclosure requirements for maximum E&S risk category B/I-2 projects/programmes. The E&S Policy addendum also includes information on the applicant's external communication channels comprising email address, institutional website and a register of complaints to be used for GCF projects/programmes. However, the applicant has not provided evidence on its track record in (i) institutionalizing external communication channels to receive, assess and register E&S complaints; (ii) operationalizing its entity- and project-level GRM, including requiring the executive entities it oversees to include a project-level GRM; and (iii) disclosing E&S information on projects/programmes it has financed.

62. The AP finds that the applicant's system of external communications, consultations, information disclosure and GRM at the institutional level fully meets the GCF Environmental

¹⁰ See <<http://vietnamlawmagazine.vn/law-on-complaints-4094.html>>.

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. However, the AP finds that the applicant’s track record is insufficient. The relevant gaps are identified in paragraph 60 above and are reflected by the corresponding conditions of accreditation in section 4.2.

3.5.6. Organizational capacity and competency

63. The applicant provided evidence on the resolution of its Management Board dated 18 December 2020 on the establishment of an Environmental & Social and Gender Evaluation Unit for GCF funded projects/programmes. The Unit also includes an environmental expert and a gender expert. The AP conducted a two-day comprehensive training via a webinar on 14–15 December 2020 on the ESMS, including the GCF Environmental and Social Policy and GCF interim ESS standards as well as the GCF Information Disclosure Policy regarding E&S information disclosure requirements for the applicant’s staff, including the newly appointed E&S and gender experts. The applicant has indicated that, in line with its past practice for donor-funded projects/programmes, it would also hire external consultant(s) where relevant to complement its internal E&S and gender experts in preparing/appraising GCF projects/programmes.

64. The applicant provided a sample of its project documents referred to in sections 3.2.2 as evidence of the capacity of its appraisal department in overseeing the application and implementation of the E&S safeguards in its state-financed as well as donor-funded projects/programmes.

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

3.6 Gender

66. The applicant follows its government’s National Strategy on Gender Equality (2011 to 2020)¹¹ for its projects/programmes. The National Strategy on Gender Equality requires that men and women are treated equally in organizational and operational matters. The applicant has established the Committee for Women Development’s to oversee the institutional-level gender practices based on the National Strategy on Gender Equality. The Committee is headed by a Deputy Director who organizes activities to support the applicant’s female staff members, particularly relating to women’s empowerment and advancement in different spheres. The applicant also provided the Prime Minister’s Decision No. 1696/QĐ-TTg¹² (dated 2 October 2015), on the National Action Plan on Gender Equality in 2016 – 2020 to ensure women’s rights and equality at work and raise female staff members’ professional capacities.

67. The AP compared the applicant’s compliance with its National Gender Strategy against the GCF Updated Gender Policy with a view to identifying the gaps in the applicant’s current practice on gender mainstreaming. These gaps were reflected as additional gender provisions and formulated as the “Gender Policy addendum” to complement its national regulations on gender mainstreaming in order for the applicant to apply for GCF projects/programmes. The Gender Policy addendum requires the applicant to ensure that concept notes and funding proposals submitted to GCF would include:

¹¹ See <<https://evaw-global-database.unwomen.org/en/countries/asia/viet-nam/2011/national-strategy-for-gender-equality-2011-2020>>.

¹² See <http://ilo.org/dyn/natlex/natlex4.detail?p_isn=100411>.

- (a) a gender assessment, along with appropriate environmental and social assessments (as may be required according to the level of risks and impacts);
- (b) a project-level gender action plan including gender-sensitive indicators; and
- (c) monitoring and reporting on the progress made in implementing the project-level gender action plan.

68. The applicant provided evidence on the adoption of the Gender Policy addendum by its Board. As such, the applicant is expected to comply with not only its national-level gender regulations but also the provisions in the Gender Policy addendum. The applicant's Director General would be responsible for ensuring the applicant's compliance with the Gender Policy addendum.

69. The applicant also provided evidence of Management Board's resolution (dated 18 December 2020) on the establishment of Environmental & Social and Gender Evaluation Unit for GCF projects/programmes. The Unit also includes an environmental expert and a gender expert. The applicant provided their CVs, and both had participated in the training that the AP conducted via a webinar on 14–15 December 2020 on the application of the Gender Policy addendum.

70. The applicant provided one example of its project on the small and medium-sized towns' water supply programme financing provided to its state agency, which provides only partial evidence of gender mainstreaming. The applicant could not provide evidence on conducting gender assessments in its projects/programmes in line with the GCF Updated Gender Policy.

71. The AP finds that the applicant's gender policy, procedures and capacities fully meet the Updated Gender Policy. However, the AP finds that the applicant's track record is insufficient. The relevant gap is identified in paragraph 69 above and is reflected by the corresponding condition of accreditation in section 4.2.

IV. Conclusions and recommendation

4.1 Conclusions

72. The AP concludes, following its assessment of the application against the standards of the GCF in accordance with the accreditation requirements identified in paragraph 9 above:

- (a) The applicant meets the requirements of the basic fiduciary standards, the Policy on the Protection of Whistleblowers and Witnesses, the Policy on Prohibited Practices and the AML/CFT Policy;
- (b) The applicant partially meets the requirements of the specialized fiduciary standard for project management, specialized fiduciary standard for grant award and/or funding allocation mechanisms, and specialized fiduciary standard for on-lending and/or blending for loans and guarantees. The AP finds that the applicant's track record is insufficient due to the prior practice of not publishing details on project monitoring and evaluation reports; results of grant awards; and information on on-lending operations. The above gaps are reflected in the paragraphs 26, 35, and 39 above and addressed in the corresponding conditions of accreditation in section 4.2;
- (c) The applicant partially meets the GCF Environmental and Social Policy, interim ESS standards and the Information Disclosure Policy on the disclosure of E&S information in relation to the medium E&S risk (Category B/I-2). The key gaps are related to the applicant's lack of evidence on :

- (i) Institutionalizing external communications system to receive, assess and register E&S complaints; requiring its executive entities it oversees to include project-level GRM; and publicly disclosing E&S assessment documents for projects/programmes it has financed (reflected in paragraph 60); and
- (ii) Lack of evidence on the external audit of the applicant's ESMS, including the E&S Policy addendum on the effectiveness of the institutional management programme for mitigation actions reflected in paragraph 52 and addressed in the corresponding conditions in section 4.2; and
- (d) The AP finds that the applicant's gender policy, procedures and capacities fully meet the Updated Gender Policy. However, the AP finds that the applicant's track record is insufficient. The applicant does not have experience in conducting gender assessment for its projects/programmes in line with the Updated Gender Policy. The relevant gap is identified in paragraph 69 and is reflected by the corresponding condition of accreditation in section 4.2.

4.2 Recommendation on accreditation

73. The AP recommends, for consideration by the Board, applicant APL110 for accreditation as follows:

- (a) **Accreditation type:**
 - (i) **Maximum size of an individual project or activity within a programme:** small¹³ (including micro¹⁴);
 - (ii) **Fiduciary functions:**
 1. Basic fiduciary standards;
 2. Specialized fiduciary standard for project management;
 3. Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
 4. Specialized fiduciary standard for on-lending and/or blending (for loans and guarantees);
 - (iii) **Maximum environmental and social risk category:** medium risk (category B/I-2) (including lower risk (category C/intermediation 3 (I-3)¹⁵));
- (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 with the submission of the first funding proposal to GCF:

¹³ 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".

¹⁴ 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."

¹⁵ 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."

1. Formal adoption by the applicant's board of directors of the policy on publishing monitoring and evaluation reports that will apply to any project/programme funded by GCF resources and which was reviewed by the AP;
 2. Provision by the applicant of a gender assessment and action plan as part of the first funding proposal, as relevant;
 3. Provision of evidence by the applicant of the following in its first funding proposal to GCF:
 - a. Establishment of an external communications system for environmental and social-related information that includes methods to:
 - i. Receive and register external communications from the public;
 - ii. Screen and assess the issues raised and determine how to address them; and
 - iii. Provide, track and document responses, if any; and
 - b. Requirement for the executing entity/ies the applicant oversees to include a project-level GRM in the first funding proposal; and
 4. Provision of evidence to the GCF by the applicant of the public disclosure of its E&S assessment documents in line with the GCF Information Disclosure Policy requirements on E&S information disclosure for E&S risk category B/I-2, for its first funding proposal that is a category B/I-2 project/programme;
- (ii) Conditions to be met within three years 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 final report prepared by an independent body assessing the effectiveness of the implementation of the applicant's ESMS, including the E&S Policy addendum, which shall include examples of its application and of lessons learned; and
 2. Provision by the applicant of evidence of publishing on its website:
 - a. At least one project evaluation report; and/or
 - b. At least one set of details of on-lending/blending operations including evaluation reports; and/or
 - c. At least one set of results of a project/programme with a grant award structure.
74. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 74 above, and agrees to the recommendation.

4.3 Remarks

75. The applicant is already taking steps to meet the conditions identified in paragraph 73(b) above.