

Annex XII: Accreditation assessment of upgrade application from the International Fund for Agricultural Development (IFAD)

I. Introduction

1. The International Fund for Agricultural Development (IFAD) is a specialised agency of the United Nations. The applicant aims to address (1) the need to increase food production and resilience in the poorest food deficit countries; (2) the potential for increasing food production in other developing countries; and (3) the importance of improving the overall resilience and nutritional level of the poorest populations in developing countries and the conditions of their lives. In addition, with its objective to mobilize additional resources on concessional terms for agricultural development in its developing member states, the applicant provides financing primarily for agricultural development and poverty alleviation. The applicant also introduces, strengthens, expands and improves food value chains and strengthens related policies and institutions within the framework of national priorities and strategies.

2. The applicant was accredited without conditions by the Board on 14 October 2016 in decision B.14/11, paragraph (b), and signed its AMA with GCF on 24 September 2018, which became effective on 9 November 2018, for the following parameters, as recommended by the Accreditation Panel (AP), under the fit-for-purpose approach of GCF:

- (a) **Access modality:** international access;
- (b) **Track:** fast track under the Adaptation Fund (AF) and the Global Environment Facility (GEF);
- (c) **Maximum size of an individual project or activity within a programme:** Medium¹
- (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
- (e) **Maximum environmental and social risk category:** medium risk (category B/intermediation 2 (I-2)).³

3. The applicant submitted its application for accreditation upgrade to GCF via the online accreditation system on 26 November 2020. Accreditation fees were received from the applicant on 9 December 2020, thereby launching the stage I institutional assessment and completeness check. Stage I was completed on 30 April 2021 and the applicant was progressed to the stage II (step 1) accreditation review, which has been concluded with the publication of

¹ As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), “medium” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 50 million and up to and including US\$ 250 million for an individual project or an activity within a programme.”

² Decision B.07/02.

³ As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), category 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.”

this assessment. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of GCF:

- (a) **Access modality:** international access;
- (b) **Track:** fast track under the Adaptation Fund (AF) and the Global Environment Facility (GEF);
- (c) **Maximum size of an individual project or activity within a programme:** large;⁴
- (d) **Maximum environmental and social risk category:** high risk (category A/intermediation 1 (I1));⁵ and
- (e) **All other criteria for which the applicant was accredited:**⁶ no change.

4. The applicant submitted its application for an accreditation upgrade to be able to undertake large-size and high environmental and social (E&S) risk projects. The application to upgrade its size of project and E&S risk category would allow IFAD to submit more ambitious projects to GCF and would be an important step in the Great Green Wall initiative and other important regional or global programmes..

II. Stage I institutional assessment and completeness check

5. The applicant is eligible for, and applied under, the fast track accreditation process as a GEF and AF entity. Its application has been assessed by the Secretariat during stage I in accordance with the requirements and gaps identified in decisions B.08/03, B.10/06, B.12/30, B.14/09, B.15/09, B.17/13, B.18/05, B.19/14, B.22/09, B.23/13, B.24/11 and B.26/01 and 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 (AMA) 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 Whistle-blowers 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

⁴ As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), “large” is defined as “total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 250 million for an individual project or an activity within a programme.”

⁵ As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), category A is defined as “Activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented” and intermediation 1 is defined as “When an intermediary’s existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented.”

⁶ For example, the fiduciary functions.

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

2.1 Legal status, registration, permits and licences

6. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. IFAD was established through the United Nations Conference on the Establishment of an International Fund for Agricultural Development on 13 June 1976, in Rome, Italy. As indicated in paragraph 1 above, GCF and IFAD have entered into an AMA.

2.2 Institutional presence and relevant networks

7. As a specialised agency of the United Nations, the applicant has offices in over 40 countries. As at June 2020, the applicant has 679 staff members. The applicant has a long track record of empowering and supporting national governments, farmers’ associations, commodity cooperatives, and formal and informal private sector actors in scaling up climate change mitigation and adaptation projects that enhance the livelihoods of farming communities.

2.3 Track record

8. The applicant has developed, financed or co-financed several climate change adaptation and mitigation projects including:

- (a) USD 133 million of blended finance (grants and loans) for the Climate Adaptation and Livelihood Protection Project in Bangladesh;
- (b) USD 116 million of blended finance (grants and loans) for the Climate Resilient Agricultural Livelihoods Programme in Kenya;
- (c) USD 119 million of blended finance (grants and loans) for the Livestock Marketing Resilience project in Sudan whose purpose is to increase the food security, incomes and climate resilience of poor households in pastoralist communities; and
- (d) USD 83 million of blended finance (grants and loans) for the Climate Resilient Post-Harvest and Agribusiness Support Project in Rwanda.

9. Five IFAD funding proposals have been approved by GCF:

- (a) USD 20 million (grants, loans, and equity) for Resilient Rural Belize (FP101);
- (b) USD 202.5 million (grants and loans) for Planting Climate Resilience in Rural Communities of the Northeast in Brazil (FP143);
- (c) USD 143.33 million (grants and in-kind) for the Africa Integrated Climate Risk Management Programme: Building the resilience of smallholder farmers to climate change impacts in 7 Sahelian countries of the Great Green Wall (GGW) (FP162);
- (d) USD 13.89 million (grants and loans) for Inclusive Green Financing for Climate Resilient and Low Emission Smallholder Agriculture in Niger (SAP012); and
- (e) USD 31.72 million (grants) for Climate Proofing Food Production Investments in Imbo and Moso Basins in the Republic of Burundi (SAP017).

10. Two additional funding proposals and three concept notes have been submitted:

- (a) USD 181.36 million (grants and loans) for Increased Resilience to Climate Change of Smallholders Receiving the Services of the Inclusive Agricultural Value Chains Programme, DEFIS+ (funding proposal received by Secretariat);

- (b) USD 315 million (grants and loans) for Inclusive Green Financing Initiative (IGREENFIN): Greening Agricultural Banks and Financial Sector to Foster Climate Resilient and Low Emission Agriculture for Smallholders in the Great Green Wall (GGW) area (phase 1 and phase 2) (funding proposal received by Secretariat and under interdivisional review);
- (c) USD 94 million (grants and loans) for Reduced Emissions through Climate Smart Agroforestry (or Achieving Emission Reductions in the Central Highland and South Central Coast Region of Viet Nam to Support National REDD-plus Action Programme Goals) (concept note answered by Secretariat);
- (d) USD 62 million (grants and loans) for Financial Inclusion and Cluster Development (FINCLUDE+) in Eswatini (concept note answered by Secretariat); and
- (e) USD 86.16 million (grants, loans and in-kind) for CASP+: Community-based Agriculture Support Programme 'plus' – Phase II in Tajikistan (concept note received by Secretariat).

2.4 Potential support for direct access entities

11. The applicant intends to work with national and regional counterparts and allocate additional parts of its budget to training and capacity-building. This would involve training and awareness on fiduciary principles, social, environmental and climate change assessment procedures and project cycle management, including monitoring and evaluation as well as improving climate vulnerability assessments and improved ability to access climate finance while improving in-country coordination. The applicant also intends to work closely with the national designated authorities (NDAs) towards the strengthening of relevant institutions and networks relevant to climate change communication, education, training and public awareness at all levels, as well as support policy relevant to climate change. IFAD supports many direct access entities (DAEs) that are partners or executing entities (EEs). The support IFAD plans to provide to DAEs in the coming years includes:

- (a) Support banks on their readiness for future accreditation to GCF and direct access through the Inclusive Green Financing for Climate Resilient and Low Emission Smallholder Agriculture project. These banks include Banque Agricole du Niger (BAGRI), Banque Nationale du Mali (BNDA), Banque Agricole du Faso (BADF), ARB Apex Bank of Ghana, Banque Nationale d'Investissement (BNI), Nigerian and Ivorian banks to be determined;
- (b) In the framework of its existing portfolio in Morocco, which includes GEF and Adaptation for Smallholder Agriculture Programme (ASAP) funding, IFAD collaborates with Agence pour le Développement Agricole (ADA). As it is now reviewing its programming framework in Morocco (through its upcoming Country Strategic Opportunities Programme, COSOP), IFAD will engage with ADA to identify potential opportunities to build its capacity to develop and implement GCF-funded projects;
- (c) The IFAD IGREENFIN project will support La Banque Agricole (LBA) of Senegal to access GCF resources and establish green lines of credit at zero per cent interest rate for smallholders including women and youth engaged in agriculture, but will also undertake capacity-building on green lending and products, assisting LBA to become a greener bank; and
- (d) IFAD will consider engaging with Observatoire du Sahara et du Sahel (OSS), based in Tunis, in the framework of the Great Green Wall Initiative Umbrella Programme (GGWI UP) and IGREENFIN regional project. The scope and nature of that collaboration remains to be determined.

III. Stage II accreditation review assessment

12. The applicant is eligible for, and applied under, the fast track accreditation process as a GEF and AF entity. Its application has been assessed by the AP during stage II (step 1) against the accreditation standards of GCF and gaps identified in decisions B.08/03, B.10/06, B.12/30, B.14/09, B.15/09, B.17/13, B.18/05, B.19/14, B.22/09, B.23/13, B.24/11 and B.26/01 and in accordance with the accreditation requirements below:

(a) GCF policies and standards identified in paragraph 3 above.

13. As part of this assessment, the AP consulted third-party websites to complement the information provided in the application.

3.1 Fiduciary standards

3.1.1 Basic fiduciary standards: key administrative and financial capacities

14. This applicant is seeking an upgrade to the size of funding proposals it can present for large-scale projects for consideration by GCF. This application responds to the potential pipeline of projects the applicant expects to put forward for GCF funding. The applicant's strategy, governance structure and organization are the same as at the time of initial accreditation. Also, the applicant provided the final review report and formal acknowledgement letter from the GEF on the 2020 updated fiduciary standards assessment in which IFAD was fully compliant with all standards, and presented a confirmation of the re-accreditation at GEF. The assessment below focuses on the updates in the applicant's policies, procedures and demonstrated track record and their adequacy to manage large-scale projects and programmes.

15. The applicant's capacity to meet the requirements of GCF basic fiduciary standards was demonstrated at the time of its initial accreditation assessment, and this capacity is appropriate for medium-size funds, as well as for large-size projects. The applicant established in its upgrade application that it already undertakes large-scale programmes using the key fiduciary procedures assessed during the initial accreditation. An upgrade to large-scale projects will allow the applicant to present the funding proposals the AE is currently preparing. The AE provided a document "GCF Entity Work Programme 2021" describing in detail the IFAD strategy for engaging with GCF over the GCF replenishment period. The summary table of total pipeline for GCF1 (2020–2030) was provided. The programme includes 20 projects, including small-scale, medium-scale and large-scale projects and programs. Each project summary provides a description of alignment of the project to the country priorities and GCF priorities.

16. To support its application for a project size accreditation upgrade, the applicant provided detailed of the project portfolio it has managed, indicating several large-scale projects, as well as supporting documentation in the form of project design reports, supervision/monitoring reports, evaluation reports and other relevant documents.

17. As stated in the original accreditation recommendation the applicant's governance structure is appropriate for the management of large-scale activities. The regulatory requirements of the supervision provide the framework for effective governance for various departments responsible for the financial reporting, internal audit, internal controls, project design and supervision. The applicant's historic track-record demonstrates that its governance structure is adequate for effective oversight and management of large-size projects in various regions of IFAD operations. In 2019, the applicant also updated its framework for operational feedback from stakeholders, enhancing transparency, governance and accountability to improve the overall governance system.

18. The applicant provided, for the assessment of its upgrade application, updated copies of its financial management and administration manual for staff and consultants (dated October 2019), revised Charter of IFAD office audit and oversight (dated 2018), updated IFAD handbook for financial reporting and auditing of IFAD-financed projects (dated March 2021) and Internal Control Framework (dated August 2019). In these manuals the applicant establishes the general guidelines for financial management and reporting, as well as internal and external audit of the projects based on the fiduciary obligations pertaining to the member states (donors) contributions. The AP concludes that the applicant's financial management and reporting, internal and external audit, supervision, as well as internal control framework is appropriate for an organization managing large-scale financial transactions. The applicant also provided the records of the training related to financial crime and controllership conducted in 2020.

19. As concluded in the original assessment, the applicant's strategic planning capacity, as well as its accounting systems, its audit arrangements and its payment and disbursement systems are appropriate for the management of large-scale projects. To complement this upgrade application, updated audited financial statements for the recent financial years, 2018 and 2019 contained in the publicly available Annual Report 2019 were reviewed by the AP. The financial statements demonstrate the increased pledges from the member states in 2019 and the sound financial position.

20. During review of the audited financial statements, the AP has noticed that negative retained earnings were reflected in the balance sheet of 2018 and 2019. However, the entity provided the clarification that negative retained earnings are driven by some accounting policies (International Financial Reporting Standards) applied to the IFAD business model, according to which IFAD provides funding to its beneficiary countries on grant and loan basis. The grants are accounted straight into the Profit and Loss (statement of comprehensive income), in the year in which the expenditures have been incurred. This is creating some deficit accumulated over the years. Nevertheless, this deficit is fully compensated by replenishment contributions from member states which are accounted in the Balance Sheet, as paid-in capital.

21. The entity's Procurement Guidelines were updated in June 2020 and a Standardized Procurement Risk Matrix was developed to improve transparency of the procurement process risk assessment of the counterparty and are found to satisfy the procurement requirements of the GCF basic fiduciary standards. These guidelines, in addition to the positive assessment of the original accreditation, demonstrate that the applicant's procurement policy and procedures satisfy the requirements of GCF basic fiduciary standards.

22. The AP finds that the applicant's policies, procedures and capacity, supported by its track record, fully meet the GCF basic fiduciary standards on key administrative and financial capacities. Furthermore, this policies, procedures and capacity are appropriate for the management of large-size projects

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

23. The applicant's Ethics Committee has updated its code of conduct for employees in August 2017 to include provisions for conflict of interest, remuneration and other guiding principles on how staff members should work with clients, partners and each other.

24. The applicant's framework for management of prohibited practices is described in the original accreditation recommendation document. In addition, the new policies were developed and updated in 2017–2020 to enhance the policy on prohibited practices, such as the IFAD policy on sexual harassment, sexual exploitation and abuse and IFAD policy on preventing fraud and corruption, and whistle-blower protection procedures. The revised Policy on Preventing Fraud and Corruption in its Activities and Operations aims at strengthening the

criteria and due diligence of the borrowers and grant recipients in relation to the downstream partners.

25. The applicant's capacity to effectively undertake investigations is described in the initial assessment recommendation. Given that the applicant has a track record managing large-size projects, and based on the conclusions of the initial accreditation, the applicant's investigations capacity is appropriate for large size projects.

26. An important enhancement implemented after the initial assessment is the applicant's update of its Anti-Money Laundering and Countering the Financing of Terrorism Policy (AML/CFT) policy (2019). The Integrity Due Diligence procedures aim to improve the due diligence process required for on-boarding and continuous monitoring of parties that use the funds provided by the applicant. The applicant also provided recent examples of the due diligence undertaken for its financial intermediaries in developing countries. Due diligence of a counterparty is undertaken prior to the loan approval in accordance with the know-your-customer due diligence procedures. Once the loan is approved the project expenditures for start-up activities become eligible for financing.

27. The examples of the due diligence reports reflect the integrity due diligence process of the loan recipients, including information about compliance with the AML/CFT policy and policy on prohibited practices, such as potential criminal and anti-money laundering activities, involvement of politically exposed persons, project host country risks, and other risk assessments.

28. The applicant utilizes a well-developed and transparent electronic system to authorize, issue and monitor wire transfers. IFAD uses PeopleSoft as the enterprise resource planning system, including specific modules for General Ledger, Accounts Payable/Purchasing Orders. IFAD also uses several other key corporate systems, in particular Oracle Flexcube (FXC) as its loan and grant financial management system which is interfaced on a daily basis with IFAD'S PeopleSoft. FXC supports IFAD for loan and grant disbursements, debt servicing (issuance of bills for principal and interest repayments) and financial reporting in these areas. FXC is IFAD's primary tool to track projects from approval through full disbursements and, in the case of loans, full repayment. The Flexcube electronic system reflects the names of all counterparties of the approved projects and the history of the transactions and their approvals.

29. These IFAD processes are supported by strong segregation of duties. The Financial Controllers Division takes care of processing transactions while Treasury Cash Management executes transactions with the banks. Copies of the reports of the recent electronic transfers were provided as proof of the transparency and accuracy of the system.

30. The applicant's AML-CFT capacity, as mentioned in the initial accreditation recommendation is appropriate for effective management of AML-CFT risks. The implementation of an Integrity Due Diligence and monitoring automated screening solution further strengthens the applicants capacity.

31. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the GCF basic fiduciary standards on transparency and accountability, the GCF Interim Policy on Prohibited Practices and the GCF Anti-Money Laundering and Countering the Financing of Terrorism Policy.

3.1.3. Specialized fiduciary standard for project management

32. The original assessment demonstrated that the applicant has the capacity to design, prepare and successfully manage medium-size projects and programmes. However, since 2016 the applicant has approved and is implementing over 10 large-scale projects and programmes. The capacity demonstrated by the applicant during the initial accreditation, and the track record evidenced and presented during the upgrade accreditation validate its capacity and

experience to manage large projects and programmes. As relevant documentary evidence the applicant provided a description of the important update to the project management procedures pertaining to the applicant's capacity to design, prepare, implement, supervise and evaluate large-scale projects.

33. In order to improve the planning, implementation and monitoring of projects, including large-scale ones, the applicant adopted new Project Design Guidelines in January 2020 to include a new Development Effectiveness Matrix. Projects are classified and processed according to their risk profile (track 1 for more risky operations, track 2 for normal operations, and track 3 for fast track (low-risk operations)). This new classification is an important addition in the context of the application for upgrade for large-scale projects and programmes.

34. All IFAD-financed projects develop a result-based logical framework at design, with clear indicators at outreach, output and outcome level. The applicant provided the guidance on how to best elaborate log frames, as well as measurement guidelines to support projects on how to apply correct methodologies for baselines, mid-term and final results assessments. Examples of the project design documents for the large-scale projects approved by the applicant's Board were provided.

35. The applicant's capacity to exercise effective oversight and control and monitor the investments it executes was assessed during the initial accreditation assessment. However, some improvements in the procedures and systems were made after the initial accreditation in 2016. All the applicant's projects are evaluated by applicant's teams once a year. For that purpose, the applicant assesses the performance of all projects by using standardized performance score descriptors as described in the updated Project Implementation Guidelines.

36. All implementing entities working with the applicant need to update achievement of results in annual progress reports which are validated during annual supervision missions. As defined in the applicant's project implementation guidelines, the project implementers should update the progress indicators against the logical framework before all supervision missions and for progress reports, using the latest information available. These updates should not only focus on the ongoing year results but should also check the consistency of previous years' results and cumulative data. The updated project implementation guidelines contain the provisions for the more detailed analysis of expenditures compared to project budget and provide the results and cumulative data from the previous years. Examples of the several implementation/progress reports for large-scale projects were provided.

37. As per the applicant's updated Project Implementation Guidelines, IFAD deploys supervision missions annually. The process of problem identification was also improved, as well as mid-term review missions (site visits) and checklist preparation. Based on standardized performance score descriptors, the applicant classifies all projects according to four risk categories: "Not-at-risk", "Potential Problem Project", "Actual Problem Project", "Chronic Problem Project". In addition, the applicant's 2018 policy on project restructuring provides an enabling framework for proactive management of projects under implementation so as to improve quality and performance and mitigate the risks that are identified during project implementation. Examples of problem projects/high risk projects that have been adjusted during implementation, and relevant documentation describing the adjustments, were provided.

38. The applicant's updated Project Implementation Guidelines clearly set out the monitoring and supervising function at project level and describe the respective roles of all actors involved (country director, regional portfolio advisors, etc.). Regional divisions within the applicant's programme management department are responsible for the supervision and monitoring at project level. The organization's portfolio reporting department is responsible for overall portfolio monitoring and reporting, using aggregated data from project performance

and progress reports. Examples of the supervision/monitoring reports for large-scale projects were provided.

39. The applicant's Guidelines for project completion review were harmonized with the evaluation policy and evaluation manual. The project completion review is a process undertaken by the borrower in close coordination with the applicant at the end of the project implementation cycle, in order to report on the results achieved through project interventions. The main purposes of the completion review process are to promote accountability, reflect on performance and elicit lessons learned to inform new project design, and to define an appropriate post-project strategy. Examples of the independent evaluation reports prepared for recently finalized large-scale project activities were provided.

40. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the GCF specialized fiduciary standard for project management in relation to the management of large-size projects.

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

41. During the original accreditation assessment the applicant provided sufficient evidence for its capacity, experience and track record to manage grant awards and funding allocation programmes for medium-scale projects. Since then the applicant has financed and implemented a number of both medium-scale and large-scale projects that required grant award funding for specific components of the projects along with concessional loan finance as a main financial instrument. The grant component in the large-scale project typically consists about 3–10 per cent of the total project finance.

42. There have been some changes to the systems, policies and procedures since the original accreditation regarding some fiduciary procedures affecting the large-size grant award and funding allocation mechanisms of grants in the context of programmes. These changes are described in the paragraphs below.

43. The grant financing procedures (2018) were revised after the first accreditation to improve the selection process, supervision of the activities under the grant awards funding and evaluation of the activities. Also, the additional policy "IFAD_5.2.1a Grant Competitive Selection" was developed containing references to the following new/updated policies: IFAD Policy on Sexual Harassment, Sexual Exploitation and Abuse; IFAD Policy on Preventing Fraud and Corruption; and IFAD Handbook for Financing, Reporting and Auditing of IFAD-financed Projects. The new updates are considered by the AP to improve the quality of the grant award selection process and are in line with GCF standards for grant award mechanisms.

44. The applicant's performance-based allocation system (PBAS) allows the fund to allocate resources to its recipient member states, including grant component. The PBAS determines the volume of financing that the applicant provides to each recipient country during a given replenishment cycle. The PBAS consists of a mathematical formula consisting of two components: a country needs component and a country performance component. The variables included within the formula reflect the best practices of other international financial institutions that use performance-based systems for allocating resources, and also the specificity of the applicant's mandate. The PBAS is a transparent and predictable way of allocating the applicant's resources to its recipient states in that it is formula-based and uses standardized sources of information compared to alternative systems.

45. As evidence of the effective implementation of the updated grant financing procedures, the monitoring (grant status) reports and evaluation reports for three projects were provided. Projects that attract grant financing are subject to the supervision missions and also yearly

external audits. Procedures for undertaking the audit are contained in the updated audit handbook.

46. IFAD demonstrated evidence of good standing with the multilateral organizations by presenting the independent assurance report and supporting document for the European Union Pillars assessment and lending due diligence report from the external audit firm at the request of the Ministry of Foreign Affairs of a donor state for a large concessional partner loan.

47. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the GCF specialized fiduciary standard for grant award and/or funding allocation mechanisms in relation to large-size projects with the use of grant award/funding allocation mechanisms.

3.1.5. Specialized fiduciary standard for on-lending and/or blending (for loans)

48. The applicant, during the original and upgrade-related accreditation review, demonstrated that it has the capacity to exercise appropriate due diligence to evaluate investments and potential loan recipients. The policies and procedures it applies are appropriate for the effective management and monitoring of allocation and repayment of loans to large-scale projects. The due diligence policies and procedures are also appropriate for the management of large-size projects and programmes, considering that the applicant has deployed concessional finance to a significant number of medium and large-scale project activities.

49. During the initial accreditation, and in the documents made available for the upgrade assessment, the applicant demonstrated its capacity and experience in deploying concessional loans as a main financial instrument.

50. Financial management and fiduciary risk assessments of executing entities are conducted at design stage. Details are provided in the updated financial management and administration manual (FAM). Project risks are reassessed during supervision missions. Projects are also subject to yearly external audits. Procedures are detailed in the FAM and in the updated audit handbook.

51. Information on the funds for on-lending and blending received from the multilateral donors is contained in the applicant's Annual Report of 2019. In total, in the financial 2019 IFAD received USD 1,639 billion, whereas the total financing in 41 years (1978–2019) comprises USD 21,429 billion. Currently, there are 203 projects under implementation worldwide and the amount of financing provided by IFAD in a form of loans and grants comprises USD 7,5 billion.

52. The information on the investment portfolio for the financial year 2018–2020, as well as information on the investment management objectives for the project portfolio of 2020 onwards was provided.

53. In 2020 IFAD was rated by Fitch and S&P as an AA+ institution with a stable outlook. IFAD was the first UN organization that was rated by the rating agencies and the high rating obtained demonstrates the applicant's strong position as an international financial institution.

54. The relevant competencies and track record required for satisfying the specialized fiduciary standards for on-lending and/or blending are described in the previous paragraphs, and the applicant's competency remains appropriate. In terms of the size upgrade, the applicant has provided sufficient evidence of its experience and capacity to manage large-scale projects. Various examples of project documentation described in the sections with regard to project management and grant award function, such as design reports, supervision reports, evaluation reports for the large-scale projects that were financed by concessional loans, were provided.

55. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the GCF specialized fiduciary standard for on-lending and/or blending for loans in relation to large-size projects.

3.2 Environmental and social safeguards

3.2.1. Environmental and social policy

56. The applicant's Environmental and Social Policy comprises in its "Updated Social, Environmental and Climate Assessment Procedures (Updated SECAP)", approved by its Executive Board in December 2020. The Updated SECAP will become effective during 2021. In the meantime, all the applicant's project Concept Notes being submitted to its September 2021 Executive Board must be compliant with the Updated SECAP. The Updated SECAP applies to all investments for loans and grants and non-sovereign operations (NSOs) for which the applicant's financing is sought. The Updated SECAP draws on the "Framework for Advancing Environmental and Social Sustainability in the United Nations System" prepared by the UN Environment Management Group (2019).⁷ The Updated SECAP is a revised version of the applicant's 2017 SECAP which reflected updated versions of its previous SECAP dating from 2012. The Updated SECAP includes nine environmental and social safeguard (ESS) standards, online screening tool, a 4-tier E&S risk rating system replacing its previous 3-tier risk rating system, strengthened validation of E&S risk categories, mainstreaming of several themes including climate financing, due diligence process for the private sector, roles/responsibilities for grievances and compliance monitoring, and broadened E&S safeguard requirements for social, climate, private sector and procurement.

57. The applicant commits to ensure that its projects would comply with national and international laws, conventions and treaties, such as the UNFCCC, and the United Nations Agreement on Reducing Emissions from Deforestation and Forest Degradation, plus the sustainable management of forests and the conservation and enhancement of forest carbon stocks.⁸ The applicant's supported projects would avoid the construction of roads and other infrastructure in natural forests and other sensitive habitats. The objectives of the Updated SECAP are to help the applicant to identify social, environmental and climate risks and their significance and determine the level of risk management required to address risks and impacts associated with its supported investments and global and regional grant funded programmes, and to support borrowers/recipients/partners and the applicant in improving decision-making and promoting the sustainability of project and programme outcomes through ongoing stakeholder engagement.

58. The Updated SECAP includes the following nine ESS standards of which the first seven are equivalent to GCF interim Environmental and Social Safeguard standards (Performance Standards (PS) 2–8) : biodiversity conservation, resource efficiency and pollution prevention, cultural heritage, indigenous peoples, labour and working conditions (new), community health and safety, physical and economic resettlement, financial intermediaries (new - private sector), and climate change (new). The ESS standards are directed predominantly to borrowing governments and private sector partners, which are responsible for undertaking environmental, social and climate risk assessments, and for implementing projects. The ESS standards are accompanied by a set of tools, non-mandatory guidance notes and 'how to do notes' to assist clients in implementing the ESS standards, applicant's project development teams in conducting due diligence, and to provide support to stakeholders in sharing good practices. The overall responsibility to ensure conformance with the policy and be responsible for its execution lies with the Environment, Climate, Gender and Social Inclusion Division. The

⁷ See <<https://sustainabledevelopment.un.org/content/documents/2738sustainabilityfinalweb-.pdf>>.

⁸ See <https://redd.unfccc.int/fact-sheets/warsaw-framework-for-redd.html>.

Updated SECAP is communicated to all levels/within the organization and available on the applicant's website.

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

3.2.2. Identification of environmental and social risks and impacts

60. The Updated SECAP describes the applicant's E&S risk and impacts identification including categorization process. Each project is screened to identify the main social, environmental and climate impacts and risks associated with the potential project based on the screening tool against the nine SECAP ESS standards that are consistent with PS 1–8. The E&S risk categories consist of four levels ("High", "Substantial", "Moderate", "Low") previously as A, B, and C in SECAP 2017. The screening findings are included in the project concept note (PCN) for consideration at the Operational Strategy and Policy Guidance Committee review meetings. Any risks or potentially adverse impacts on disadvantaged groups, women, men, girls and boys are identified as early as possible as part of the screening and are reflected in the SECAP Review Note. The screening exercise also allows the applicant to highlight investments with a higher potential for climate adaptation and greenhouse gas emissions and the probability of losses/damages from climate related events, which can also help the applicant to make a case for the allocation of additional climate finance. The preliminary/final category and classification and the basis for their selection is reflected on the applicant's corporate dashboard (through the Grants and Investments Projects System) and in the relevant sections of the respective documents (PCN, Project Design Report, President's Memo) including the SECAP Review Note, which is an annex of the Project Design Report. The project E&S risk category and classification are monitored on a regular basis throughout the life of the project and updated based on any changes, as necessary.

61. The applicant provided PCNs which include E&S risk and impacts identification including categorization for category A comprising (i) Malawi Transforming Agriculture through Diversification and Entrepreneurship and (ii) Mozambique Inclusive Agri-food Value-Chain Development Programme; and for category B projects comprising (iii) Brazil Planting Climate Resilience in Rural Communities of the Northeast, co-financed by GCF and (iv) Vietnam Climate Smart Agriculture Transformation Project in the Mekong Delta (CSAT).

62. The AP finds that the applicant's system of identification of E&S risks and impacts, supported by evidence of its track record, fully meets the GCF Environmental and Social Policy and interim GCF ESS standards for maximum E&S risk category A/I-1 projects/programmes with respect to Performance Standards 1–8.

3.2.3. Environmental and social management programme

63. SECAP describes the applicant's E&S mitigation and management programme. The E&S assessment studies of projects required at the design stage are primarily the responsibility of the borrower/recipient/partner, including any further assessment/study deemed necessary during implementation of the project. The studies/assessments have to meet the requirements of the nine SECAP ESS standards and other relevant guidance (e.g. SECAP Guidance Notes, World Bank Environmental, Safety and Health Guidelines, etc.), and be proportionate to the risks and potential impacts of the applicant-supported investment as reflected in its project risk categorization. For projects that are classified as High Risk or Substantial Risk, the studies/assessments carried out include environmental and social impact assessments (ESIA), and Resettlement Action Framework/Plan (RAF/RAP), which are carried out by independent experts, selected by the borrower/recipient/partner as per existing national legislation. The

borrower/recipient/partner will ensure adherence to the environmental and social covenants of the Financing Agreement and is responsible for the implementation and monitoring of management plans at the implementation stage. For Substantial Risk category projects, one or more of the following may be internally required: a formal SECAP Review Note or abbreviated Environmental, Social and Climate Management Framework (ESCMF); an abbreviated RAF/RAP; and/or Indigenous Peoples Plan/Free, and Prior Consent Implementation Plan. The SECAP Review Note/abbreviated ESCMF incorporates an Environmental, Social and Climate Management Plan (ESCMP). ESIA reports are approved by the government and subsequently cleared by the applicant's relevant Regional Director after technical judgement has been provided by the Environment, Climate, Gender and Social Inclusion Division (ECG).

64. The Updated SECAP ESS standard requires financial intermediaries (FIs) (such as private equity funds, commercial banks and microfinance institutions, which are the financial service providers to finance subprojects with sub-clients) including the non-sovereign operations (NSO) to put in place and maintain an environmental and social management system (ESMS).

65. The applicant provided a copy of its June 2016 Evaluation Synthesis Report on Environment and Natural Resource Management. The 2017 SECAP and the Updated SECAP made significant steps in strengthening the ESS in response to the findings and recommendations of the evaluation report. Specifically, the 2019 action plan greatly increased the focus on environment and climate related matters resulting in an improved SECAP compliance function in the Operational Policy and Results (OPR) Division, thus bolstering the implementation of the applicant's operations.

66. The applicant provided evidence on its track record in the form of the SECAP Compliance Review forms summarizing comments on the ESIA's submitted by the Project Delivery Team at the Design Review Meeting and approved by the OPR for the following projects in category A: (i) Malawi Agriculture Transformation Programme, (ii) Rwanda irrigation scheme, and (iii) Mozambique irrigation scheme; and in category B (iv) Zimbabwe Smallholder Agriculture Cluster Project, and (v) Central African Republic Rural Infrastructure Project (PRORIR).

67. The applicant also provided its E&S assessment of its FI/NSO projects, Babban Gona Farmer Services Nigeria Limited, and Economic Enterprise Restart Facility in Uganda.

68. The AP finds that the applicant's management programme, supported by evidence of its track record, fully meets the GCF Environmental and Social Policy and interim GCF ESS standards for maximum E&S risk category A/I-1 projects/programmes with respect to Performance Standards 1-8.

3.2.4. Monitoring and review

69. The Updated SECAP describes the applicant's internal E&S processes to support a monitoring/supervision programme that tracks and ensures completion of mitigation and performance improvement measures. This process is further elaborated in the applicant's Project Implementation Guidelines that clearly sets out the monitoring and supervising function at project level and describes the respective roles of all actors involved (Country Director, Regional Portfolio Advisors, etc.). The applicant's Regional Divisions within its Programme Management Department are responsible for the supervision and monitoring at project level. Monitoring will normally include tracking implementation and performance of recommended social, environmental and climate adaptation/mitigation actions/measures (including adaptive management processes) contained in the ESCMP, relevant plans (e.g. RAP, Indigenous Peoples Plan), bidding documents and other relevant Financing Agreement covenants. For projects involving co-financiers or third parties responsible for managing specific risks/impacts or mitigation measures, based on an agreed common approach, the applicant and the borrower

will collaborate with the co-financiers/partners to monitor performance of such mitigation measures. The SECAP indicator ratings, based on project supervision, are reflected in the Operational Results Management System.

70. The applicant provided a sample of its monitoring/supervision reports that addressed E&S matters in line with SECAP for its projects in category A: Malawi Programme for Rural Irrigation Development, Bangladesh Char Development and Settlement Project IV, and Philippines Second Cordillera Highland Agricultural Resource Management Project; and in category B: Brazil Semi-arid Sustainable Development Project in the State of Piauí (Viva o Semiarido), and Fostering Climate Resilient Upland Farming Systems in the North East (Mizoram and Nagaland States), in India.

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

72. The applicant provided its website SECAPcomplaints@ifad.org to receive and register external communications including grievances from the public or project affected people. The applicant provided its institutional level grievance redress mechanism (GRM) which is described in its Complaints Procedure⁹ and includes contact email for reporting alleged non-compliance with its social and environmental policies and mandatory aspects of its SECAP. The SECAP Redress Service, located in the OPR of the Programme Management Department, serves as the corporate-level entry point for project-affected people and communities to voice grievances. It also supports project teams in addressing grievances and provides guidance to help efficiently manage and resolve complaints. After receipt of a complaint, the SECAP Redress Service will verify whether the complaint is known and/or already being processed by the project-level grievance redress mechanism. If not, the SECAP Redress Service decides on the eligibility of the complaint within 21 business days after the acknowledgement of receipt. During this phase, further information may be requested from the complainant and/or the regional division to clarify the complaint. In case of partial or total ineligibility, the SECAP Redress Service will, if possible, advise the complainant on which alternative measures could be taken and/or to which institution the concerns may be addressed. In the case of full eligibility, the complainant will receive a notice with information on the next steps, and the complaint will be registered in the applicant's case register managed by the SECAP Redress Service. The applicant's GRM also requires all borrowers to provide an easily accessible grievance and redress mechanism to facilitate the resolution of concerns and complaints of project-affected parties (for projects that pose special risks, this is on a case-by-case basis). The applicant provided evidence on incorporation of a GRM in its projects for the South Sudan Livelihoods Resilience Programme, and in the Climate Smart Agriculture Transformation Project in the Mekong Delta.

73. The Updated SECAP describes the applicant's policy on E&S information disclosure and consultation. The applicant's "Framework for Operational Feedback from Stakeholders", approved by the Executive Board in 2019, outlines commitment to engage key stakeholders and mobilize their feedback in its supported projects throughout the project life cycle. For category A or high risk projects, disclosure at local level is required at least 120 days prior and for category B or moderate risk at least 30 days prior, and disclosure of the ESIA/ESMF/ESMP is required in advance of the applicant or GCF Board making a decision. The applicant provided evidence of the practices followed by itself and executing entities on the disclosure and

⁹ See <<https://www.ifad.org/en/accountability-and-complaints-procedures>>.

consultation of E&S assessment documents for its projects in category A and B with the public, in line with the Information Disclosure Policy of GCF.

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

3.2.6. Organizational capacity and competency

75. The applicant provided its organizational structure that defines roles, responsibilities, reporting lines and authority to implement the ESMS, which includes senior management. In order to strengthen technical support to projects and enhance the mainstreaming agenda and management of global and regional knowledge, the Environment and Climate Change Division (ECD) became the new Environment, Climate, Gender and Social Inclusion Division (ECG) and was moved to the Strategy and Knowledge Department. In addition to leading the applicant's environment and climate work, ECG also focuses on mainstreaming other cross-cutting themes (youth, gender, and nutrition) and Indigenous Peoples. The compliance aspects of IFAD's Social, Environmental and Climate Assessment Procedures (SECAP) have been moved to the new Operational Policy and Results Division (OPR) in the Programme Management Department. This new division oversees operational policies, procedures, compliance performance and results, and, in collaboration with the ECG, organizes capacity building and training for staff and implementation partners.

76. The applicant provided curricula vitae of its ECG staff including their qualifications and experience and training undertaken in implementing the SECAP. There are 37 staff across the Environment and Climate clusters that are positioned to provide inputs to project designs and SECAP documents. This includes all the UN level P5, P4, P3 and P2 staff as well as the nationally recruited staff, National Professional Officers at levels B and C. It is the applicant's requirement that all staff are assigned to Project Delivery Teams to support IFAD designs. Per project, consultant support is also brought in to provide technical inputs to SECAP documents as required. Additionally, the OPR has three permanent positions dedicated to reviewing and assessing SECAPs.

77. The AP finds that the applicant's organizational capacity and competency, supported by evidence of its track record, fully meet the GCF ESS standards for maximum E&S risk category A/I-1 projects/programmes with respect to Performance Standards 1–8.

IV. Conclusions and recommendation

4.1 Conclusions

78. 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:

- (a) The applicant meets the requirements of the GCF basic fiduciary standards, the GCF Policy on the Protection of Whistle-blowers and Witnesses, the GCF Policy on Prohibited Practices, the GCF AML/CFT Policy, the GCF specialized fiduciary standard for project management, specialized fiduciary standard for grant award and/or funding allocation mechanisms, and the GCF specialized fiduciary standard for on-lending and/or blending for loans, with respect to a maximum large-size category; and

- (b) The applicant meets Environmental and Social Policy, interim ESS standards and the Information Disclosure Policy on disclosure of E&S information in relation to the high E&S risk (Category A/I-1).

4.2 Recommendation on accreditation

79. The AP recommends, for consideration by the Board, IFAD for an upgrade in its accreditation type, as originally accredited in decision B.14/11, paragraph (b), and annex IV to document GCF/B.14/17, as follows:

(a) **Accreditation type:**

1. **Maximum size of an individual project or activity within a programme:** large (including micro, small and medium);
2. **Maximum environmental and social risk category:** high risk (category A/I-1) (including lower risk (category B/I-2¹⁰ and category C/I-3¹¹)), and:
3. **All other criteria for which the applicant was accredited:**¹² no change; and

(b) **Conditions:** none.

80. The applicant has been informed of the recommendation for accreditation, including the accreditation type, and agrees to the recommendation.

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

¹¹ 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.”

¹² Decision B.14/11, paragraph (b), and annex IV to document GCF/B.14/17.