



**GREEN
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Consideration of accreditation proposals

Entities recommended at the thirteenth meeting of the Board

Summary

This document presents accreditation proposals for entities that were recommended at the thirteenth meeting of the Board, for which consideration was deferred to the fourteenth meeting of the Board as per decision B.13/28, paragraph (a).

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I. General mandate

1. In decision B.08/02, paragraph (a), the Board recalled at its eighth meeting that all entities, including international, regional, national and subnational entities, can apply for accreditation to the GCF. A description of the accreditation process is contained in annex II to this document.
2. This document presents accreditation proposals for entities that were recommended at the thirteenth meeting of the Board, for which consideration was deferred to the fourteenth meeting of the Board as per decision B.13/28, paragraph (a).

II. Recommended action by the Board

3. It is recommended that the Board:
 - (a) Takes note of the information presented in document GCF/B.14/15 titled “Consideration of accreditation proposals – entities recommended at the thirteenth meeting of the Board”; and
 - (b) Approves the draft decision presented in annex I to this document.

III. Linkages with decisions and other documents

4. This document has actual or potential linkages with the following items:
 - (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) “Gender policy and action plan” (decision B.09/11);
 - (d) “Assessment, including gap analysis, of institutions accredited by other relevant funds” (decision B.08/03);
 - (e) “Identification of relevant potential international private sector best-practice fiduciary principles and standards and environmental and social safeguards” (decision B.08/05);
 - (f) “Country programming, readiness and preparatory support” (decision B.13/32);
 - (g) “Application documents for submissions of applications for accreditation” (decision B.08/06);
 - (h) “Policy on fees for accreditation” (decision B.08/04);
 - (i) “Comprehensive information disclosure policy of the Fund” (decision B.12/35);
 - (j) “Consideration of accreditation proposals” (decisions B.09/07, B.10/06 and B.12/30);
 - (k) “Legal and formal arrangements with accredited entities” (decision B.09/08);
 - (l) “Report on the implementation of legal and formal arrangements with accredited entities” (document GCF/B.11/Inf.09);
 - (m) “Accreditation master agreements” (decision B.12/31);
 - (n) “Investment framework” (decision B.07/06);
 - (o) “Initial results management framework of the Fund” (decisions B.07/04 and B.08/07);

- (p) “Use of other financial instruments” (decision B.08/12);
- (q) “Private Sector Facility: working with local private entities, including small and medium-sized enterprises” (decision B.09/09);
- (r) “Private Sector Facility: potential approaches to mobilizing funding at scale” (decision B.09/09);
- (s) “Interim policy on fees for accredited entities” (annex II to decision B.11/10);
- (t) “Initial monitoring and accountability framework for accredited entities” (decision B.11/10);
- (u) “Consideration of accreditation proposals – overview of accreditation” (document GCF/B.14/10);¹
- (v) “Strategic plan for the Green Climate Fund” (decision B.12/20);
- (w) “Strategy on accreditation” (decision B.13/19);
- (x) “Strategy on accreditation” (document GCF/B.14/09);² and
- (y) “Progress and outlook report of the Readiness and Preparatory Support Programme” (document GCF/B.14/Inf.06).³

IV. Recommendations for accreditation

5. Five applicants (applicants 034 to 038) were presented in document GCF/B.13/23 for accreditation for consideration by the Board at its thirteenth meeting. In decision B.13/28, paragraph (a), the Board deferred its consideration of these applicants until its fourteenth meeting (B.14). Applicants 035 to 038 are presented in annexes III–VI to this document. Applicant 034 has requested to place its application for accreditation on hold; therefore, the application is not being presented for the Board’s consideration.

6. The applicants presented for consideration at B.14 include three entities applying under direct access – of which one is a national private sector entity and two are regional public sector entities – and one public entity applying under international access.

7. The applicants have been found by the AP to be able to operate across a broad range of activities, generally, at medium⁴ to large⁵ scale projects or activities within a programme; using resources to on-lend, blend, undertake equity investments and provide guarantees; and, medium Category B/Intermediation 2 (I-2)⁶ and high Category A/Intermediation 1

¹ To be considered by the Board its fourteenth meeting.

² As footnote 1 above.

³ As footnote 1 above.

⁴ 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”.

⁵ As per annex I to decision B.08/02, “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”.

⁶ 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”.

(I-1)⁷ environmental and social risk levels. The entities meet the gender requirements of the GCF. The fit-for-purpose approach continues to provide flexibility with which to match applicant objectives and capacity on the one hand to the objectives and requirements of the GCF on the other.

8. For all applicants, the applicants do not fully meet the accreditation requirements of the GCF relevant to the scope of their applications. In such cases, the AP recommends conditions for these applicants on how to address these aspects by improving or further developing their policies, procedures and competencies, for which technical support for direct access entities could be sought from the GCF. Such conditions, which should be implemented punctually, prior to the first disbursement from the GCF, have been proposed predominantly for fiduciary reasons in order to strengthen due diligence functions, monitoring, project cycle management activities and external communications and disclosure of information. The AP also provides a small number of remarks related to the deployment of financial instruments and environmental and social management systems.

9. The applicants are presented in this document, as contained in annexes III–VI, for considered by the Board for accreditation.

V. Overview of pipeline of applicant entities and accredited entities

10. Since the opening of the call for applications for accreditation on 17 November 2014 and up to 31 August 2016, 183 entities have been issued with accounts on the Online Accreditation System,⁸ the web-based portal through which applicants submit their applications for accreditation.⁹ Of these, 111 applications have been submitted, including those of the 33 AEs. The distribution of applications received as at 31 August 2016 is provided in the section “Number of entities at each stage” available on the GCF website¹⁰ and is summarized in figure 1 below.

⁷ As per annex I to decision B.07/02, 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”.

⁸ Available at <<https://accreditation.gcfund.org/>>.

⁹ In decision B.07/02, paragraph (o), the Board requested the AP, in collaboration with the Accreditation Committee and the Secretariat, to report annually to the Board on the status of applications for accreditation.

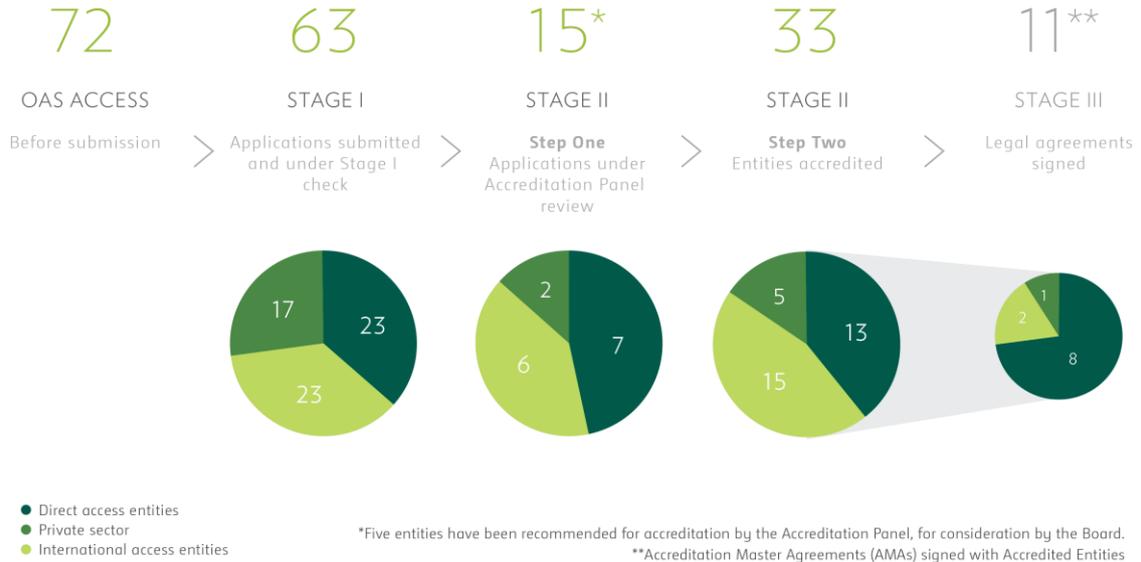
¹⁰ The “Number of entities at each stage” is updated on a monthly basis and is available at <<http://www.greenclimate.fund/partners/accredited-entities>>. Monthly information is available from 30 September 2015 onwards.

Figure 1: Status of accreditation applications (as at 31 August 2016)

As of 31 August 2016

TOTAL PIPELINE OF ACCREDITED ENTITIES AND ENTITIES SEEKING ACCREDITATION:

183



Abbreviation: OAS = Online Accreditation System.

Annex I: Draft decision of the Board

The Board, having considered document GCF/B.14/15 titled “Consideration of accreditation proposals – entities recommended at the thirteenth meeting of the Board”,

- (a) Takes note with appreciation of the assessments conducted by the Secretariat and the Accreditation Panel contained within the relevant annexes for the following applicants:
- (i) Applicant 035 (APL035) is the Banque Ouest Africaine de Développement (West African Development Bank, BOAD) based in Togo, as contained in annex III;
 - (ii) Applicant 036 (APL036) is the Caribbean Development Bank (CDB) based in Barbados as contained in annex IV;
 - (iii) Applicant 037 (APL037) is XacBank LLC (XacBank) based in Mongolia, as contained in annex V; and
 - (iv) Applicant 038 (APL038) is the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) based in Germany, as contained in annex VI;
- (b) Accredits APL035, APL036, APL037 and APL038 pursuant to paragraph 45 of the Governing Instrument for the GCF, and subject to, and in accordance with, the assessment by the Accreditation Panel contained in the relevant annexes for each of the applicants. A summary of the recommended accreditation types and conditions and/or remarks, if any, for each applicant is contained in annex VII.

Annex II: Accreditation process

1. Given the urgency and seriousness of climate change, the purpose of the GCF is to make a significant and ambitious contribution to the global efforts towards attaining the goals set by the international community to combat climate change.¹ In the context of sustainable development, the GCF will promote the paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries in order to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change, taking into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change.²

2. The GCF will provide simplified and improved access to funding, including direct access, basing its activities on a country-driven approach, and will encourage the involvement of relevant stakeholders, including vulnerable groups and addressing gender aspects.³

3. Access to GCF resources will be through national, regional and international implementing entities accredited by the Board. Recipient countries will determine the mode of access and both direct and international access modalities can be used simultaneously.⁴

4. An accreditation process has been developed in accordance with the GCF initial guiding framework for accreditation,⁵ and is applied with a fit-for-purpose approach.⁶

5. The general objective of this guiding framework is to enable a coherent integration of the initial fiduciary principles and standards⁷ and the interim environmental and social safeguards⁸ with the accreditation process of the GCF and its related operational systems and procedures, including the organizational structure and governance system dedicated to supporting it.

6. The accreditation process of the GCF is based on three main stages as follows:

- (a) Stage I: national designated authority or focal point nomination for accreditation application (for entities applying under the direct access track) and institutional assessment and completeness check;
- (b) Stage II: accreditation review and decision; and
- (c) Stage III: final arrangements.

7. Decision B.08/02, paragraph (d), and decision B.08/06, paragraph (b), requested the Secretariat to finalize the relevant accreditation application documents and to open a call for submission of accreditation applications from implementing entities and intermediaries within four weeks of the eighth meeting of the Board. To implement this decision, the Secretariat developed a process consistent with the initial guiding framework for accreditation to receive and review applications as described in figure 2. This process ensures transparency and traceability for the applicants and the Board.

8. The Secretariat, in accordance with decision B.09/07, paragraph (i), has published on its website, as a part of its operations manual, documents related to the assessment of

¹ Governing Instrument, paragraph 1.

² Governing Instrument, paragraph 2.

³ Governing Instrument, paragraph 31.

⁴ Governing Instrument, paragraph 45.

⁵ Annex I to decision B.07/02 (annex I to document GCF/B.07/11).

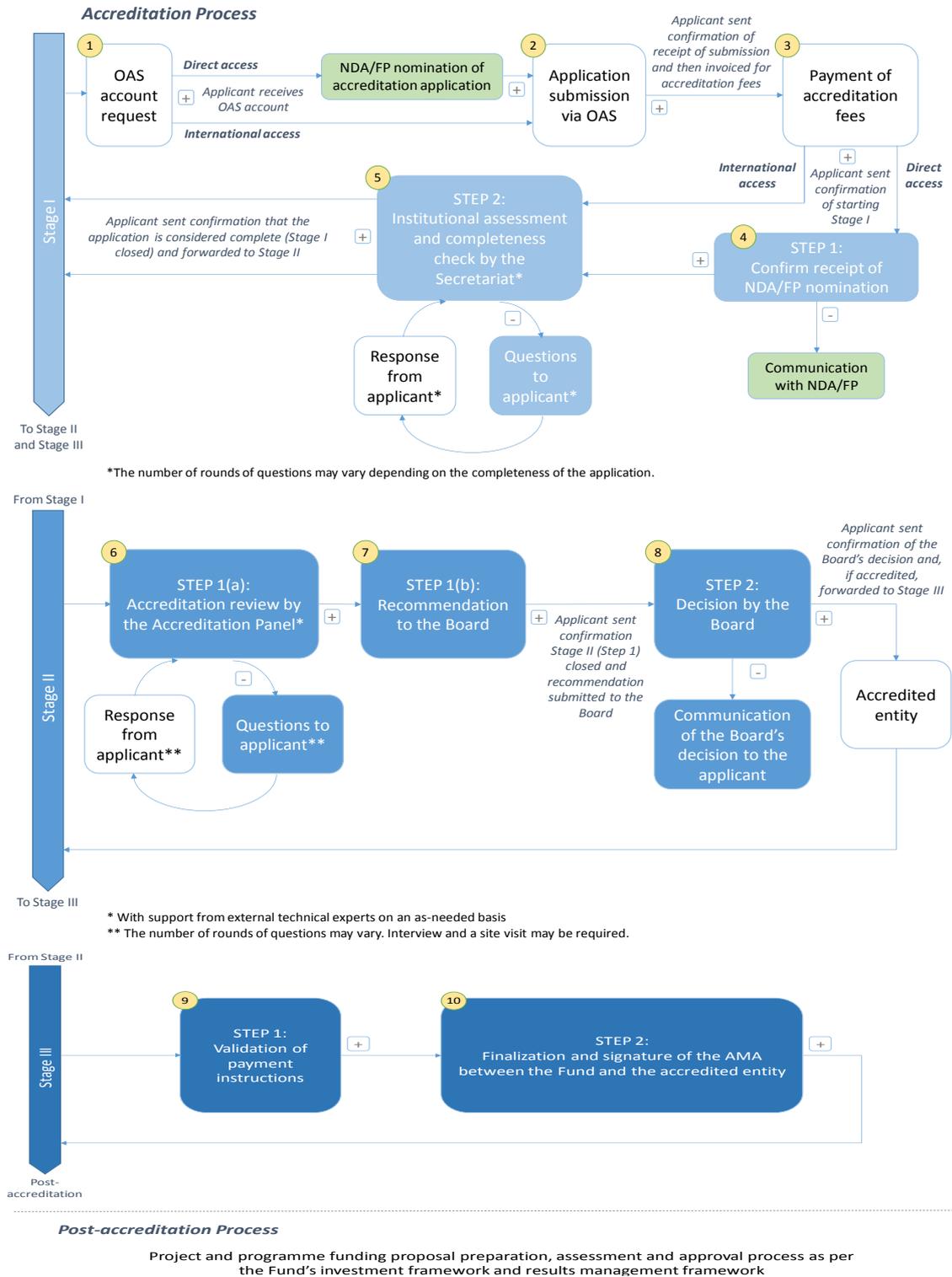
⁶ Annex I to decision B.08/02 (annex I to document GCF/B.08/45).

⁷ Annex II to decision B.07/02.

⁸ Annex III to decision B.07/02.

accreditation applications, such as standardized checklists that reviewers use in the Stage I institutional assessment and completeness check and the Stage II (Step 1) accreditation review.⁹

Figure 2: Accreditation process flow chart



⁹ The Stage I and Stage II checklists are available at <<http://www.greenclimate.fund/partners/accredited-entities/accreditation#process>>.

Annex III: Accreditation assessment of Applicant 035 (APL035)

I. Introduction

1. Applicant 035 (APL035), the Banque Ouest Africaine de Développement (West African Development Bank, BOAD), is a regional financial institution with a mandate to promote development in West Africa and foster economic integration within the subregion. The applicant delivers on its mandate by contributing towards the mobilization of domestic resources in its member state countries, outsourcing foreign capital through loans as well as providing funding through equity investments, loans, guarantees, and interest rebates. The applicant uses the financial resources that it mobilizes to invest in public and private sector projects and programmes aimed at building basic and modern infrastructure, improving rural livelihoods, generating energy, and climate change adaptation and mitigation.
2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 30 January 2015. The Stage I institutional assessment and completeness check was completed on 18 November 2015 and was progressed to Stage II (Step 1), accreditation review, which was concluded on 26 May 2016. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:
 - (a) **Access modality:** direct access, regional. The applicant received a national designated authority or focal point nomination for its accreditation application from Burkina Faso and Niger;
 - (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:** medium;¹
 - (d) **Fiduciary functions:**²
 1. Basic fiduciary standards;
 2. Specialized fiduciary standard for project management;
 3. Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
 4. Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees); and
 - (e) **Maximum environmental and social risk category:** medium risk (Category B/Intermediation 2 (I-2)).³

II. Stage I institutional assessment and completeness check

¹ As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), “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 USD 50 million and up to and including USD 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”.

3. The applicant is eligible for, and applied under, the fast-track accreditation process as an AF entity and subsequently as a GEF agency. Its application has been assessed by the Secretariat during Stage I in accordance with the requirements and gaps identified in decisions B.08/03 and B.10/06.

2.1 Legal status, registration, permits and licences

4. The Secretariat reviewed the information provided by the applicant regarding its legal status as well as relevant and applicable registrations, permits and licences.

2.2 Institutional presence and relevant networks

5. The applicant's membership includes eight countries in Western Africa: Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo. All of its member countries, with the exception of Côte d'Ivoire, belong to the group of the least developed countries. The applicant's headquarters is based in Lomé, Togo, and it is represented in other member countries by resident missions.

6. The applicant seeks accreditation to the GCF in order to continue its activities by accommodating the development needs of its member countries with climate constraints. The applicant intends to improve the participation of the private sector and municipalities, and to facilitate the access of financial resources to fund projects related to climate change adaptation and mitigation.

2.3 Track record

7. The applicant provides funding for both public and private sector projects in:

- (a) Rural development, food security, climate and the environment;
- (b) Industry and agro-industry;
- (c) Basic infrastructure and modern infrastructure (roads, telecommunications, airports, ports, energy and railways); and
- (d) Transport, hospitality, finance and other services.

8. As at 31 September 2015, the applicant's total net commitments were estimated at USD 6.713 billion spent over 736 projects. In terms of climate change, the applicant's activities include providing solutions in reducing greenhouse gas emissions; strengthening the resilience of the population to climate hazards; supporting vulnerable people and poor populations with an emphasis on supporting women, youth and children; and strengthening the country ownership of its operations. Some climate change activities include:

- (a) USD 42.7 million in crop insurance to reduce the vulnerability of farmers in Senegal and Benin;
- (b) USD 43 million in the rehabilitation of hydroelectric facilities in Mali; and
- (c) USD 17 million in hydro-powered agricultural development in Niger.

III. Stage II accreditation review assessment

9. The applicant is eligible for, and applied under, the fast-track accreditation process as an AF entity and as a GEF agency. Its application has been assessed by the Accreditation Panel (AP)

during Stage II (Step 1) against the standards of the GCF in accordance with the requirements and gaps identified in decisions B.08/03, B.10/06 and B.12/30.

10. As part of this assessment, the AP consulted the applicant's website and various third-party websites to complement the information provided in the application.
11. Additionally, the AP requested and conducted a site visit to the applicant's headquarters in January 2016.

3.1 Fiduciary standards

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

12. As per paragraph 9 above, the basic fiduciary standards concerning key administrative and financial capacities is considered to have been met by way of fast-track accreditation.

3.1.2 **Section 4.2: Basic fiduciary standards: transparency and accountability**

13. As per paragraph 9 above, the basic fiduciary standards concerning transparency and accountability has been met by way of fast-track accreditation.

3.1.3 **Section 5.1: Specialized fiduciary standard for project management**

14. As per paragraph 9 above, the specialized fiduciary standard for project management is considered to have been met by way of fast-track accreditation.

15. It is noted that the fast-track accreditation process associated with the GEF contained certain conditions and that these conditions would apply to GCF accreditation.

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

16. The applicant initiated a grant request-for-proposals process in January 2015 with the intent of facilitating access by both private and public sector clients to alternative sources of funds. As drafted, specifically this mechanism will target projects with a focus on climate and the environment. The structure, policies and procedures of the on-granting mechanism meets with GCF requirements for the specialized fiduciary standard for grant award and/or funding allocation mechanisms. While an overarching institutional framework to support the mechanism exists across the applicant's operations, it should be noted that the mechanism has not yet been implemented.

17. The applicant generally leverages grants to buy down the cost of debt and therefore the impact of the proposed grant mechanism could significantly contribute to the reach of its interventions. In addition, the applicant intends to tailor the mechanism according to the various stages of the project life cycle to ensure that proposals can be evaluated for conformity.

18. Given that the applicant's track record in implementing stand-alone on-granting activities are limited and aligned to specific donor requirements, this assessment recommends a lower size category than the applicant applied in terms of the size of on-granting activities funded by the GCF.

19. The applicant has provided information in support of its project monitoring capabilities. Its framework for monitoring the development outcomes of projects is significantly developed. This framework is in its early stages of being proven and the effectiveness of the initiative will be proven over time. However, the applicant's monitoring of compliance with its own standards requires some attention.

20. A new department, the Climate Change Department, has recently (mid-2015) been established to manage the climate change related activities of the applicant. Its activities will require integration/mainstreaming with that of the rest of the organization. Given the size

category of the project or programme being requested, it is recommended that additional resources either in the form of relevant permanent staff or external expertise be considered for implementation. This is especially relevant given the anticipated increase of deal flow from its engagement with the AF, the GEF and by way of this recommendation, the GCF.

3.1.5 **Section 5.3: Specialized fiduciary standard for on-lending and/or blending**

21. The applicant's on-lending and blending operations are conducted through its concessional and commercial (market rate) windows. In this regard, its concessional window provides for the blending of grant/donor resources with its own resources to buy down the cost of its financing activities. It has a demonstrated track record of these operations. However the applicant, in its strategic plan for 2015 to 2019, alluded to its financing model reaching its limits, and that in order to grow its operations it has to refocus its resource mobilization plan. The strategic plan also includes a review of its debt regulatory framework to strengthen its debt capacity.

22. The implementation of the resource mobilization strategy commenced in 2015 by obtaining a first time foreign and local currency issuer credit rating of Baa1 from Moody's Investors Service in May 2015 and in June 2015 a BBB rating for long-term issuance from Fitch Ratings. On 6 May 2016, the applicant issued its first international United States dollar-denominated bond. The USD 750 million bond has attracted the same rating guidance. In support of its strategic plan and its resource mobilization process, the applicant embarked on a revision of its risk management framework and it is envisaged that this will evolve in line with international standards.

23. Although the applicant requested accreditation against the specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees, during the site visit the applicant amended its application for loans and guarantees. The applicant provided its manual of procedures for guarantee operations. The guarantee operations provided for are associated with financial market transactions and include: (a) guarantees for bond issues, (b) guarantees for interbank loans, and (c) the guarantee of negotiable receivables. The applicant has submitted evidence of a track record with guarantees for bond issues.

24. During the site visit, the applicant clarified its due diligence processes, including appraisal reports, stages and processes of approval, supervision and monitoring and ex-post evaluation. These are aligned with other multilateral financial institutions. The applicant has provided evidence of these processes. Audit information suggests that the applicant would benefit from enhanced monitoring of its clients' compliance with the applicant's standards/conditions.

25. The access to information for projects financed by the applicant as evidenced by the extent of documentation to be found on its website is not on par with other development finance institutions, including the GCF specialized fiduciary standard for on-lending and/or blending. The applicant has recognized information disclosure as a key component of its activities and to this end has established a committee to consider information disclosure. A recommendation to improve its information disclosure is included in this assessment.

26. The applicant has provided evidence of the size of projects for which it is seeking accreditation.

3.2 Environmental and social safeguards

3.2.1 **Section 6.1: Policy**

27. The applicant's environmental and social safeguards (ESS) policy initially adopted in 2003 has been updated four times since then. The policy, in combination with its operational policies and guidelines, covers performance standards 1 to 8 in the GCF interim ESS. The

applicant provided project examples to demonstrate its application and capacity to implement and manage the ESS requirements. The applicant has a strategy for 2015 to 2019 on the environment and climate, affirming its regional leadership role in environment and climate issues. The applicant's energy portfolio has over time integrated a larger proportion of renewable energies.

3.2.2 Section 6.2: Identification of risks and impacts

28. The applicant has adequate procedures to screen for and identify project risks and impacts, categorizing projects as A (high), B (medium), C (low), D (no impacts) or IF (intermediary). If the screening procedure triggers a performance standard, then the applicable guidelines and procedures are applied. There is also a procedure to check that projects/programmes are correctly categorized. Identified environmental and social (E&S) risks are entered into a project portfolio for subsequent follow-up. The applicant provided a list of projects undertaken between 2013 and 2015, showing significant experience with both Category A/Intermediation 1 (I-1) and B/I-2 projects/programmes.

3.2.3 Section 6.3: Management programme

29. The applicant has updated its environmental and social management system (ESMS) three times, based on international standards. There are guidelines to review all environmental and social impact assessments (ESIAs) (both in the case of direct financing and financing through intermediaries). The applicant demonstrates a continuous-improvement mentality and also a willingness to adapt to new requirements and expectations, as needed.

30. The quality of the clients' ESIAs, and environmental and social management plan (ESMP) documents has varied, but has shown positive improvement over time, with the occasional request by the applicant for additional information to supplement an ESIA in order to overcome any shortcomings identified. The most recent ESMS procedures implemented by the applicant better ensure that E&S risk and impact mitigation budgets are integrated into project contracts. ESMS implementation is with the country client for direct financing, or is the responsibility of the intermediary (who must report to the applicant). The applicant supervises the implementation of its Category A/I-1 projects biannually and Category B/I-2 projects annually.

3.2.4 Section 6.4: Organizational capacity and competency

31. The organizational capacity has been strengthened over time. In 2005, there was one E&S member of staff. Now there is an environment and climate directorate with seven staff members (four for the environment and three for climate). The curricula vitae of staff and external consultants were provided, showing capacity to cover performance standards 1 to 8 and gender. The responsibility to cover each performance standard is explicitly allocated to a specific staff member, usually in combination with one external consultant. The current structure and size is appropriate to the projects that are now being undertaken (40 to 50 projects per year). Of note, it is a condition of the GEF programme to hire additional experts for implementation. Similarly, the extra work associated with any GCF activities would require additional experts and resources.

32. In line with its 2015 strategy for the environment and climate, the applicant has an E&S capacity development plan. Training reports were provided to show the E&S capacity development activities from 2007 to 2013. The applicant is also committed to developing the ESS capacity of its clients and intermediaries, where necessary.

33. The applicant is currently preparing projects for the AF and the GEF. This project-preparation capacity is relevant to the GCF, but additional resources will be needed to prepare GCF projects.

3.2.5 Section 6.5: Monitoring and review

34. The applicant has a 2014 policy on E&S monitoring, implementation manuals to supervise projects, and manuals to prepare project completion reports for projects having direct financing and for intermediaries. The monitoring unit and the environment and climate directorate (with support from consultants, as needed) track the E&S mitigation measures and indicators during project execution on a biannual basis. The supervision/audit reports are reviewed and approved by the project's operational unit and then submitted to senior management for further action. Annual and three-yearly monitoring reports are also submitted to senior management, allowing learning across all projects.

35. The applicant provided examples of E&S auditing missions covering performance standards 1 to 8, gender and compliance with country legal frameworks. Corrective actions were identified, where needed. Non-compliance to corrective actions has led to a small number of project terminations. The applicant provided an example of where the implementation of corrective actions by a client was delayed due to not having a mitigation budget and an example of when the applicant did not conduct its annual monitoring. The latter indicates the need to check more closely for mitigation budgets and to further strengthen the applicant's capacity to monitor clients.

36. The overall monitoring system now relies on a sound logical framework system, making the monitoring system an excellent resource for project preparation in the future.

3.2.6 Section 6.6: External communications

37. The applicant's 2013 manual on access to information outlines how the public can submit information requests as well as the procedures that the applicant applies to process information requests. There is a separate manual detailing how to register and redress grievances. Inquiries or complaints can be submitted through the applicant's website, or by telephone and regular mail. Enquiries and complaints are managed by a legal affairs directorate that reports to senior management. The applicant has not received E&S inquiries or complaints over the last three years.

38. Regarding disclosure, the applicant requires its borrowers to publicly disclose the ESIA/ESMP. In addition, the ESIA summaries are posted on the applicant's website from 30 (Category B) to 60 days (Category A) from receipt. It is noted that the European Investment Bank is currently supporting the applicant's internal and external communications, visibility and transparency with respect to its corporate social responsibility programme, E&S management, and climate change adaptation and mitigation initiatives.

3.3 Gender

39. Member countries of the applicant have ratified the United Nations "Convention for the elimination of all forms of discrimination against women". The applicant's gender policy adopted in 2013 requires that all projects conduct a gender analysis and commits the applicant to support low-income entrepreneurs and women producers, girls' and women's education, and women's health. Clients must implement the applicant's gender policy as a condition of receiving funds.

40. Gender mainstreaming is ongoing in-house and within the applicant's projects. The human resources department considers gender in its recruitment and career-advancement processes. The E&S capacity development plan includes a gender course. The applicant's project examples provide a track record of gender-sensitive project budgets, practices, and monitoring arrangements and a track record of lending that has generated positive impacts on women. Going beyond the GCF gender policy, the applicant has sector-specific checklists to integrate gender into the project cycle (e.g. the gender and sanitation checklist).

41. Based on the human resources development plan, the hiring of a gender staff member is pending and necessary before taking on more gender-sensitive projects.

IV. Conclusions and recommendation

4.1 Conclusions

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

- (a) The applicant meets the requirements of the GCF basic fiduciary standards and specialized fiduciary standard for project management, and partially meets the specialized fiduciary standard for grant award and/or funding allocation mechanisms as well as the specialized fiduciary standard for on-lending and/or blending for loans and guarantees. It is noted that during the site visit, it was confirmed by the applicant that it would no longer seek accreditation against the specialized fiduciary standard for on-lending and/or blending for equity;
- (b) The applicant meets the requirements of the interim ESS of the GCF in relation to medium E&S risk (Category B/I-2), though various implementation capacity issues have been noted (see paras. 45 and 46 below); and
- (c) The applicant has demonstrated its policies, procedures and competencies to implement its gender policy, and it has experience with gender and climate change. Hiring an in-house gender/social expert (as the applicant has already planned) will help to ensure more systematic integration of gender and other social issues into all aspects of the project cycle.

4.2 Recommendation on accreditation

43. The AP recommends, for consideration by the Board, applicant APL035 for accreditation as follows:

- (a) Accreditation type:
 - (i) **Maximum size of an individual project or activity within a programme:** medium (including micro⁵ and small⁶), with a condition regarding the specialized fiduciary standard for grant award and/or funding allocation mechanisms below;
 - (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); and

- (iii) **Maximum environmental and social risk category:** medium risk (Category B/I-2) (including lower risk (Category C/I-3⁴)); and
- (b) **Condition(s):** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the condition(s). The AP will thereafter assess whether the condition(s) has/have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes.
- (i) Condition(s) prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:
1. Provide a plan for improving the monitoring of compliance with its fiduciary, E&S and gender-related standards as well as any conditions in general that it applies to its financing, including for projects financed by the GCF; and
 2. Develop a process for publicly disclosing information on beneficiaries and results of projects and programmes that are financed by the GCF; and
- (ii) Condition(s) prior to submitting a request for GCF financing of a medium-sized grant award programme:
1. Test and prove by way of having approved and successfully implemented for a minimum period of one year a small-sized grant award programme.
44. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition(s), as identified in paragraph 43 above, and agrees to the recommendation.

4.3 Remarks

45. Although the applicant has sound policies and practices in relation to E&S, gender and climate matters, it will need more staff in order to increase the scale and scope of its activities significantly as it has planned. In particular, it is judged that more careful project design, enhanced implementation budgets and resources, and strengthened monitoring and supervision, can help to overcome the existing capacity constraints. It is therefore recommended that the applicant addresses the staff shortcomings identified in paragraphs 19, 32 and 40 above.
46. The applicant has a wide-ranging ESMS, which is consistent with the requirements of performance standard 1 of the GCF interim ESS. Since the applicant's ESMS has been updated over time, it is recommended that the applicant now consolidate its existing guidelines in order to more easily screen and assess projects against performance standards 2 to 8 and to ensure that:
- (a) All departments and all clients have the full package of the most-up-to-date ESMS elements; and
- (b) All departments and clients have been sufficiently trained to use the most-up-to-date ESMS elements.

⁴ 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".



47. The applicant is encouraged to seek readiness and preparatory support to assist it to:
 - (a) Meet the condition(s) identified in paragraph 43(b) above.

Annex IV: Accreditation assessment of Applicant 036 (APL036)

I. Introduction

1. Applicant 036 (APL036), the Caribbean Development Bank (CDB), is a regional financial institution with a mandate to support social and economic development in small island developing States in the Caribbean. The applicant's main functions are to assist its borrowing member countries (BMCs) in optimizing the use of their resources by:

- (a) Developing their economies and expanding production and trade;
- (b) Promoting private and public investment in the Caribbean region;
- (c) Mobilizing financial resources from both within and outside the region for development; and
- (d) Providing technical assistance.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 9 July 2015. The Stage I institutional assessment and completeness check was completed on 3 September 2015 and was progressed to Stage II (Step 1), accreditation review, which was concluded on 25 April 2016. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** direct access, regional. The applicant received national designated authority or focal point nominations for its accreditation application from Barbados, Grenada and Saint Lucia.
- (b) **Track:** fast track (part way through Stage II (Step 1); previously under the normal track);
- (c) **Maximum size of project/activity within a programme:** small;¹
- (d) **Fiduciary functions:**²
 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 equity); and
- (e) **Maximum environmental and social risk category:** high risk (Category A/Intermediation 1 (I-1)).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 USD 10 million and up to and including USD 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 A is defined as "Activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented" and intermediation 1 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented".

II. Stage I institutional assessment and completeness check

3. The applicant initially applied, and was assessed by the Secretariat during Stage I, under the normal-track process.

2.1 Legal status, registration, permits and licences

4. The Secretariat reviewed the information provided by the applicant regarding its legal status as well as relevant and applicable registrations, permits and licences.

2.2 Institutional presence and relevant networks

5. The applicant's membership includes 19 BMCs, 3 non-borrowing regional members and 5 non-regional members. The BMCs are Anguilla, Antigua and Barbuda, the Bahamas, Barbados, Belize, the British Virgin Islands, the Cayman Islands, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, and the Turks and Caicos Islands.

6. The applicant is seeking accreditation to the GCF as a regional entity in order to leverage its experience in environmental sustainability and disaster management by:

- (a) Supporting its regional member countries in preparing and adopting national climate change strategies and adaptation plans;
- (b) Building community resilience to adapt to climate change;
- (c) Performing research into climate change modelling and predictions; and
- (d) Supporting Caribbean small island developing States to access emerging climate change financing mechanisms.

2.3 Track record

7. The countries in which the applicant operates are among those most susceptible to the impacts of climate change. Thus, addressing the climate change challenge to the region is a strategic priority for the applicant. It has worked to mobilize concessional resources, and to design and implement activities to build its internal technical capacity, and that of its member countries, in order to effectively implement climate actions. Over the last three years, most of its investment operations have explicitly included climate considerations in their design or have included specific components that have addressed these issues. The applicant has mobilized concessional resources and technical assistance, as well as support for its climate action adaptation and mitigation agenda valued at an estimated USD 200 million.

8. Current activities include:

- (a) Implementing a climate finance readiness programme in the Caribbean;
- (b) Implementing a USD 65 million programme providing climate action lines of credit; and
- (c) Operating a EUR 4 million technical assistance grant programme, which provides support for project preparation in order to explicitly address climate vulnerability assessments as well as term sector vulnerability assessments and investment programming.

III. Stage II accreditation review assessment

9. The applicant during Stage II (Step 1) became eligible for the fast-track accreditation process as an Adaptation Fund entity. Its application has been assessed by the Accreditation Panel (AP) during Stage II (Step 1) against the standards of the GCF in accordance with the requirements and gaps identified in decisions B.08/03, B.10/06 and B.12/30.

10. As part of this assessment, the AP consulted the applicant's website and various third-party sources to complement the information provided in the application.

3.1 Fiduciary standards

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

11. As per paragraph 9 above, the basic fiduciary standards concerning key administrative and financial capacities are considered to have been met by way of fast-track accreditation.

3.1.2 Section 4.2: Basic fiduciary standards: transparency and accountability

12. As per paragraph 9 above, the basic fiduciary standards concerning transparency and accountability, with the exception of item 4.2.4, investigation function, and item 4.2.5, anti-money laundering (AML) and countering the financing of terrorism (CFT) policies, have been met by way of fast-track accreditation.

13. Regarding item 4.2.4, the applicant has an objective investigation function, including a hierarchical process for the investigation of complaints regarding violations of the applicant's code of ethics or misconduct in the projects financed by the applicant. In addition, the applicant's board recently approved an elaborate anti-corruption/compliance framework, whistle-blower protection policies and a mechanism that allows the public to launch complaints through a dedicated webpage. The investigation function is carried out by an independent office to ensure integrity, compliance and accountability; this office reports directly to the applicant's premier oversight committee. In order to enhance accountability and transparency, cases of misconduct under investigation are reported to the oversight committee, the applicant's president as well as the heads of the units where misconduct is being investigated. The function has a defined process for periodically reporting case trends. Information on cases of misconduct reported and investigated in the past three years along with the current status of the investigation/action taken was provided.

14. Regarding item 4.2.5, the applicant has anti-money laundering and anti-terrorist financing policies which are described in a strategic framework for integrity, compliance and accountability, including a compliance policy to avoid violations of financial sanctions. Risk-based AML/CFT counterparty due diligence is carried out by the applicant's office for integrity, compliance and accountability, which uses Thomson Reuters World Check compliance software. Sample copies of recently undertaken 'know-your-customer' due diligence were provided. These included due diligence reports in the form of completed copies of the Wolfsberg Group Anti-Money Laundering Questionnaire.

15. The applicant has a sound mechanism for tracing electronic/wire transfers that targets regional and international correspondent banking counterparties with high transactional volume. Specifically, the mechanism aims to ensure that basic information on the originator and beneficiary of wire transfers is immediately available. Where this information is insufficient, the applicant either asks its commercial bank to contact the payer to obtain more information or it contacts the payer directly in order to obtain the required information.

16. Where the applicant acts as originator and beneficiary, financial institution-to-financial institution transfers and settlements account for almost all of the applicant's wire transfer traffic. Typically, these payments relate to the receipt of subscription payments from BMCs,

investment-related payments and receipts, and loan repayments received from BMCs. The applicant does not act as an intermediary financial institution for handling wire transfers.

3.1.3 **Section 5.1: Specialized fiduciary standard for project management**

17. As per paragraph 9 above, the specialized fiduciary standard for project management is considered to have been met by way of fast-track accreditation.

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

18. The provision of technical assistance, partly funded through grants, is a core function of the applicant whose mission is to contribute to the economic development of its member countries in the Caribbean region. Grants are designed with the full participation of the beneficiaries and must meet the applicant's quality of entry requirements taking into consideration issues of efficiency, transparency and sustainability. The applicant has well-documented governance structures and procedures manuals for its management of grant award mechanisms. These mechanisms follow the applicant's established operational policies and procedures, including those relating to project appraisal, implementation, monitoring and evaluation, procurement of goods and services, combating corruption and fraud, and environmental and social policy. Documentation and sample supervision reports on grant-funded technical assistance projects were provided as evidence of effective implementation of the policies and procedures. The applicant has provisions for the suspension, reduction or termination of grants in the event of a beneficiary failing to comply with its obligations under the grant agreement.

19. While the applicant meets all other GCF requirements for the specialized fiduciary standard for grant award and/or funding allocation mechanisms, it does not have, for the purposes of ensuring greater transparency in the use of funds by grantees, a system for providing the public with access to information on the periodic progress of individual projects/programmes. The applicant acknowledges this gap and has agreed to put such a system in place.

3.1.5 **Section 5.3: Specialized fiduciary standard for on-lending and/or blending**

20. The applicant has an established track record of on-lending and blending of its own resources with other funds sourced from the multilateral development banks and bilateral development agencies. It also has comprehensive operational policies and procedures contained in an operational policies and procedures manual, which are accessible through its website. The manual includes guidelines for project appraisal with clearly defined roles and responsibilities and applicable formats/templates for assessing the capabilities of the recipient organizations. Compliance with the operational policies and procedures is demonstrated by sample appraisal/due diligence reports, which were provided.

21. The applicant has sound financial risk and management policies, procedures and governance/organizational structures that ensure appropriate segregation of duties of the treasury function and operations. The applicant has been rated by two of the three major rating agencies: "Aa1" by Moody's Investors Service and "AA" by Standard & Poor's.

3.2 Environmental and social safeguards

3.2.1 **Section 6.1: Policy**

22. The applicant has provided a document containing its environmental and social (E&S) review procedure (approved in 2014), which describes its E&S objectives, principles and compliance standards, and establishes responsibilities for the implementation of the procedures. This document is an updated version of a previous document, and reflects the

lessons learned in implementing environmental and social management systems for over a decade. The new procedure describes eight performance standards that are consistent with those of the GCF. The new E&S review procedures are complemented by a climate resilience strategy, and disaster management and operational guidelines, which together create the applicant's overall policy framework to address the environment and climate change.

3.2.2 **Section 6.2: Identification of risks and impacts**

23. The applicant's E&S review procedures describe a process for the screening and categorization of projects. The E&S risk categorization for direct lending is similar to that of the GCF. Although its financial intermediation operations do not use an E&S risk categorization system, there is evidence that the applicant monitors conformance with E&S policies and procedures, and provides technical support to financial intermediaries where capacity is lacking.

24. The applicant demonstrates a sufficient track record of implementing Category A/Intermediation 1 (I-1) and Category B/Intermediation 2 (I-2) projects, and of addressing specific performance standards as they arise.

3.2.3 **Section 6.3: Management programme**

25. The applicant has shown that a documented institutional process for managing mitigation measures and actions stemming from the E&S risk identification is in place. For Category A/I-1 and Category B/I-2 projects, the applicant has provided evidence that the institutional process to manage and monitor E&S risks and impacts is in place.

26. Samples of project monitoring reports, supervision mission reports and ex-post evaluation reports were reviewed. The reports demonstrate that the institutional procedures are sound and have been executed.

3.2.4 **Section 6.4: Organizational capacity and competency**

27. The applicant provided an organizational chart, which indicates the units responsible for E&S safeguards, as described in the E&S review procedures, as well as job descriptions. Curriculum vitae of staff in the E&S units show adequate technical capacity to undertake tasks associated with projects and to support their clients.

3.2.5 **Section 6.5: Monitoring and review**

28. The applicant has a monitoring/supervision process/procedure that instructs staff on how to systematically track the completion of mitigation and performance improvement measures. The applicant has recently upgraded its electronic project portfolio monitoring system to ensure that E&S performance is reported in a systematic manner. Project documents also demonstrate that E&S mitigation measures are monitored, and that capacity-building is provided to clients where institutional shortcomings are found. Ex-post evaluations are conducted by an independent evaluation unit, and reports are posted on the applicant's website.

29. In 2012, the applicant conducted an assessment of the effectiveness of mainstreaming environment, climate change and disaster management. The results of this assessment are reflected in the applicant's efforts to strengthen its policies and institution, showing the involvement of senior management in continuously improving the applicant's E&S performance.

3.2.6 **Section 6.6: External communications**

30. The applicant's efforts to strengthen integrity, compliance and accountability include the development of a project complaints mechanism, which covers E&S accountability. In May 2015, the applicant established an interim online mechanism to receive project-specific complaints and inquiries, which is available through its main website. The interim mechanism is also linked to an independent network in order to enhance accountability mechanisms among international financial institutions. To date, the interim system has not received any complaints, and thus

evidence of register and response was not available. The permanent mechanism for external communications will be established as part of the mandate of the office for integrity, compliance and accountability.

31. The applicant demonstrates experience with project-level information disclosure and stakeholder engagement. It has provided samples of project documentation showing that borrowers and executing entities are implementing the requirements of the applicant in this regard. Current efforts to improve stakeholder awareness and communications are expected to strengthen the applicant's practice even further.

3.3 Gender

32. The applicant approved a gender equality policy and operational strategy in 2008. The policy calls for ensuring gender equality dimensions of economic and social issues in all policies, loans and projects; and promotion of gender equality as a means of supporting sustainable development, and reducing poverty and vulnerability. The applicant's operations policy and procedure manual also contains a gender equality section. Monitoring of the results of this policy and procedure indicate a steady maturing of gender mainstreaming throughout the organization and its portfolio.

33. Capacity for gender mainstreaming is deemed sufficient. The applicant has provided evidence that its gender checklists and gender marker tools are utilized at the project level. It has also provided evidence of experience in addressing gender and climate change at the project level.

IV. Conclusions and recommendation

4.1 Conclusions

34. Following its assessment, the AP concludes the following in relation to the application:

- (a) The applicant meets the requirements of the GCF basic fiduciary standards, specialized fiduciary standard for project management and specialized fiduciary standard for on-lending and/or blending for loans, and partially meets the requirements of the GCF specialized fiduciary standard for grant award and/or funding allocation mechanisms. The applicant does not have in place, for the purposes of ensuring greater transparency in the use of funds by grantees, a system for providing public access to information on the periodic progress of individual projects/programmes;
- (b) The applicant partially meets the requirements of the interim environmental and social safeguards of the GCF in relation to high E&S risk (Category A/I-1). The applicant has an interim online mechanism to receive project-specific complaints and inquiries, and a permanent mechanism for external communications will be established; and
- (c) The applicant has demonstrated that it has competencies, policies and procedures in order to implement its gender policy, which is found to be consistent with the gender policy of the GCF, and has demonstrated that it has experience with gender considerations in the context of climate change.

4.2 Recommendation on accreditation

35. The AP recommends, for consideration by the Board, applicant APL036 for accreditation as follows:

- (a) **Accreditation type:**
- (i) **Maximum size of an individual project or activity within a programme:** small (including micro⁴);
 - (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 equity); and
 - (iii) **Maximum environmental and social risk category:** high risk (Category A/I-1) (including lower risk (Category B/I-2⁵ and Category C/I-3⁶); and
- (b) **Conditions:** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the condition(s). The AP will thereafter assess whether the condition(s) has/have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes.
- (i) Condition(s) prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:
 - 1. Establish an appropriate system for providing public access to information on the periodic progress of individual projects/programmes, including budget utilization, in relation to grant funding; and
 - 2. Demonstrate that the permanent external communications mechanism is fully functioning, in particular identifying the staff assigned to manage, document and respond to communications, questions or complaints on the environmental and the social performance of projects.
36. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition(s), as identified in paragraph 35 above, and agrees to the recommendation.

4.3 Remarks

37. The applicant is encouraged to seek readiness and preparatory support to assist it to:

⁴ As per annex I to decision B.08/02, “micro” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of up to and including USD 10 million for an individual project or an activity within a programme”.

⁵ 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”.

⁶ 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”.



- (a) Meet the conditions identified in paragraph 35(b) above.

Annex V: Accreditation assessment of Applicant 037 (APL037)

I. Introduction

1. Applicant 037 (APL037), XacBank LLC (XacBank), is a national private sector entity in Mongolia. The applicant serves clients from individuals and micro-, small- and medium-sized enterprises to Mongolia's largest corporations with a full spectrum of inclusive banking, fair investment and other financial products and services. The applicant strives to be a dynamic leader in the Mongolian financial sector, setting the highest standards in corporate governance and social and environmental responsibility, while returning fair value to its shareholders.
2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 30 July 2015. The Stage I institutional assessment and completeness check was completed on 25 December 2015 and was progressed to Stage II (Step 1), accreditation review, which was concluded on 13 May 2016. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:
 - (a) **Access modality:** direct access, national. The applicant received a national designated authority or focal point nomination for its accreditation application from Mongolia;
 - (b) **Track:** normal track;
 - (c) **Maximum size of an individual project or activity within a programme:** small;¹
 - (d) **Fiduciary functions:**²
 1. Basic fiduciary standards;
 2. Specialized fiduciary standard for project management; and
 3. Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees); and
 - (e) **Maximum environmental and social risk category:** medium risk (Category B/Intermediation 2 (I-2)).³

II. Stage I institutional assessment and completeness check

3. The applicant applied, and was assessed by the Secretariat during Stage I, under the normal-track process.

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 USD 10 million and up to and including USD 50 million for an individual project or an activity within a programme".

² Decision B.07/02.

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

2.1 Legal status, registration, permits and licences

4. The Secretariat reviewed the information provided by the applicant regarding its legal status as well as relevant and applicable registrations, permits and licences.

2.2 Institutional presence and relevant networks

5. The applicant has provided a variety of banking products and services to over 650,000 clients through 93 branches operating across the country. The retail banking transformation, piloted from July 2013, to implement international best practices was expanded to cover all 30 branches and sub-branches in Ulaanbaatar as well as 13 rural branches and sub-branches in 6 rural provinces.

6. The applicant became the first commercial bank in Mongolia to focus on providing 'eco' services in 2007 and introduced the first dedicated eco-banking unit in Mongolia in 2009. It is the only commercial bank in Mongolia with a dedicated eco unit. The applicant has successfully introduced specialized financial products that support energy efficient and renewable energy technologies for business sustainability and Green living in both Ulaanbaatar and in its extensive branch network in every Mongolian province.

7. The applicant is seeking accreditation to the GCF in order to create market incentives for Mongolian industries to move towards sustainable production, investing in energy efficiency and renewable energy, increasing energy security, and bettering the environment. It will do this by establishing financial products designed specifically to finance efficient greenhouses that utilize solar power in order to lengthen the growing season and produce more healthy food domestically. The applicant intends to scale up its focus on climate change in its operations in the future.

2.3 Track record

8. Since 2010, the applicant has partnered with international organizations to support energy efficiency and renewable energy in Mongolia. The applicant has disbursed USD 9.7 million in loans to producers, retailers and end users of products that reduce carbon emissions. The scope of the projects and programmes related to climate change financed by the applicant include:

- (a) A USD 49.3 million eco-product distribution programme focused on the distribution of energy-efficient products (including over 143,000 improved heating stoves, over 6,200 energy-efficient boilers and other products to low income families in Mongolia's capital, Ulaanbaatar);
- (b) A USD 15 million Green loan programme in order to provide financing options to help to spur a Green growth path for developing the Mongolian private sector by incentivizing sustainability throughout the value chain; and
- (c) A USD 10 million Mongolia sustainable energy financing facility aimed at corporate and industrial clients looking to upgrade their processes and equipment so as to save resources and energy.

III. Stage II accreditation review assessment

9. The applicant has been assessed by the Accreditation Panel (AP) during Stage II (Step 1) against the standards of the GCF.

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

3.1 Fiduciary standards

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

11. The applicant has an organizational and corporate governance structure that is appropriate to the size and scope of its activities. Its board of directors has three oversight committees: risk management, audit, and governance nominating and compensation committees. The applicant has a process for preparing annual budgets and three-year budget and business plans, as well as systems for monitoring budget and business plan performance against targets.

12. The applicant's annual financial statements are prepared in accordance with the International Financial Reporting Standards. All financial statements include comparisons of financial performance for the year under review with the three preceding financial years. The applicant has transparent and consistent payment and disbursement systems in place with documented procedures and a clear allocation of responsibilities.

13. The applicant has an internal audit division the activities of which are directly and regularly monitored by the applicant's audit committee. The division adheres to risk-based internal audit principles and implements the "International standards for the professional practice of internal auditing" developed by the Institute of Internal Auditors.

14. The applicant has a well-developed internal control framework, which is outlined in the corporate governance section of the applicant's annual reports. The functions that make up the internal control framework include internal audit, risk management and the applicant's various governance oversight committees. An assessment of the adequacy of the applicant's internal controls relating to core financial management areas is undertaken annually by the applicant's external auditors during the audit exercise.

15. The applicant has procurement policies and procedures which are consistent with international and national procurement standards. Periodic procurement audits are carried out to ensure that the applicant, and the entities executing the development projects/programmes which it finances, comply with the applicant's policies and procedures.

3.1.2 Section 4.2: Basic fiduciary standards: transparency and accountability

16. The applicant has a code of conduct which defines expected ethical behaviour by its staff and all individuals contracted or functionally related to the organization. While the applicant does not have a separate ethics committee to exercise oversight of the institution's ethics function, this role is played by the governance nominating and compensation committee whose terms of reference were provided. The applicant also has a conflict of interest policy which defines what constitutes a conflict of interest and sets out the procedures for disclosing and addressing conflicts of interest.

17. To enforce its ethical standards, the applicant has a whistle-blowing policy through which whistle-blowers are encouraged to report financial mismanagement and other forms of misconduct and are offered confidentiality protections, as well as protection against dismissal or other reprisals. The applicant's website has a live webchat service, a 24-hour call centre, and a feedback section for submitting complaints and reporting misconduct.

18. The applicant has issued a clear statement on its policy of zero tolerance for fraud and corruption. The statement is posted on the applicant's website along with information on avenues for reporting suspected or detected fraud and corruption.

19. The applicant's internal audit division is responsible for investigating cases of violation of its code of conduct. While the terms of reference for the investigation function are set out in the audit charter, the applicant did not have documented procedures for handling complaints received by the division or for managing the investigation process. To address this gap, the applicant developed comprehensive procedures for the investigation of cases of misconduct which were recently approved by its board. However, the applicant has yet to demonstrate effective use of these procedures. In order to fully meet GCF requirements, the applicant would need to provide evidence of the effective use of its investigation procedures.

20. The applicant has an anti-money laundering (AML) and combating the financing of terrorism (CFT) policy, as well as detailed 'know-your-customer' (KYC) procedures. Copies of annual monitoring reports on AML/CFT for 2012 to 2014 were provided. A copy of extracts from an on-site inspection report by Mongol Bank (Mongolia's regulator of commercial banks) shows that the applicant's AML/CFT and KYC procedures are quite robust and comply with the national standards. In order to improve on the implementation of the AML regulations, an annual client risk assessment is performed, which enables the identification and further monitoring of high risk customers and suspicious transactions, with regular reporting of the latter to the national regulator. Sample reports on KYC activities carried out in the past three years were provided. The applicant has recently implemented initiatives, aimed at improving the existing KYC processes, including the review and updating of customers' files, accounts and relevant information, as well as the adoption of new guidelines embracing international best practices.

21. As a major national bank, the applicant handles thousands of electronic transfers on a daily basis. All of these transactions are tracked and recorded within the applicant's management information system. A summary of the applicant's weekly AML monitoring reports, provided in the application, shows that the applicant has a sound mechanism for tracing electronic/wire transfers. In order to enhance the process, all electronic/wire transactions, with the exception of SWIFT international wire transfers, have daily and single transaction limits to safeguard against risks.

3.1.3 **Section 5.1: Specialized fiduciary standard for project management**

22. The applicant has detailed policies and procedures that guide its project identification, appraisal, monitoring and evaluation functions. These include loan appraisal and monitoring procedures, general lending procedures and a lending operations manual.

23. Until recently, however, the applicant did not have in place some of the procedures required by the GCF's fiduciary standards, namely procedures for:

- (a) The preparation of project implementation plans;
- (b) Project closure; and
- (c) The independent evaluation of project results.

24. In order to address these gaps, the applicant has developed the required procedures, which were recently approved by its board. However, the applicant is yet to demonstrate the effective use of these procedures. In order to fully meet GCF requirements, the applicant would need to provide evidence of the effective use of procedures for the aforementioned points.

25. The applicant has procedures for monitoring projects under implementation whose purpose is to ensure that project risks/problems are identified and addressed in a timely manner. To ensure objectivity and independence of the monitoring function, responsibility for monitoring projects is assigned to staff who are not involved in the project appraisal process.

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

26. The applicant did not apply for assessment against this standard at this time.

3.1.5 **Section 5.3: Specialized fiduciary standard for on-lending and/or blending**

27. The applicant has extensive experience with on-lending and blending funds received from major international and multilateral funding sources, such as the International Finance Corporation, the European Bank for Reconstruction and Development and the Asian Development Bank. Technical assistance provided by various development partners has especially enhanced the applicant's sustainable energy financing capabilities and its status as the premier domestic partner for Green finance in Mongolia.

28. The applicant has a documented framework for undertaking due diligence with clearly defined roles and responsibilities and applicable guidelines and procedures for assessing the capabilities of the organizations seeking financing from the applicant. Sample due diligence reports in respect of its on-lending and blending operations show effective use of and compliance with the existing policies and procedures.

29. Until recently, the applicant did not have in place a policy on the disclosure of information to the public on project beneficiaries, project results achieved and lessons learned as required by the GCF fiduciary standards. In order to address these gaps, the applicant has developed the required procedures which were recently approved by its board. However, in order to fully meet GCF requirements, the applicant would need to provide evidence of the effective implementation of its new information disclosure policy.

30. The applicant has also demonstrated sound financial risk and management policies, procedures and governance/organizational structures that ensure appropriate segregation of duties of the treasury function and operations.

31. The applicant has been rated by three rating agencies: 'B3/Not prime' (for short term issuer rating) by Moody's Investors Service; 'B' (for ST foreign currency issuer default rating) by Fitch Ratings; and 'A' by Planet Ratings (a specialized microfinance rating agency).

3.2 Environmental and social safeguards

3.2.1 **Section 6.1: Policy**

32. The applicant has a well-established environmental and social management system (ESMS) in place that is compliant with the ISO 14000 standards. The development and approval of the ESMS was based on the experience gained and lessons learned by other international development organizations. The ESMS policy document includes a comprehensive statement of the applicant's commitment to the principles of being environmentally and socially-sound, and of sustainable development, and the policy adheres to national environmental and social (E&S) laws and regulations. The ESMS is complemented by E&S management guidelines as well as by the applicant's loan policy, which are applied to ensure that the applicant promotes sustainable development throughout its operations by conducting E&S project loan appraisals in a consistent manner. The roles and responsibilities of specialized units or individuals who collectively ensure the conformity of operations with the applicant's ESMS policy are clearly assigned. The ESMS policy is fully consistent with the GCF interim environmental and social safeguards (ESS) and is well-communicated to all staff in the organization.

3.2.2 **Section 6.2: Identification of risks and impacts**

33. The applicant has a well-developed and comprehensive E&S risk and impacts identification and categorization process that is fully consistent with the GCF interim ESS. The risk identification and categorization process is outlined in the applicant's ESMS policy document, which covers all potential E&S risks contained in performance standards 1 to 8. The policy is supported by a scoring system and guidance to staff on identifying E&S risks and impacts of the project/programme over the project life. Evidence of the applicant's experience

in conducting E&S risk and impact assessment and categorization was provided in the form of loan appraisal reports on specific projects and programmes.

3.2.3 **Section 6.3: Management programme**

34. The applicant's ESMS policy supported by the risk scoring system provides the guidance for managing mitigation measures and actions stemming from the E&S risk identification process, distinguishing between different categories of risk. As evidence for the implementation of the policy, the applicant provided examples of the E&S assessment and monitoring reports for the investment activities, where minimal to no (Category C/Intermediation 3) and medium (Category B/I-2) E&S risks were identified, corresponding corrective action plans were developed and mitigation measures were undertaken.

3.2.4 **Section 6.4: Organizational capacity and competency**

35. The applicant provided information and policy documents describing its organizational structure, as well as roles and responsibilities for E&S reporting on the loans it provides. The E&S Coordinator is responsible for the consistent implementation of the ESMS policy across the applicant's investment activities.

36. E&S risk identification and assessment of investment activities consists of two stages:

- (a) Initial review of the projects by the Loan Officer with regard to the environmental, health and safety requirements of the national legislation, and the applicant's exclusion list of activities contained in its ESMS policy; and
- (b) E&S assessment for further compliance with performance standards 1 to 8 and determination of the grade of the risks and the risk category by the Compliance Officer.

37. The applicant's dedicated eco-banking department undertakes the disbursement of loans for climate change mitigation and adaptation projects/programmes.

38. The applicant's staff responsible for E&S assessment and monitoring has undergone the necessary training conducted by international development organizations, the records of which were provided.

3.2.5 **Section 6.5: Monitoring and review**

39. The applicant has established procedures for E&S assessment and monitoring processes for all business loans and microloans provided to its clients. The E&S monitoring and reporting procedure describes the roles and responsibilities of the dedicated committees and staff conducting the initial assessment and regular monitoring and reporting on the loans approved. The dedicated regulatory bodies include the credit committee, the compliance team headed by the Compliance Officer, the sustainability team, the eco-banking department, the Chief Risk Officer and the E&S Manager. The compliance team ensures overall compliance of the applicant's business activities with national environmental legislation and bilateral agreements with investors and shareholders, and also with internationally recognized environmental norms and standards.

40. The applicant undertakes a quarterly survey for branches to affirm that they are properly screening clients for environmental and social risks. The supporting documentation provided includes samples of the reporting sheets from monthly and quarterly updates to final project assessments for environmental projects. The compliance team also compiles and provides E&S performance reports on a regular basis to the applicant's investors, board of directors and partner institutions.

41. In addition, the applicant is a member of the Global Reporting Initiative on good corporate governance, economic, environmental and social performance, as built around the 'three P's': the planet, people and profit.

3.2.6 Section 6.6: External communications

42. The applicant has several procedures in place that regulate its process for external communications that is the receipt and processing of inquiries and complaints from the public via a digital feedback section and a live chat feature on its website. In addition, the applicant maintains 24-hour telephone lines and e-mail accounts that can receive communications or complaints from consumers. Apart from the online complaint management system, the applicant works with external surveying organizations to ensure customer satisfaction. The applicant has provided its register of inquiries and complaints received, including the actions taken from each quarter of the last year. The applicant's information disclosure procedure enables it to disclose E&S information on the projects based on the agreement of the stakeholders involved in line with GCF requirements.

3.3 Gender

43. The applicant has established a set of separate procedures and practices that regulate gender specific issues. The applicant's approach towards gender mainstreaming is fully consistent with the principles in the GCF Gender policy. Evidence of the competency of staff managing gender-related matters was provided and found sufficient.

44. The applicant tracks the implementation of gender-sensitive approaches for particular projects/programmes. Examples of project documentation indicating the data and information collected on the gender-related outcomes of the projects financed by the applicant were presented. The projects include the distribution of energy-efficiency products, social and financial education programmes, and lending programmes for women entrepreneurs. The presented evidence clearly demonstrates the applicant's practices of collecting and analysing gender and climate data, as well as gender and climate change accountability.

45. In addition, the applicant provides training on its gender policy and project-level gender analyses to relevant staff, such as its Human Resources Officer, Compliance Officer, ESMS Coordinator, and new employees.

IV. Conclusions and recommendation

4.1 Conclusions

46. Following its assessment, the AP concludes the following in relation to the application:

- (a) The applicant partially meets the requirements of the GCF basic fiduciary standards for transparency and accountability, the specialized fiduciary standard for project management, and the specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees);
- (b) The applicant meets the requirements of the interim ESS of the GCF in relation to the medium E&S risk (Category B/I-2); and
- (c) The applicant has demonstrated that it has policies, procedures and competencies to allow it to implement its gender policy, which is found to be consistent with the gender policy of the GCF, and has demonstrated that it has experience with gender considerations in the context of climate change.

4.2 Recommendation on accreditation

47. The AP recommends, for consideration by the Board, applicant APL037 for accreditation as follows:

- (a) **Accreditation type:**
- (i) **Maximum size of an individual project or activity within a programme:** small (including micro⁴);
 - (ii) **Fiduciary functions:**
 - 1. Basic fiduciary standards;
 - 2. Specialized fiduciary standard for project management; and
 - 3. Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees); and
 - (iii) **Maximum environmental and social risk category:** medium risk (Category B/I-2) (including lower risk (Category C/I-3⁵)); and
- (b) **Conditions:** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the condition(s). The AP will thereafter assess whether the condition(s) has/have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes.
- (i) Condition(s) prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:
- 1. Provide evidence of the effective application of procedures for the investigation of fraud, corruption and other forms of malpractice;
 - 2. Provide evidence of the effective implementation of the procedures for:
 - a. The preparation of project implementation plans;
 - b. Project closure; and
 - c. The independent evaluation of project results; and
 - 3. Provide evidence of the effective implementation of its information disclosure policy.

48. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition(s), as identified in paragraph 47 above, and agrees to the recommendation.

4.3 Remarks

49. The applicant is encouraged to seek readiness and preparatory support to assist it with:

- (a) Meeting the condition(s) identified in paragraph 47(b) above.

⁴ As per annex I to decision B.08/02, “micro” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of up to and including USD 10 million for an individual project or an activity within a programme”.

⁵ 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”.



50. Following the provisions of its information disclosure policy, the applicant is encouraged to align its disclosure of E&S reports to the requirements of the GCF Information disclosure policy.

Annex VI: Accreditation assessment of Applicant 038 (APL038)

I. Introduction

1. Applicant 038 (APL038), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, is an international organization that offers the following services: advice; human capacity development; network and dialogue management as well as mediation; and management and logistics. The applicant supports long-term capacity-building and policy reform processes, and operates in all sectors relevant to sustainable development and climate change mitigation and adaptation, including renewable energies and energy access, energy efficiency, the measurement of reduction in greenhouse gas emissions, the use of climate-friendly technologies in industry, results-based financing for reducing emissions from deforestation and forest degradation, climate-resilient cities, climate risk management and insurance, and systems and ecosystem-based adaptation.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 17 February 2015. The Stage I institutional assessment and completeness check was completed on 21 August 2015 and was progressed to Stage II (Step 1), accreditation review, which was concluded on 24 May 2016. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** international access;
- (b) **Track:** fast-track under the Directorate-General for International Development and Cooperation (DG DEVCO);
- (c) **Maximum size of an individual project or activity within a programme:** medium;¹
- (d) **Fiduciary functions:**²
 - 1. Basic fiduciary standards;
 - 2. Specialized fiduciary standard for project management; and
 - 3. Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
- (e) **Maximum environmental and social risk category:** medium risk (Category B/Intermediation 2 (I-2)).³

II. Stage I institutional assessment and completeness check

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 USD 50 million and up to and including USD 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”.

3. The applicant is eligible for, and applied under, the fast-track accreditation process as a DG DEVCO entity. Its application has been assessed by the Secretariat during Stage I in accordance with the requirements and gaps identified in decisions B.08/03 and B.10/06.

2.1 Legal status, registration, permits and licenses

4. The Secretariat reviewed the information provided by the applicant regarding its legal status as well as relevant and applicable registrations, permits and licences.

2.2 Institutional presence and relevant networks

5. The applicant has a presence in over 130 countries, including 41 least developed countries, 30 small island developing States and 36 sub-Saharan African countries. This global presence has allowed the applicant to establish relationships with national governments and other national institutions in developing countries.

6. The applicant has made climate change one of the core areas of its work and over the past few years it has scaled up its climate finance readiness programme for developing countries through the provision of technical support. More than half of its staff members are local experts and support staff working in developing countries, which facilitates the participation of the applicant in relevant national and regional networks. These well-established relationships with developing countries and a wealth of regional and technical expertise have added to the implementation of its projects.

7. The applicant seeks to contribute to the objectives of the GCF by leveraging over 50 years of experience of providing technical assistance and capacity development for development finance. In particular, it seeks to prepare developing countries for accessing climate finance by catalysing its readiness support programme to allow them to adopt climate-resilient development pathways.

2.3 Track record

8. The applicant mobilizes financial resources for its climate change projects and programmes from more than 160 national and international clients and financiers in the public and private sectors. With more than 30 public-private partnerships that it is involved in, the applicant intends to continue cooperating with the private sector in order to achieve adaptation and mitigation of climate change impacts. It also supports the engagement of the private sector through the development of policies and regulatory frameworks.

9. As of December 2014, its portfolio comprised of approximately 1,300 projects in all developing country regions, with about 40 per cent of these being climate-related in sectors such as agriculture, forestry, water and energy efficiency. These projects totalled approximately USD 1.5 billion, more than half of the applicant's total financial turnover in 2014.

III. Stage II accreditation review assessment

10. The applicant is eligible for, and applied under, the fast-track accreditation process as a DG DEVCO entity. Its application has been assessed by the Accreditation Panel (AP) during Stage II (Step 1) against the standards of the GCF in accordance with the requirements and gaps identified in decisions B.08/03, B.10/06 and B.12/30.

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

3.1 Fiduciary standards

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

12. As per paragraph 10 above, the basic fiduciary standards concerning key administrative and financial capacities are considered to have been met by way of fast-track accreditation.

3.1.2 **Section 4.2: Basic fiduciary standards: transparency and accountability**

13. As per paragraph 10 above, the basic fiduciary standards concerning transparency and accountability, with the exception of item 4.2.5, anti-money laundering (AML) and countering the financing of terrorism policies, have been met by way of fast-track accreditation.

14. Regarding item 4.2.5, the applicant applies an online screening tool as part of its 'know-your-customer'/AML procedures. These procedures include an electronic system which accesses international databases and further manual risk assessments associated with countries that are identified as higher risk. These processes are aligned with the applicant's current business model, however, further elaboration is required as part of the mainstreaming of its financial intermediation role across its business.

3.1.3 **Section 5.1: Specialized fiduciary standard for project management**

15. The applicant has a significantly developed, well-structured set of project preparation guidelines which comprises a seven-step process culminating in a financial proposal. The guidelines include the roles and responsibilities associated with the various steps. Moreover, the process includes an assessment of the capacity development needs associated with a project and, where relevant, the inclusion of a capacity development strategy for sustainability.

16. The applicant has provided evidence of its track record in respect of size and type of intervention. In this regard, it is noted that generally the applicant's project portfolio has comprised lower (e.g. the small size category as per the GCF) value technical cooperation type donor-funded assignments. However, the applicant has provided evidence of a few interventions that are of a scale for which it is seeking accreditation (e.g. medium). These projects tend to be programmes with a global reach, which have been developed for scalability and replicability and which include management of funds from a group of donors. Funds have been managed and implemented according to the requirements of the specific donors concerned.

17. The applicant's monitoring and evaluation framework encompasses results-based monitoring on:

- (a) A project level;
- (b) A strategic level across projects; and
- (c) Third party evaluations, when required.

18. Findings are presented at regular operational meetings for the implementation of recommendations. The corporate monitoring unit provides an overarching service to the organization reporting to the applicant's management board and is considered an independent body. It also monitors the implementation of recommendations.

19. The risks associated with the applicants operations are grouped into four main areas (political, contractual, security and image), and are assessed per project and in a structured manner. The thresholds associated with risk screening are applied and capacity development (including a "capacity works" model designed for this purpose) is a tool applied to mitigate against the risks associated with project ownership and therefore sustainability.

20. The applicant has recently described and communicated a structured outline for grant finance intermediation. In this regard, the applicant has provided evidence of a fiduciary due

diligence exercise and demonstrates an understanding of the requirements associated with an intermediated due diligence process. The procedures to mainstream its financial intermediation role are in the process of being formalized in a manual.

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

21. As per paragraph 10 above, the specialized fiduciary standard for grant award and/or funding allocation mechanisms is considered to have been met by way of fast-track accreditation.

3.1.5 **Section 5.3: Specialized fiduciary standard for on-lending and/or blending**

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

3.2 Environmental and social safeguards

3.2.1 **Section 6.1: Policy**

23. The applicant's new 2015 sustainability policy integrates its environmental and social (E&S) guidelines and establishes a binding, organization-wide, improved environment, climate, and social impact management system, consistent with the GCF interim environmental and social safeguards (ESS) performance standards 1 to 8. The policy is communicated across the organization; all activities and staff are obliged to respect it. The applicant also integrates into its activities the national legislation of partner countries and partner-country obligations under international agreements. The applicant's E&S system won an international award in 2012 for outstanding commitment to environmental-and-climate assessment practice. The applicant will update its E&S system by mid-2016 in order to harmonize with its new organizational structure.

3.2.2 **Section 6.2: Identification of risks and impacts**

24. The applicant has a two-step process to identify E&S risks and impacts:

- (a) Screening; and
- (b) In-depth assessment (scoping).

25. Each step is supported with tools. The project managers screen projects before appraisal missions or project reviews so as to identify potential risks and impacts and to determine the E&S risk category. There are internal procedures, guidance and a help desk to support project categorization and scoping.

26. The applicant focuses on technical cooperation and capacity building. It provided a long list of Category B and Category C projects, and some project examples from the past three years, to demonstrate a competent track record with project categorization and implementation.

3.2.3 **Section 6.3: Management programme**

27. The screening and scoping results are integrated into the project design with relevant indicators and are summarized in an environment, climate and social management and monitoring plan. The results-based monitoring (RBM) reports are used to identify and follow-up on mitigation actions, inform about the development of risks, and adjust planned interventions, as needed.

3.2.4 **Section 6.4: Organizational capacity and competency**

28. General E&S responsibilities are defined and are communicated to all departments. The organizational chart and guidance identify the board or office responsible for implementation and compliance with E&S standards. The applicant's 2016 organizational structure has a division with competence for gender and one for the environment and climate change. It

provided the E&S credentials of nine head office (HO) senior staff to cover each of the performance standards from 1 to 8.

29. The applicant has a sizeable training department through which to organize and conduct capacity development, including E&S-related training. It provided an extensive list of environment-related courses that are routinely conducted, a list of the available courses on its intranet, and its course attendance lists. All new HO staff and field staff follow at a minimum a one-day E&S course and other E&S capacity development training, as needed. The HO departments support and provide advisory services to field staff in order to support continuous E&S capacity development.

3.2.5 Section 6.5: Monitoring and review

30. The applicant revised its monitoring and evaluation (M&E) policy in 2013, based on the development standards of the Organization for Economic Co-operation and Development's Development Assistance Committee. It has three M&E instruments:

- (a) RBM;
- (b) Project evaluations; and
- (c) Corporate evaluations.

31. The HO M&E unit and operational units conduct M&E at central and decentralized levels and advise on the design of M&E systems. The RBM follows-up on mitigation actions and adjusts the planned interventions, as needed. The country offices are responsible for monitoring and formulating project-level recommendations. The applicant combines a technical monitoring system with a procedure to integrate stakeholder perspectives. Good examples were provided to demonstrate M&E capacity.

32. The applicant conducts annual external quality control/audits on a selected set of projects in order to determine the extent of compliance with standards.

33. M&E results are reported to senior management. Overall, it was demonstrated that the M&E procedures help to steer projects and support learning at the project and organization levels.

3.2.6 Section 6.6: External communications

34. The applicant has e-mail addresses for human rights, sustainability and integrity issues, and several general communication channels (e.g. e-mail address, telephone numbers and postal addresses). All incoming communications are registered in the file management system and are assessed by designated communication teams so as to determine whether a communication needs to be forwarded to a responsible member of staff or not. Country offices have a similar system to register, manage and respond to all communications from the public. The applicant provided examples of its communications register. There were no E&S complaints received in the last three years, but the applicant provided cases to show how other types of complaints were managed and resolved.

35. The applicant is committed to being very transparent, publishing extensive E&S information on all ongoing programs and projects on its website.

3.3 Gender

36. The applicant's gender strategy is integrated into its sustainability policy and complies with the GCF gender policy's six gender principles. All projects undergo a gender analysis at the time of appraisal, and gender-sensitivity is integrated into project design, management and monitoring. The applicant has other instruments to support its gender strategy, for instance a HO gender steering group, and an organizational goal to have 50 per cent women at

management level. To enhance the gender competence of staff and stakeholders, the applicant provides gender training and it disseminates gender-sensitive best practices through its gender network.

37. Gender results are reported to senior management in the applicant's annual report and are published on its website. Annual external evaluations review the quality of the gender services.

38. The applicant has implemented more than 230 projects that relate to gender and climate change from 2012 to 2014. Altogether, the applicant clearly demonstrates its leadership role in mainstreaming gender and its commitment to continuously improve its gender-related services.

IV. Conclusions and recommendation

4.1 Conclusions

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

- (a) The applicant partially meets the requirements of the GCF basic fiduciary standard and meets the specialized fiduciary standard for project management as well as the specialized fiduciary standard for grant award and/or funding allocation mechanisms;
- (b) The applicant meets the requirements of the interim environmental and social safeguards of the GCF in relation to the medium E&S risk (Category B/I-2); and
- (c) The applicant has demonstrated that it has the policies, procedures and competencies through which to implement its gender policy, which is found to be consistent with the gender policy of the GCF, and has demonstrated that it has experience with gender considerations in the context of climate change.

4.2 Recommendation on accreditation

40. The AP recommends, for consideration by the Board, the applicant APL038 for accreditation as follows:

- (a) **Accreditation type:**
 - (i) **Maximum size of an individual project or activity within a programme:** medium (including micro⁴ and small⁵);
 - (ii) **Fiduciary functions:**
 1. Basic fiduciary standards;
 2. Specialized fiduciary standard for project management; and
 3. Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and

⁴ As per annex I to decision B.08/02, "micro" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of up to and including USD 10 million for an individual project or an activity within a programme".

⁵ As per annex I to decision B.08/02, "small" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above USD 10 million and up to and including USD 50 million for an individual project or an activity within a programme".

- (iii) **Maximum environmental and social risk category:** medium risk (Category B/I-2) (including lower risk (Category C/Intermediation 3⁶)); and
- (b) **Conditions:** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the condition(s). The AP will thereafter assess whether the condition(s) has/have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes.
- (i) Condition(s) prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:
1. Submit an operational guideline/manual that describes the fiduciary due diligence process it would apply to GCF financing concerning transparency and accountability, with specific reference to standards on 'know your customer' and AML.
41. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition(s), as identified in paragraph 40 above, and agrees to the recommendation.

4.3 Remarks

42. The applicant's traditional technical cooperation role under the Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (the Federal Ministry for Economic Cooperation and Development) has been noted as described on the ministry's website. However, based on its track record with grant intermediation, the applicant now plans to mainstream a financial intermediary function and this is reflected in its GCF accreditation application.
43. In the view of the AP, this recent broadening in the scope of the applicant's activities could give rise to potential conflicts of interest between the applicant as a provider of technical cooperation on the one hand, and on the other as the supplier of GCF grants for a technical cooperation programme managed by an intermediary. In such cases, if the potential for conflict of interest is confirmed, the services should be procured using rules in line with those of the GCF fiduciary standards regarding procurement.

⁶ 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".

Annex VII: Summary of recommendations

Table 1: Summary of recommended accreditation types and conditions

Applicant number	Access modality	Accreditation type being recommended under the fit-for-purpose approach			Accreditation conditions, recommendations and remarks
		Size ¹	Fiduciary functions ²	Environmental and social risk category	
APL035 BOAD	Direct access, regional	Medium ³	Basic fiduciary standards; 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)	Medium risk (Category B/I-2) ⁴	<p><u>Condition(s) prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:</u></p> <ol style="list-style-type: none"> 1. Provide a plan for improving the monitoring of compliance with its fiduciary, E&S and gender-related standards as well as any conditions in general that it applies to its financing, including for projects financed by the GCF; and 2. Develop a process for publicly disclosing information on beneficiaries and results of projects and programmes that are financed by the GCF. <p><u>Condition(s) prior to submitting a request for GCF financing of a medium-sized grant award programme:</u></p> <ol style="list-style-type: none"> 1. Test and prove by way of having approved and successfully implemented for a minimum period of one year a small-sized grant award programme.

¹ “Size” refers to the total projected costs at the time of application, irrespective of the portion that is funded by the GCF, for an individual project or an activity within a programme. Four size categories (micro, small, medium and large) are defined in annex I to decision B.08/02 (annex I to document GCF/B.08/45).

² Decision B.07/02.

³ As per annex I to decision B.08/02, “medium” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 50 million and up to and including US\$ 250 million for an individual project or an activity within a programme”.

⁴ 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”.

					<p>Remarks:</p> <p>Although the applicant has sound policies and practices in relation to E&S, gender and climate matters, it will need more staff in order to increase the scale and scope of its activities significantly as it has planned. In particular, it is judged that more careful project design, enhanced implementation budgets and resources, and strengthened monitoring and supervision, can help to overcome the existing capacity constraints. It is therefore recommended that the applicant addresses the staff shortcomings identified in paragraphs 19, 32 and 40 in annex V to this document.</p> <p>The applicant has a wide-ranging ESMS, which is consistent with the requirements of performance standard 1 of the GCF interim ESS. Since the applicant’s ESMS has been updated over time, it is recommended that the applicant now consolidate its existing guidelines in order to more easily screen and assess projects against performance standards 2 to 8 and to ensure that:</p> <p>(a) All departments and all clients have the full package of the most-up-to-date ESMS elements; and</p> <p>(b) All departments and clients have been sufficiently trained to use the most-up-to-date ESMS elements.</p>
APL036 CDB	Direct access, regional	Small ⁵	Basic fiduciary standards; 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 equity)	High risk (Category A/I-1) ⁶	<p><u>Condition(s) prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:</u></p> <ol style="list-style-type: none"> 1. Establish an appropriate system for providing public access to information on the periodic progress of individual projects/programmes, including budget utilization, in relation to grant funding; and 2. Demonstrate that the permanent external communications mechanism is fully functioning, in particular identifying the staff assigned to manage, document and respond to

⁵ As per annex I to decision B.08/02, “small” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 10 million and up to and including US\$ 50 million for an individual project or an activity within a programme”.

⁶ 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”.

					communications, questions or complaints on the environmental and the social performance of projects.
APL037 XacBank	Direct access, national, private sector	Small	Basic fiduciary standards; Specialized fiduciary standard for project management; Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees)	Medium risk (Category B/I-2)	<p><u>Condition(s) prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:</u></p> <ol style="list-style-type: none"> 1. Provide evidence of the effective application of procedures for the investigation of fraud, corruption and other forms of malpractice; 2. Provide evidence of the effective implementation of the procedures for: <ol style="list-style-type: none"> (a) The preparation of project implementation plans; (b) Project closure; and (c) The independent evaluation of project results; and 3. Provide evidence of the effective implementation of its information disclosure policy. <p><u>Remarks:</u> Following the provisions of its information disclosure policy, the applicant is encouraged to align its disclosure of E&S reports to the requirements of the GCF Information disclosure policy.</p>
APL038 GIZ	International access	Medium	Basic fiduciary standards; Specialized fiduciary standard for project management; and Specialized fiduciary standard for grant award and/or funding allocation mechanisms	Medium risk (Category B/I-2)	<p><u>Condition(s) prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:</u></p> <ol style="list-style-type: none"> 1. Submit an operational guideline/manual that describes the fiduciary due diligence process it would apply to GCF financing concerning transparency and accountability, with specific reference to standards on 'know your customer' and AML. <p><u>Remarks:</u> In the view of the AP, this recent broadening in the scope of the applicant's activities could give rise to potential conflicts of interest between the applicant as a provider of technical cooperation on the one hand, and on the other as the supplier of GCF grants for a technical cooperation programme managed by an intermediary. In such cases, if the potential for conflict of interest is confirmed, the</p>



					services should be procured using rules in line with those of the GCF fiduciary standards regarding procurement.
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