

**GREEN  
CLIMATE  
FUND**

**Meeting of the Board**  
17 – 20 October 2018  
Manama, Bahrain  
Provisional agenda item 18

**GCF/B.21/17**  
**26 September 2018**

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# Consideration of accreditation proposals

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## **Summary**

This document presents an overview of accreditation progress up to 31 August 2018, including that associated with the accreditation process; an overview of the pipeline of applicant entities with information on support to direct access entities; and an overview of the portfolio of accredited entities, including the status of accredited entities addressing accreditation conditions. The document also presents accreditation proposals for consideration by the Board.

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## **I. General mandate**

1. In decision B.08/02, paragraph (a), the Board recalled that all entities, including subnational, national, regional and international entities, can apply for accreditation to GCF.
2. Areas of work related to accreditation matters include the following:
  - (a) The pipeline of entities, particularly supporting direct access entities, seeking accreditation; and
  - (b) Relationship management of accredited entities (AEs).
3. In addition to the above, the Secretariat supports the work of the Accreditation Committee (AC) and the Accreditation Panel (AP).
4. This document presents an overview of accreditation progress up to 31 August 2018. In particular, it includes an overview of the pipeline of applicant entities with information on support to direct access entities and an overview of the portfolio of AEs, including the status of AEs addressing accreditation conditions. The document also presents accreditation proposals for consideration by the Board.

## **II. Recommended action by the Board**

5. It is recommended that the Board:
  - (a) Take note of the information presented in document GCF/B.21/17 titled “Consideration of accreditation proposals”; and
  - (b) Approve the draft decision presented in annex I.

## **III. Linkages with decisions and other documents**

6. 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) “Environmental and Social Management System: Environmental and Social Policy” (decision B.19/10);
  - (d) “Gender policy and action plan” (decision B.09/11);
  - (e) “Indigenous Peoples Policy” (decision B.19/11);
  - (f) “Assessment, including gap analysis, of institutions accredited by other relevant funds” (decision B.08/03);
  - (g) “Country programming, readiness and preparatory support” (decision B.13/32);
  - (h) “Application documents for submissions of applications for accreditation” (decision B.08/06);
  - (i) “Policy on fees for accreditation” (decision B.08/04);
  - (j) “Revised policy on fees for accredited entities” (decision B.19/09);
  - (k) “Comprehensive information disclosure policy of the Fund” (decision B.12/35);

- (l) “Consideration of accreditation proposals” (decisions B.09/07, B.10/06, B.12/30, B.14/09, B.14/10, B.14/11, B.15/09, B.17/13 and B.18/05);
- (m) “Legal and formal arrangements with accredited entities” (decision B.09/08);
- (n) “Accreditation master agreements” (decision B.12/31);
- (o) “Strategic plan for the Green Climate Fund” (decision B.12/20);
- (p) “Strategy on accreditation” (decisions B.13/19 and B.14/08);
- (q) “Matters related to the accreditation framework and policy gaps: Co-Chairs’ proposal (decision B.18/04);
- (r) “Further development of the accreditation framework” (decision B.19/13);
- (s) “Accreditation framework review, including the project specific framework approach” (document GCF/B.20/17);
- (t) “Accreditation framework review” (document GCF/B.21/08); and
- (u) “Strategy to increase funding proposals from direct access entities” (document GCF/B.20/04).

## **IV. Overview of the pipeline of applicant entities**

### **4.1 Status of applications for accreditation**

7. Since the opening of the call for accreditation applications on 17 November 2014 and up to 31 August 2018, 59 entities have been accredited and a pipeline of 223 entities have been issued accounts on the Online Accreditation System,<sup>1</sup> the web-based portal through which applicants submit their accreditation applications.<sup>2</sup> Of these, 115 entities have submitted an application, which includes 30 applications under the Stage II (Step 1) AP review (including 9 entities that were recommended by the AP for the Board’s consideration at the twentieth meeting of the Board [B.20], but deferred to consideration at the twenty-first meeting of the Board [B.21]) and the additional entities being recommended at B.21, and 85 applications under the Stage I Institutional Assessment and Completeness Check by the Secretariat.

8. The submitted applications received to date reflect considerable diversity in geographical representation, the type of activities to be undertaken using GCF resources if accreditation is approved and the type of accreditation being sought (e.g. project/programme activity size, fiduciary function and environmental and social risk category), and whether they are from the public or private sectors. The distribution of applications received as at 31 August 2018 is available on the GCF website<sup>3</sup> and is summarized in figure 1.

9. In addition to applications for accreditation, nine applications from AEs to upgrade their accreditation types have been received, of which two upgrades were approved by the Board in decision B.15/09, paragraph (f) and decision B.18/05, paragraph (d). The remaining seven entities include five direct access AEs and two international access AEs. Two AEs (i.e., 1 direct access and 1 international access) are currently in Stage II (Step 1) and the other five AEs are currently in Stage I. The AEs are seeking to upgrade their accreditation type for increased size

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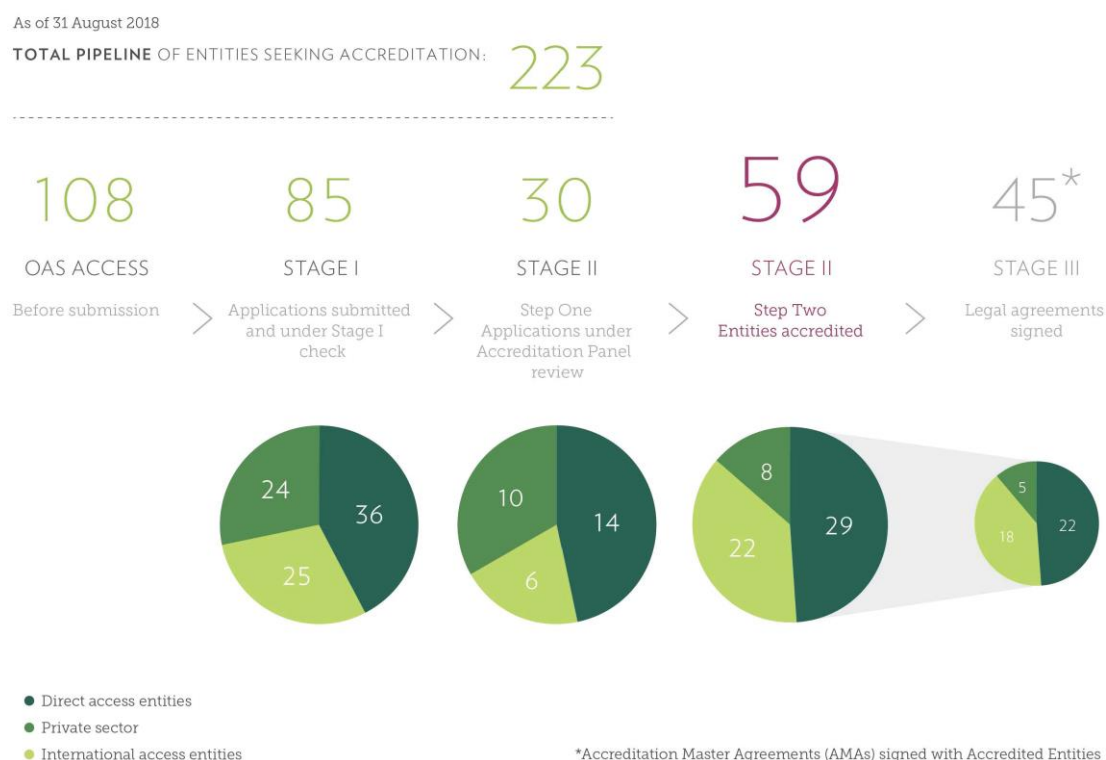
<sup>1</sup> Available at <<https://accreditation.gcfund.org/>>.

<sup>2</sup> In decision B.07/02, paragraph (o), the Board requested the AP, in collaboration with the AC and the Secretariat, to report annually to the Board on the status of applications for accreditation.

<sup>3</sup> The “Number of entities at each stage” is updated on a monthly basis and is available at <<http://www.greenclimate.fund/how-we-work/getting-accredited/ae-composition>>. Monthly information is available from 30 September 2015 onwards.

categories, additional fiduciary functions (e.g. grant award and/or funding allocation mechanisms) and higher environmental and social risk categories.

**Figure 1: Status of accreditation applications (as at 31 August 2018)**



*Abbreviation:* OAS = Online Accreditation System.

10. Figure 2 shows the geographical coverage for national and regional entities nominated for accreditation by national designated authorities (NDAs) and focal points, of which 100 entities have submitted an accreditation application, and of those 32 have been accredited. Thirty direct access entities have received support through the GCF Readiness and Preparatory Support Programme to prepare for accreditation, of which 2 entities have been accredited and 15 entities have submitted an application for accreditation.

ACCREDITATION STATE OF PLAY DIRECT ACCESS ENTITIES

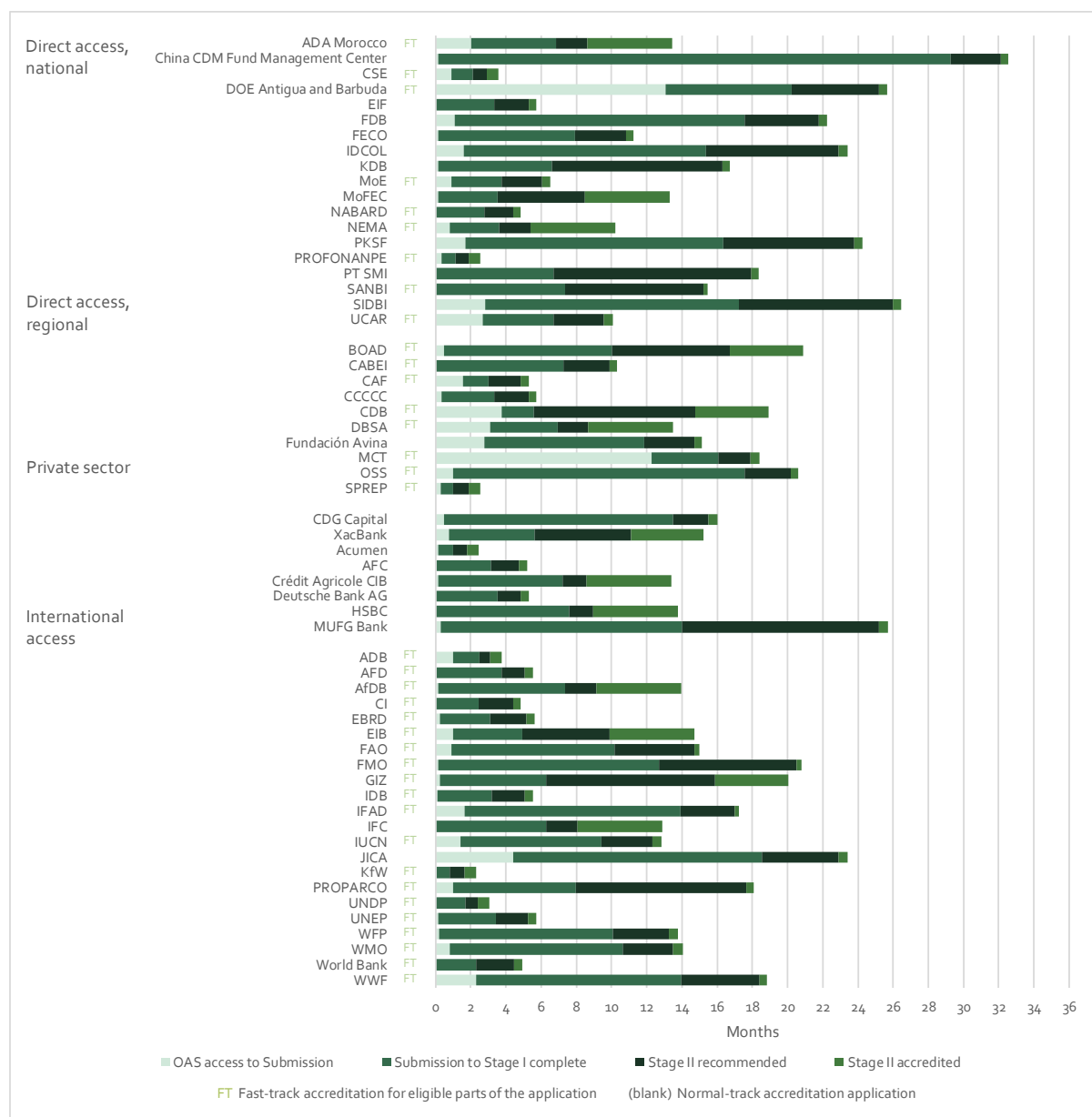
As of 31 August 2018



11. The time taken to process applicants has varied and depends on the entity's capacity and the modalities for which it is applying, in addition to factors such as resources available to process applications and the workload from the growing pipeline of applicants. Based on the dates of key milestones and not accounting for actual active time spent by the applicants or GCF, from opening an Online Accreditation System account to approval by the Board, it took between 2.3 and 32.6 months to accredit the 59 AEs – noting that 38 of them were fast-tracked and 21 were normal-tracked – reflecting an average of 13.1 months (see figure 3). This includes an average time frame for application review by the Secretariat and the AP of 10.5 months; however, the active time for review is less. There is an increasing number of applications under the normal-track accreditation process and those applying for more criteria or functions, which generally require more time for review than applications that are fast-track eligible and those applying only for project management functions.



**Figure 3: Time frame from Online Accreditation System access to accreditation for the 59 accredited entities (as at 31 August 2018)**



**Abbreviations:** Acumen = Acumen Fund, Inc., ADA Morocco = Agency for Agricultural Development of Morocco, ADB = Asian Development Bank, AFC = Africa Finance Corporation, AFD = Agence Française de Développement, AfDB = African Development Bank, BOAD = Banque Ouest Africaine de Développement (West African Development Bank), CABEL = Central American Bank for Economic Integration, CAF = Corporación Andina de Fomento, CCCCC = Caribbean Community Climate Change Centre, CDB = Caribbean Development Bank, CDG Capital = CDG Capital S.A., China CDM Fund Management Center = China Clean Development Mechanism Fund Management Center, CI = Conservation International Foundation, Crédit Agricole CIB = Crédit Agricole Corporate and Investment Bank, CSE = Centre de Suivi Ecologique, DBSA = Development Bank of Southern Africa, Deutsche Bank AG = Deutsche Bank Aktiengesellschaft, DOE Antigua and Barbuda = Department of Environment of Antigua and Barbuda, EBRD = European Bank for Reconstruction and Development, EIB = European Investment Bank, EIF = Environmental Investment Fund of Namibia, FAO = Food and Agriculture Organization of the United Nations, FECO = Foreign Economic Cooperation Office, Ministry of Environmental Protection of China, FDB = Fiji Development Bank, FMO = Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V., GIZ = Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, HSBC = HSBC Holdings plc and its subsidiaries, IDB = Inter-American Development Bank, IDCOL = Infrastructure Development Company Limited, IFAD = International Fund for Agricultural Development, IFC = International Finance Corporation, IUCN = International Union for Conservation of Nature, JICA = Japan International Cooperation Agency, KDB = Korea Development Bank, KfW = Kreditanstalt für Wiederaufbau,



MCT = Micronesia Conservation Trust, MoE = Ministry of Environment of Rwanda (formerly, Ministry of Natural Resources of Rwanda (MINIRENA)), MoFEC = Ministry of Finance and Economic Cooperation of the Federal Democratic Republic of Ethiopia, MUFG Bank = MUFG Bank, Ltd. (formerly, Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU)), NABARD = National Bank for Agriculture and Rural Development, NEMA = National Environment Management Authority of Kenya, OAS = Online Accreditation System, OSS = Sahara and Sahel Observatory, PKSF = Palli Karma-Sahayak Foundation, PROFONANPE = Peruvian Trust Fund for National Parks and Protected Areas, PROPARCO = Société de Promotion et de Participation pour la Coopération Economique, PT SMI = PT Sarana Multi Infrastruktur, SANBI = South African National Biodiversity Institute, SIDBI = Small Industries Development Bank of India, SPREP = Secretariat of the Pacific Regional Environment Programme, UCAR = Unidad para el Cambio Rural (Unit for Rural Change) of Argentina, UNDP = United Nations Development Programme, UNEP = United Nations Environment Programme, WFP = World Food Programme, WMO = World Meteorological Organization, World Bank = International Bank for Reconstruction and Development and International Development Association, WWF = World Wildlife Fund, Inc., XacBank = XacBank LLC.

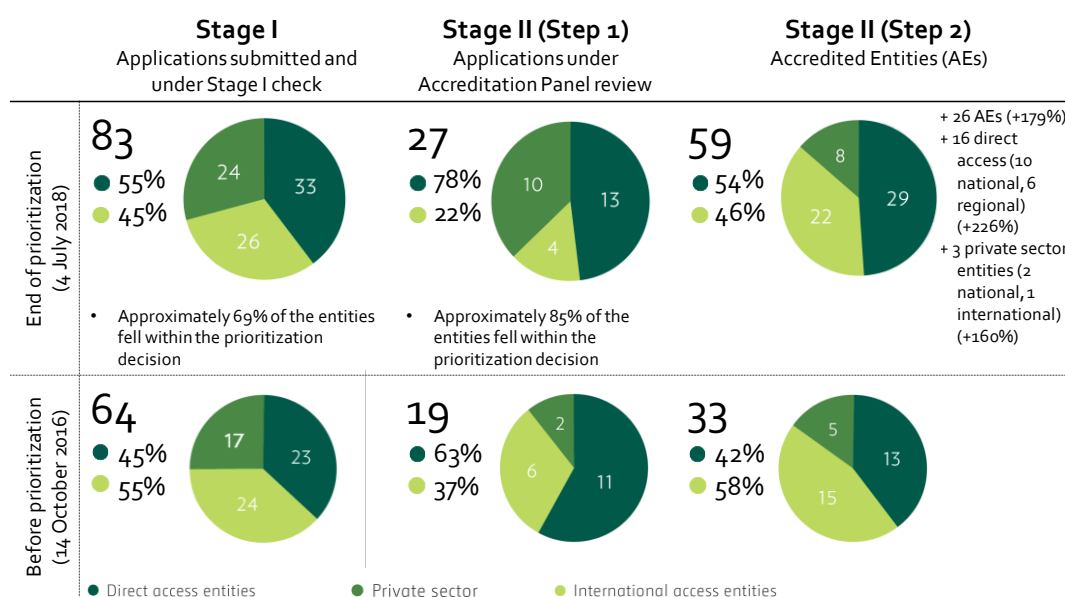
## 4.2 Implementing the prioritization of entities

12. In decision B.14/08, paragraph (d), the Board decided that future accreditation decisions by the Board should aim to bring forward AEs that fill the mandate on balance, diversity, coverage and ability to advance the objectives of GCF. To that end, in paragraph (d)(i) of the same decision, the Board prioritized a list of entities. In decisions B.18/04, paragraph (c), and B.19/13, paragraph (c), the Board extended this prioritization approach until the end of B.20.

13. Since 14 October 2016 (date of decision B.14/08) and up to 4 July 2018 (the date on which the prioritization decision expired, as per decision B.19/13, paragraph (c)), the application by the Secretariat and the AP of the Board decision on prioritization has resulted in the following, also shown in figure 4 below:

- (a) Twenty-six of the 35 entities (74 per cent) that have completed Stage I are direct access entities. Eleven of the 35 entities are private sector entities, of which 7 are direct access and 4 are international access entities; and
- (b) Fourteen of the 18 entities (78 per cent) that have been recommended by the AP following completion of Stage II (Step 1) and that have been accredited by the Board in Stage II (Step 2) are direct access entities and 2 are private sector entities.

**Figure 4: Comparison of the accreditation pipeline prior to the Board prioritization decision B.14/08, paragraph (d)(i) and current accreditation pipeline following implementation of the Board decision**



14. After the accreditation prioritization decision expired on 4 July 2018, one direct access entity and two international access entities have completed Stage I. The Secretariat proposed at B.20 a decision on prioritizing certain types of entities in the accreditation pipeline, which builds on the previous decisions on accreditation prioritization. This proposal is contained in annex I, and includes the prioritization of national entities nominated by NDAs that do not yet have an accredited direct access entity, as well as private sector entities and other types of applicants.

15. The Secretariat is continuing to work with direct access entities that have submitted applications for accreditation, and direct access entities seeking to launch an accreditation application. Additionally, through regional workshops and structured dialogue events, the Secretariat is working with NDAs and focal points to identify entities that may be nominated to seek accreditation to GCF.

### 4.3 Support to direct access entities for accreditation

16. The Secretariat is continuing to support subnational, national and regional public and private sector entities seeking, or in the process of, accreditation in order to ensure a balance of diversity, in accordance with decision B.09/07, paragraphs (d) and (g), and decision B.10/06, paragraph (h). This has been addressed by:

- (a) Guiding and supporting the 187 direct access entities nominated by the NDAs or focal points of 85 countries in 4 regions throughout the application process, including via conference calls;
- (b) Providing institutional gap assessments for 30 direct access entities seeking accreditation and action plans to address any identified gaps (see annex II for details);
- (c) Using an online accreditation self-assessment tool<sup>4</sup> in order to assess preparedness for the accreditation process, which may be accessed by any organization, as well as NDAs and focal points, for the purposes of identifying organizations to nominate for accreditation. As at 31 August 2018, 839 users, including NDAs/focal points considering nominating entities and entities themselves, had completed the questionnaire; and
- (d) Engaging a roster of institutions that will provide technical and capacity-building support to both applicant and accredited direct access entities in environmental, social and gender aspects.

### 4.4 Accelerating direct access

17. Readiness support has been approved for 30 direct access entities nominated by 34 countries from different geographical/regional areas by identifying institutional gaps and generating action plans based on the gap assessments (see annex II for details). As at 31 August 2018:

- (a) In-depth institutional assessments against the GCF standards and action plans had been completed for 23 entities nominated by 26 countries. Of these:
  - (i) Fifteen entities have submitted their accreditation applications, of which:
    - 1. Two entities (the Central American Bank for Economic Integration and the Micronesia Conservation Trust) have been accredited;

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<sup>4</sup> The tool, developed with Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH and the World Resources Institute, is available at <<https://www.greenclimate.fund/partners/accredited-entities/self-assessment-tool>>.

2. Five entities are in Stage II (Step 1); and
  3. Eight entities are in Stage I; and
- (ii) In addition, the other eight entities are working towards closing the identified gaps and intend to thereafter submit their application, and others are in discussion with their NDA to seek additional readiness support to close the identified gaps; and
- (b) Readiness support is underway for the remaining seven entities.
18. The Secretariat has also compiled a roster of institutions that will provide technical and capacity-building support both to applicants and to accredited direct access entities in relation to environmental, social and gender aspects of their institutional capacities. The institutions selected for the roster have been notified and the legal arrangements have been completed. The Secretariat is working with three entities, which have expressed their interest in accessing this support, in consultation with the respective NDA or focal point to develop terms of reference. Out of these entities, environmental and social safeguards support for one entity is currently underway.

## 4.5 Enhancing direct access

19. In response to the request for proposals for a pilot phase enhancing direct access (EDA) to GCF launched in June 2016,<sup>5</sup> as at 31 August 2018, 14 entities and 1 NDA had submitted a total of 17 concept notes or proposals<sup>6</sup> to the Secretariat:
- (a) Eight EDA concept notes or proposals were submitted by seven direct access entities already accredited at the time of the submission. One proposal was approved by the Board through decision B.14/07, paragraph (x);<sup>7</sup> and
- (b) Nine EDA concept notes or proposal have been submitted, including eight from seven direct access entities intending to seek accreditation or having applied for accreditation at the time of submission, and one from an NDA.<sup>8</sup> One proposal was approved by the Board through decision B.19/12, paragraph (a)(iii).<sup>9</sup> Of the direct access entities:
- (i) Three direct access entities have been accredited following submission of their EDA proposals;
  - (ii) Three direct access entities are in Stage II (Step 1); and
  - (iii) One direct access entity is in the process of preparing its application for accreditation.
20. Efforts are being undertaken to support the development of EDA funding proposals and the facilitation of the accreditation of direct access entities with fiduciary capacities that would allow them to undertake EDA activities.

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<sup>5</sup> For further information on the terms of reference for a pilot phase EDA to GCF, see annex I to decision B.10/04 (annex I to document GCF/B.10/17).

<sup>6</sup> The EDA pilot concept notes and funding proposals received are at various stages of consultation with the NDAs.

<sup>7</sup> Funding proposal 024 titled “Empower to adapt: creating climate change resilient livelihoods through community-based natural resource management in Namibia”, as contained in document GCF/B.14/07/Add.07 and Add.17.

<sup>8</sup> A direct access entity is to be nominated.

<sup>9</sup> Funding proposal 061 titled “Integrated physical adaptation and community resilience through an enhanced direct access pilot in the public, private, and civil society sectors of three Eastern Caribbean small island developing States” as contained in document GCF/B.19/22/Add.03 and Add.31/Rev.01.

## V. Overview of the portfolio of accredited entities

21. The Board accredited 59 entities through decisions B.09/07, B.10/06, B.12/30, B.14/10, B.14/11, B.15/09, B.17/13 and B.18/05. The AEs demonstrate a variety of accreditation types through the application of the fit-for-purpose approach, and reflect a geographical and institutional balance (see table 1). Information on the various accreditation types is contained in annex III. Details of entities accredited by the Board to date have been published on the GCF website, including the names of the entities, their contact details and the accreditation types.<sup>10</sup>

**Table 1: Options for countries to partner with GCF accredited entities per region: the number of accredited entities in each type of capacity (as at 31 August 2018)**

Region	Fiduciary functions <sup>a</sup>					E&S risk category <sup>a</sup>			Size of an individual project or activity within a programme <sup>b</sup>	
	Project management <sup>c</sup>	Providing grants, including through grant award and/or funding allocation <sup>d</sup>	Blended finance			A	B	C	Micro and small sizes	Medium and large sizes
			Loans	Equity	Guarantees					
Africa	22	21	19	16	18	16	32	38	38	26
Latin America and the Caribbean	13	22	17	15	15	16	27	33	33	23
Asia Pacific	13	20	19	17	18	14	30	37	37	26
Eastern Europe	8	13	11	10	11	12	18	21	21	18
SIDS	13	23	17	15	16	17	28	33	33	23
LDCs	22	21	19	16	18	16	32	38	38	26

Abbreviations: E&S = environmental and social, LDCs = least developed countries, SIDS = small island developing States.

<sup>a</sup> Annex I to decision B.07/02 (annex I to document GCF/B.07/11).

<sup>b</sup> Annex I to decision B.08/02 (annex I to document GCF/B.08/45).

<sup>c</sup> The specialized fiduciary standard for project management is contained in annex II to decision B.07/02, available at <[http://www.greenclimate.fund/documents/20182/319135/1.6\\_-\\_Fiduciary\\_Standards.pdf/083cfe10-46f4-4a73-b603-8d7bfd2a35bd](http://www.greenclimate.fund/documents/20182/319135/1.6_-_Fiduciary_Standards.pdf/083cfe10-46f4-4a73-b603-8d7bfd2a35bd)>. Project management underlying principles are: ability to identify, formulate and appraise projects or programmes; competency to manage or oversee the execution of approved funding proposals (including those financed through grants), including the ability to manage executing entities or project sponsors and to support project delivery and implementation; and capacity to consistently and transparently report on the progress, delivery and implementation of the approved funding proposal.

<sup>d</sup> The specialized fiduciary standard for grant award and/or funding allocation mechanisms is contained in annex II to decision B.07/02, available at <[http://www.greenclimate.fund/documents/20182/319135/1.6\\_-\\_Fiduciary\\_Standards.pdf/083cfe10-46f4-4a73-b603-8d7bfd2a35bd](http://www.greenclimate.fund/documents/20182/319135/1.6_-_Fiduciary_Standards.pdf/083cfe10-46f4-4a73-b603-8d7bfd2a35bd)>. Specific capacities for grant award and funding allocation mechanisms of grants in the context of programmes require: transparent eligibility criteria and an evaluation process; a grant award decision and procedures; public access to information on beneficiaries and results; transparent allocation and implementation of financial resources; and a good standing with regard to multilateral funding.

<sup>10</sup> Available at <<http://www.greenclimate.fund/how-we-work/tools/entity-directory>>.

22. As the portfolio of AEs grows, further entity relations management and support to entities, particularly direct access entities, is needed. Such institution-level support and relationship management work includes providing a dedicated focal point to guide AEs in engaging with the GCF, developing and operationalizing the entity work programmes, support in further developing institutional capacities and/or addressing accreditation conditions through the Readiness Programme, reaching legal arrangements (i.e. accreditation master agreements [AMAs]), monitoring institutional-level requirements under the GCF monitoring and accountability framework (MAF), and supporting the re-accreditation process. In 2016, the AC had identified a ratio of one specialist to approximately 10 AEs to manage and support the relationship between GCF and the AEs. Currently, the Secretariat is staffed with a ratio of one specialist to 15 AEs and supported by one associate professional to 30 AEs. As the Board accredits further entities at B.21 and in 2019, the Secretariat will strengthen its staffing in order to provide an adequate level of relationship management support to all accredited entities.

23. The Secretariat followed up with all AEs accredited by the Board with conditions recommended by the AP. These AEs have already closed or are making significant progress in closing the gaps identified by the AP in its assessment of their applications. The status of AEs addressing their conditions is contained in annex IV, which is reported to the Board for information purposes in accordance with decision B.10/06, paragraph (e).

24. Following the Board's consideration of the AMA template at its twelfth meeting, the Secretariat has progressed in entering into legal arrangements with AEs. As at 31 August 2018, 45 signed AMAs were available on the GCF website.<sup>11</sup> Further details are contained in the limited distribution document GCF/B.21/Inf.XX/Add.01 titled "Status of accreditation master agreements and funded activity agreements" (under preparation).<sup>12</sup>

## 5.1 Entity work programmes

25. In line with the Strategic Plan for GCF, the Secretariat is working with the 59 AEs to update or develop draft entity work programme (EWP) briefs. The Secretariat, in line with decision B.13/10, paragraph (c), reported to the Board on the development of 44 EWP briefs in document GCF/B.20/11 (general distribution) titled "Consolidated Country and Entity Work Programmes" and related addenda GCF/B.20/11/Add.02 and Add.03 (limited distribution). AEs

<sup>11</sup> Available at <<http://www.greenclimate.fund/library/-/docs/list/383065>>. AMAs have been signed with Acumen Fund, Inc. (Acumen), Agency for Agricultural Development of Morocco (ADA Morocco), Asian Development Bank (ADB), Africa Finance Corporation (AFC), Agence Française de Développement (AFD), African Development Bank (AfDB), Banque Ouest Africaine de Développement (BOAD), Central American Bank for Economic Integration (CABEI), Corporación Andina de Fomento (CAF), Caribbean Community Climate Change Centre (CCCCC), Conservation International Foundation (CI), Centre de Suivi Ecologique (CSE), Development Bank of Southern Africa (DBSA), Deutsche Bank Aktiengesellschaft (Deutsche Bank AG), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), Environmental Investment Fund of Namibia (EIF), Foreign Economic Cooperation Office (FECO), Fundación Avina, Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ), Inter-American Development Bank (IDB), International Finance Corporation (IFC), International Union for Conservation of Nature (IUCN), Korea Development Bank (KDB), Kreditanstalt für Wiederaufbau (KfW), Micronesia Conservation Trust (MCT), Ministry of Environment (MoE, formerly, MINIRENA), Ministry of Finance and Economic Cooperation of the Federal Democratic Republic of Ethiopia (MoFEC), National Bank for Agriculture and Rural Development (NABARD), National Environment Management Authority of Kenya (NEMA), Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE), PT Sarana Multi Infrastruktur (PT SMI), South African National Biodiversity Institute (SANBI), Secretariat of the Pacific Regional Environment Programme (SPREP), Unidad para el Cambio Rural (Unit for Rural Change) of Argentina (UCAR), United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP), World Meteorological Organization (WMO), International Bank for Reconstruction and Development and International Development Association (World Bank), World Wildlife Fund, Inc. (WWF) and XacBank LLC (XacBank).

<sup>12</sup> To be considered by the Board at B.21.

are continuing to update their EWP briefs on a periodic basis, typically at least twice per year in January and July.

26. Aiming to strengthen the proactive and strategic approach of GCF to programming to deliver country-owned, high-impact proposals, the EWP briefs include the following:
- (a) Engagement with GCF, which may include the mission and objectives of the AE, and the envisaged partnership with GCF;
  - (b) Focus areas, if any, which may include geographical regions, sectors, types of activities, impact areas and other areas on which the AE may be focused; and
  - (c) A potential pipeline with GCF, which may include information on potential projects and programmes, as well as challenges, barriers, readiness needs and potential solutions to bringing the pipeline to GCF. The entities may also indicate potential activities where support may be needed under the Project Preparation Facility (PPF), including those under the requests for proposals for the pilot phase for enhancing direct access, a pilot programme to support micro, small and medium-sized enterprises<sup>13</sup> and a pilot programme to mobilize resources at scale to address adaptation and mitigation.<sup>14</sup>

## 5.2 Support for accredited direct access entities

27. In decision B.15/03, paragraph (b), the Board requested the Secretariat to prepare a document for consideration by the Board at its sixteenth meeting that outlines the actions to be taken by the Board in order to facilitate an increase in proposals from direct access entities in the pipeline. In response to this request, the Secretariat presented at the sixteenth meeting of the Board document GCF/B.16/Inf.08 titled “Facilitating an increase in proposals from direct access entities”.

28. At the eighteenth meeting of the Board, the Board adopted decision B.18/02 under the agenda item titled “Actions to be taken by the Board to facilitate an increase in proposals from direct access entities in the pipeline”. In line with decision B.18/02, paragraphs (b) and (d), the Board also requested the Secretariat to prepare an analysis of challenges, barriers, gaps and recommendations to achieve an increase in the amount of direct access proposals in the pipeline, taking into account the views of the Board, NDAs/focal points and accredited direct access entities, and also incorporating the initial review of the Readiness and Preparatory Support Programme. The Secretariat conducted an online survey and interviews with these stakeholders to understand the gaps and challenges of increasing funding proposals from direct access entities. The outcome of the survey and interviews is contained in the “Strategy to increase funding proposals from direct access entities” (document GCF/B.20/04).

29. The Secretariat hosted its annual Empowering Direct Access Workshop from 29 May to 1 June 2018 with the aim of enhancing the capacity of entities on programming by focusing on early business development and modalities, among others, in alignment with the GCF investment framework and preparing entities for high-quality project formulation. This event also builds on continued structured dialogues between GCF, direct access entities, NDAs and other counterparts while strengthening peer-to-peer learning and knowledge-sharing.

30. The Workshop was successful in creating a platform for peer-to-peer learning and encouraging direct access AEs to continue to update their EWP briefs and generate 19 new project ideas, totalling 35 potential projects, including previously submitted concept notes and funding proposals. The Secretariat provided initial feedback with the objective of assisting

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<sup>13</sup> Decision B.10/11, paragraph (a).

<sup>14</sup> Decision B.16/03.



direct access entities in their development of these ideas into potential, high-quality funding proposals. The Workshop also triggered interest and requests from direct access AEs, and their countries vis-à-vis their NDAs who also attended the Workshop, on PPF and readiness proposals. The Secretariat also engaged with direct access AEs in reviewing and providing guidance on advancing their PPF proposals, readiness proposals, and addressing matters related to conditions of accreditation, upgrading their accreditation scope, accreditation master agreements and funded activity agreements. In addition to the direct access AEs, direct access entities in Stage II (Step 1) AP review as at 30 April 2018 were invited to participate in the Workshop to observe and learn from how direct access AEs work with the GCF.

31. The Secretariat continues to identify opportunities to engage in person with direct access AEs in order to support them in the partnership with GCF.

32. In addition, the Secretariat has continued to provide support for accreditation and direct access AEs via the GCF Readiness and Preparatory Support Programme with a revised indicative list of activities, as contained in annex VII to decision B.13/32. The Secretariat is also continually assessing/updating the demand for readiness support as identified by NDAs/focal points in their draft country programme briefs, and AEs in their EWP briefs. Further information on the EWP briefs is contained in section 5.1 above.

### 5.3 Support for pipeline development and the Project Preparation Facility

33. As at 31 August 2018, the Secretariat is working on a pipeline of 37 PPF applications with letters of no objection from the NDAs/focal points. Out of these 37 applications, 15 applications have been approved and endorsed (12 approved, 8 are from direct access entities; 3 endorsed, 1 is from a direct access entity). Out of the 37 applications, 22 are from direct access entities. Of the 22 PPF applications not yet approved or endorsed, 14 are pending their associated concept notes being strengthened and cleared as per GCF investment criteria to enable PPF support. The Secretariat is currently providing technical assistance to six direct access entities to help them strengthen their concept notes and associated PPF applications.

34. In addition to the 37 applications, there are another 19 PPF applications received, but these are not currently active for various reasons, including the application being withdrawn by the AE and no resubmission or communication being received from the AEs for over 6 months. Of these 19 inactive PPF applications, 4 are from direct access entities.

### 5.4 Accredited entity monitoring and reporting

#### 5.4.1 Monitoring and accountability framework: accredited entity level reporting

35. The GCF monitoring and accountability framework (MAF) establishes the main monitoring and evaluation tools related to AEs on two levels:<sup>15</sup>

- (a) AE compliance (section 1.1 of the MAF), addressing institutional requirements in relation with its accreditation and re-accreditation process; and
- (b) Funded activity monitoring (section 1.2 of the MAF), addressing specific requirements for each GCF-funded activity.

36. AE compliance comprises annual self-assessments, a midterm review and, if needed, ad hoc compliance reviews.

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<sup>15</sup> Decision B.11/10.

37. In order to operationalize the MAF regarding institutional-level reporting, the Secretariat and AP developed an initial template to facilitate self-assessments by AEs, and this has been shared with all AEs. Based on the GCF fiduciary standards, environmental and social safeguards and gender policy assessed during accreditation, AEs are asked to self-assess whether any changes have occurred since accreditation, to describe the nature of any changes or modifications identified, and to indicate how each change or modification impacts the AE's status of accreditation and obligations of the AE as per the AMA. This template has been applied for 22 AEs with signed and effective AMAs as at 31 December 2017 for calendar year 2017 with the annual self-assessment requirement.

38. As at 31 August 2018, all 22 AEs submitted self-assessment reports to the Secretariat following the template. Out of those, 15 are direct access AEs and 7 are international access AEs. A total of 17 of these 22 AEs (77 per cent), of which 13 are direct access AEs and 4 are international access AEs, indicated that they had changes during the reporting period that relate to various components assessed during accreditation. All 17 AEs who reported changes clearly indicated that the changes have either positive or no impact on the AE's status of accreditation and obligations of the AE as per the AMA. For two AEs (ADA Morocco and PT SMI), the changes occurred because of measures carried out to address accreditation conditions. For four AEs (PROFONANPE, SPREP, UNEP and XacBank) the changes occurred in order to seek upgrades in their accreditation scope.

39. The Secretariat intends to identify opportunities for improving the reporting template. For calendar year 2018 reporting, the Secretariat will be notifying the relevant AEs by the end of 2018 for submitting reports in early 2019. The Secretariat will report to the Board following calendar year 2018 reporting.

#### 5.4.2 **International access entities strengthening the capacities of potential direct access entities for accreditation**

40. In decision B.10/06, paragraph (i), the Board decided that "all international entities, as an important consideration of their accreditation application, shall indicate how they intend to strengthen capacities of, or otherwise support, potential subnational, national and regional entities to meet, at the earliest opportunity, the accreditation requirements of the Fund in order to enhance country ownership and that they report annually on these actions." International access AEs are requested to report annually on these actions, as per the MAF and the AMA.

41. In order to operationalize this reporting requirement, the Secretariat developed a template to facilitate international access AEs in their reporting on such support, including to direct access entities already accredited, in the accreditation pipeline or potential candidates; and this template has been shared with all AEs. This template was applicable for nine international access AEs with signed and effective AMAs as at 31 December 2017 for calendar year 2017 with the requirement to report on support to direct access entities.

42. As at 31 August 2018, all nine international access AEs submitted the reports to the Secretariat. Collectively, the international access AEs indicated that they provided support to a total of 129 direct access entities, including those that are already accredited, in the pipeline or potential candidates, to strengthen their capacities in the areas of good governance, fiduciary standards, environmental and social safeguards, gender policy and building a track record. The support was delivered through various means such as training, engaging the direct access entities as partners or executing entities in projects and programmes, developing support materials and tools, and consultancy, as well as informal discussions and in-kind support.

43. As with the self-assessment template, the Secretariat intends to identify opportunities for improving the template for international access AEs to report on support to direct access entities. For calendar year 2018 reporting, the Secretariat will be notifying the relevant AEs by



the end of 2018 regarding the submission of reports in early 2019. The Secretariat will report to the Board following calendar year 2018 reporting. The Secretariat will also identify whether there are opportunities through information provided in such reports to inform the approach used by GCF to supporting direct access entities, such as those detailed in sections 4.3 and 5.2 above.

## VI. Applications in Stage II (Step 1) review

44. Applicants that have completed both Stage I and Stage II (Step 1) may be recommended for accreditation by the AP for consideration by the Board when they reach Stage II (Step 2).

45. A total of 16 applicants (applicants 061 to 076) are presented by the AP for accreditation by the Board at B.21. These include:

- (a) Nine applicants (applicants 061 to 069) that were presented by the AP for accreditation at B.20 (see annexes V–XIII of this document and document GCF/B.20/13), for which the consideration was deferred to B.21. Five of these applicants are entities applying under direct access (all are national entities and one is a private sector entity) and four are applying under the international access modality (including two private sector entities); and
- (b) A further seven applicants (applicants 070 to 076) for which the Stage II (Step 1) accreditation review has been completed since B.20 (see annexes XIV–XX). Four of these applicants are entities applying under direct access (all are national entities, three of which will be the first direct access entity for their country) and three are applying under the international access modality (one of which is a private sector entity).

46. In addition, the Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE) is recommended by the AP for an upgrade in its accreditation type for the specialized fiduciary criteria for grant award and/or funding allocation mechanisms and E&S risk Category B/Intermediation 2 (I-2) (see annex XXI).

47. The applicants have been found by the AP to be able to operate across a broad range of activities. The fit-for-purpose approach continues to provide the flexibility with which to match applicants' objectives and capacity on the one hand, with the objectives and requirements of GCF on the other. The applicants are being recommended for various accreditation types:

- (a) Two applicants are being recommended for micro-scale<sup>16</sup>, six for small-scale<sup>17</sup>; five for medium-scale<sup>18</sup> and three for large-scale<sup>19</sup> projects or activities within a programme;
- (b) Intermediating resources in all cases, mainly through on-lending and/or blending (ten out of 16 applicants) or awarding grants (13 out of 16 applicants), as well as using resources to manage and implement projects (15 out of 16 applicants);

<sup>16</sup> As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "micro" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of up to and including USD 10 million for an individual project or an activity within a programme".

<sup>17</sup> 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".

<sup>18</sup> 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".

<sup>19</sup> As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "large" is defined as "total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above USD 250 million for an individual project or an activity within a programme".

- (c) With capacities to manage projects/programmes with minimal to no environmental and social risk and impact levels (Category C/Intermediation 3 (I-3))<sup>20</sup> (three applicants); medium risk (Category B/Intermediation 2 (I-2))<sup>21</sup> (eight applicants); and high risk (Category A /Intermediation 1 (I-1))<sup>22</sup> (five applicants); and

- (d) Eight out of 16 applicants meet the gender requirements of GCF.

48. For each of the applicants – in cases where the applicant does not fully meet the requirements of GCF – the AP recommends conditions for those applicants on how to address these aspects by improving or further developing their policies, procedures and competencies, or their track record, for which technical support for direct access entities could be sought from GCF. In cases where gaps have been identified at the institutional level (e.g. where they relate to systems, policies and procedures), conditions have been recommended by the AP to be met by the applicant either prior to the submission of the first funding proposal to the GCF Board, or prior to first disbursement by the GCF for the first GCF-funded project/programme. In cases where there is a lack of or a limited track record, conditions have been recommended to be met at the project level within a specific time frame.

49. Such conditions have been proposed for fiduciary, environmental and social, and gender-related reasons in order to strengthen internal audit, procurement, “know-your-customer” due diligence, the monitoring and evaluation process, project implementation and intermediation activities, external communications and the disclosure of information, including the grievance mechanisms at the project level, environmental and social management framework and gender policies and action plans. The AP also provides a small number of remarks that the applicants may wish to consider.

50. The applicants are presented in this document, as contained in annexes V–XXI, for consideration by the Board for accreditation. A summary of recommendations by the AP for entities to be considered by the Board for accreditation is presented in table 2 below.

51. For all conditions of accreditation proposed, the entity 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.

<sup>20</sup> 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”.

<sup>21</sup> 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”.

<sup>22</sup> 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”.

**Table 2: Summary of recommended accreditation types and conditions**

Applicant number	Access modality	Accreditation type being recommended under the fit-for-purpose approach			Accreditation conditions (in each case in a form and substance satisfactory to the GCF)
		Size <sup>a</sup>	Fiduciary functions <sup>b</sup>	Environmental and social risk category <sup>c</sup>	
<b>APL061</b> <b>Caixa Economica Federal (CEF)</b>	Direct access, national (Brazil)	Large	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)	High risk (Category A/Intermediation 1 (I-1))	<u>Conditions to be met prior to the submission of the first funding proposal to the Board:</u>  1. Approval by the applicant of a consultation and information disclosure policy consistent with requirements of the GCF IDP for Category A/I-1 and Category B/I-2 projects/programmes;  2. Approval by the applicant of a revised gender policy consistent with the requirements of the GCF Gender Policy; and  3. Provision of written confirmation that the applicant has made the required arrangements to ensure that it will secure the engagement of services for a post-implementation independent evaluation for each GCF-funded project/programme.
<b>APL062</b> <b>Fondo para la Acción Ambiental y la Niñez (Fondo Acción)</b>	Direct access, national (Colombia)	Micro	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/Intermediation 2 (I-2))	<u>Conditions to be met prior to the first disbursement by the GCF for the first GCF-funded project/programme to be undertaken by the applicant:</u>  1. Approval by the applicant of its policy for the public disclosure of grant award information, which shall contain at least the following information:  a. Name, address and nationality (in case of individuals) or place of incorporation (in case of legal entities) of the beneficiary;  b. Purpose of the grant; and

Applicant number	Access modality	Accreditation type being recommended under the fit-for-purpose approach			Accreditation conditions (in each case in a form and substance satisfactory to the GCF)
		Size <sup>a</sup>	Fiduciary functions <sup>b</sup>	Environmental and social risk category <sup>c</sup>	
					<ul style="list-style-type: none"> <li>c. Grant amount awarded and, where applicable, the maximum percentage of grant co-financing; and</li> <li>2. Provision of a report from an independent consultant confirming that the applicant's: <ul style="list-style-type: none"> <li>a. internal control system is effective;</li> <li>b. Internal audit function, which is undertaken by the organization contracted by the applicant to serve as internal auditor, is effective; and</li> <li>c. Audit Committee is functioning and effective.</li> </ul> </li> </ul>
<b>APL063</b> <b>IDFC Bank Limited (IDFC Bank)</b>	Direct access, national (India)	Medium	Basic fiduciary standards; and Specialized fiduciary standard for on-lending and/or blending (for loans)	Medium risk (Category B/I-2)	<p><u>Conditions to be met prior to the submission of the first funding proposal to the Board:</u></p> <ul style="list-style-type: none"> <li>1. Provision of evidence from the applicant of the establishment of its oversight procurement function and the procurement procedures that it and entities who receive GCF funds from the applicant will be required to comply with;</li> <li>2. Provision of evidence from the applicant of the establishment of its external communication system for environmental and social-related information that includes methods to (i) receive and register external communications from the public; (ii) screen and assess the issues raised and determine how to address them; (iii) provide, track and document responses, if any;</li> <li>3. Approval by the applicant of a consultation and information disclosure policy consistent with the</li> </ul>

Applicant number	Access modality	Accreditation type being recommended under the fit-for-purpose approach			Accreditation conditions (in each case in a form and substance satisfactory to the GCF)
		Size <sup>a</sup>	Fiduciary functions <sup>b</sup>	Environmental and social risk category <sup>c</sup>	
					<p>requirements of the GCF IDP for I-2 projects/programmes;</p> <p>4. Provision of evidence from the applicant of the establishment of its policy on project-level grievance mechanisms to be established by executing entities; and</p> <p>5. Provision of evidence from the applicant of the adoption of a gender policy, procedures consistent with the Gender Policy of the GCF, and the curriculum vitae of a gender expert responsible for implementing the gender policy; and</p> <p><u>Condition to be met prior to the first disbursement by the GCF for the first GCF-funded project/programme to be undertaken by the applicant:</u></p> <p>1. Provision of evidence from the applicant of the establishment of a policy or guideline for providing information to the public regarding the applicant's decisions on on-lending and/or blending operations; and</p> <p>2. Provision of evidence from the applicant of the creation of a webpage on the applicant's website for disclosing information on beneficiaries and results from GCF-funded projects/programmes.</p>
<b>APL064</b> <b>Ministry of Finance and</b>	Direct access, national (Cook Islands)	Small	Basic fiduciary standards; Specialized fiduciary standard for project management; and	Minimal to no risk (Category C/Intermediation 3 (I-3))	<u>Condition to be met prior to the first disbursement by the GCF for the first GCF-funded project/programme to be undertaken by the applicant:</u>

Applicant number	Access modality	Accreditation type being recommended under the fit-for-purpose approach			Accreditation conditions (in each case in a form and substance satisfactory to the GCF)
		Size <sup>a</sup>	Fiduciary functions <sup>b</sup>	Environmental and social risk category <sup>c</sup>	
<b>Economic Management (MFEM)</b>			Specialized fiduciary standard for grant award and/or funding allocation mechanisms		1. Provision by the applicant of sample copies of two (2) reports on KYC due diligence undertaken in line with the applicant's KYC procedures to combat money laundering and the financing of terrorism.
<b>APL065 National Rural Support Programme (NRSP)</b>	Direct access, national (Pakistan)	Small	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)	Medium risk (Category B/I-2)	<p><u>Condition to be met prior to submission of the first funding proposal to the Board:</u></p> <p>1. Submission of the applicant's environmental and social management framework (ESMF), as part of the relevant funding proposal, that describes the applicant's project-specific approach to environmental and social risk and impacts, identification including categorization, mitigation, management and monitoring and reporting process based on the applicant's ESSF, and in line with the E&amp;S risk Category B/I-2 and Category C/I-3 projects/programmes;</p> <p><u>Conditions to be met prior to the first disbursement by the GCF for the first GCF-funded project/programme to be undertaken by the applicant:</u></p> <p>1. Development by the applicant of a mechanism to publicly disclose periodic progress reports of grant award activities, including information on budget utilization; and</p> <p>2. Publicly-publishing its guidelines for processing investigation cases, including standardized procedures for handling complaints and managing cases before, during and after the investigation process;</p>

Applicant number	Access modality	Accreditation type being recommended under the fit-for-purpose approach			Accreditation conditions (in each case in a form and substance satisfactory to the GCF)
		Size <sup>a</sup>	Fiduciary functions <sup>b</sup>	Environmental and social risk category <sup>c</sup>	
					<u>Condition to be met at the accreditation mid-term review of the applicant:</u> 1. Provision of evidence from the applicant that bi-annual internal audits have been conducted for each GCF-funded project/programme.
<b>APL066</b> <b>Nordic Environment Finance Corporation (NEFCO)</b>	International access, private sector	Small	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)	Medium risk (Category B/I-2)	<u>Condition to be met prior to the first disbursement by the GCF for the first GCF-funded project/programme to be undertaken by the applicant:</u> 1. Provide one example of the project implementation plan prepared in accordance with the “Project Implementation Framework for GCF funded activities” contained in the applicant’s “GCF-NEFCO Rules, Policies and Procedures”.
<b>APL067</b> <b>Pegasus Capital Advisors (PCA)</b>	International access, private sector	Medium	Basic fiduciary standards; Specialized fiduciary standard for project management; and Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees)	Medium risk (Category B/I-2)	<u>Conditions to be met prior to the submission of the first funding proposal to the Board:</u> 1. Establishment of the applicant’s grievance redress mechanism and procedures to be applied at the institutional-level, together with a register for recording environmental and social-related complaints; 2. Approval by the applicant of a consultation and information disclosure policy consistent with requirements of the GCF IDP for Category B/I-2 projects/programmes;

Applicant number	Access modality	Accreditation type being recommended under the fit-for-purpose approach			Accreditation conditions (in each case in a form and substance satisfactory to the GCF)
		Size <sup>a</sup>	Fiduciary functions <sup>b</sup>	Environmental and social risk category <sup>c</sup>	
					<ol style="list-style-type: none"> <li>Revision of the applicant's Diversity and Inclusion policy (or the development of a stand-alone gender policy) consistent with the GCF Gender Policy; and</li> <li>Development of a procurement policy (including procurement requirements at the executing entity level) that meets the relevant principles in the GCF basic fiduciary standards.</li> </ol>
<b>APL068</b> <b>Austrian Development Agency (ADA, Austria)</b>	International access	Small	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)	<u>Condition to be met within three years following the approval by the Board of the first GCF-funded project/programme to be undertaken by the applicant:</u> <ol style="list-style-type: none"> <li>Provide evidence in the form of two (2) examples showing that project progress monitoring reports and evaluation results and reports are disseminated in accordance with the applicant's information disclosure policy.</li> </ol>
<b>APL069</b> <b>Compañía Española de Financiación del Desarrollo S.A. S.M.E. (COFIDES)</b>	International access	Medium	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, equity and guarantees)	High risk (Category A/I-1)	<u>Condition to be met within three years following the approval by the Board of the first GCF-funded project/programme to be undertaken by the applicant:</u> <ol style="list-style-type: none"> <li>Provide evidence in the form of two (2) examples showing that reports on the independent evaluation of project results are disseminated in accordance with the applicant's information disclosure policy.</li> </ol>



Applicant number	Access modality	Accreditation type being recommended under the fit-for-purpose approach			Accreditation conditions (in each case in a form and substance satisfactory to the GCF)
		Size <sup>a</sup>	Fiduciary functions <sup>b</sup>	Environmental and social risk category <sup>c</sup>	
<b>APL070</b> <b>Financiera De Desarrollo Territorial S.A. (Findeter)</b>	Direct access, national (Colombia)	Small	Basic fiduciary standards; Specialized fiduciary standard for project management; and 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)	<p><u>Conditions to be met prior to the submission of the first funding proposal to the Board:</u></p> <ol style="list-style-type: none"> <li>1. Provision of evidence by the applicant of the development and adoption of a policy on prohibited practices that is consistent with the GCF General Principles on Prohibited</li> <li>2. Practices and GCF AML/CFT Policy, and that includes specific procedures to address coercive, collusive, obstructive and abusive practices, and conflicts of interest, other than what is covered in the applicant's code of ethics. This policy should include provisions to protect whistle blowers;</li> <li>3. Provision of evidence by the applicant of the adoption of a register of external inquiries and complaints received and responses to be applied in GCF-funded projects/programmes;</li> <li>4. Provision of evidence by the applicant of the adoption of a gender policy which is consistent with the GCF Gender Policy;</li> <li>5. Provision of evidence by the applicant of the adoption of a policy which requires the applicant's executing entities to carry out project-level disclosure of E&amp;S assessment documents for GCF-funded projects/programmes, consistent with the requirements of the GCF Information Disclosure Policy for E&amp;S risk Category B/I-2 projects/programmes; and</li> </ol>

Applicant number	Access modality	Accreditation type being recommended under the fit-for-purpose approach			Accreditation conditions (in each case in a form and substance satisfactory to the GCF)
		Size <sup>a</sup>	Fiduciary functions <sup>b</sup>	Environmental and social risk category <sup>c</sup>	
					<p>6. Provision of evidence by the applicant of the adoption of a policy on project-level grievance mechanisms that the applicant will require of its executing entities to establish and implement;</p> <p><u>Conditions to be met prior to the first disbursement for the first GCF-funded project/programme to be undertaken by the applicant:</u></p> <ol style="list-style-type: none"> <li>1. Provision of evidence by the applicant of the adoption of a policy, including relevant procedures, for overseeing procurement activities of beneficiary institutions and executing entities;</li> <li>2. Provision of evidence by the applicant of the adoption of a policy on the projects and loan beneficiaries information disclosure, including, inter alia: <ol style="list-style-type: none"> <li>a. Type or nature of information to be disclosed;</li> <li>b. Media or channels through which information will be disclosed, including a dedicated website that would be used for publication and disclosure of the information related to the GCF-funded projects/programmes, including: <ol style="list-style-type: none"> <li>i. Name, address and nationality (in case of individuals) or place of incorporation (in case of legal entities) of the beneficiary;</li> <li>ii. Brief summary of project and purpose of the funding;</li> </ol> </li> </ol> </li> </ol>

Applicant number	Access modality	Accreditation type being recommended under the fit-for-purpose approach			Accreditation conditions (in each case in a form and substance satisfactory to the GCF)
		Size <sup>a</sup>	Fiduciary functions <sup>b</sup>	Environmental and social risk category <sup>c</sup>	
					<p>iii. Funded amount with details like rate, period, etc.; and</p> <p>iv. Information on intermediate (e.g. annual) and final results of the GCF-funded projects/programmes, such as actual versus planned results and outcomes; adherence to budgets, cost, timelines and timelines within which the award information will be made public; and</p> <p>3. Provision of evidence by the applicant of the adoption of a policy and procedures for the independent evaluation of projects/programmes, including the terms of reference for the evaluation body and of a policy on evaluation disclosure; and</p> <p><u>Condition to be met on an annual basis for two consecutive years starting from the date of the first disbursement by the GCF for the first approved project/programme to be undertaken by the applicant:</u></p> <p>1. Provision of evidence of the publication of the information indicated in paragraph 79(b)(ii)(2) in annex XIV to this document with regard to three projects and/or programmes undertaken (preferably climate change mitigation or adaptation projects/programmes).</p>
<b>APL071</b> <b>Fundo Brasileiro para a</b>	Direct access, national (Brazil)	Medium	Basic fiduciary standards;	Medium risk (Category B/I-2)	<u>Conditions to be met prior to the first disbursement by GCF for the first GCF-funded project/programme to be undertaken by the applicant:</u>

Applicant number	Access modality	Accreditation type being recommended under the fit-for-purpose approach			Accreditation conditions (in each case in a form and substance satisfactory to the GCF)
		Size <sup>a</sup>	Fiduciary functions <sup>b</sup>	Environmental and social risk category <sup>c</sup>	
Biodiversidade (Funbio)			Specialized fiduciary standard for project management; and  Specialized fiduciary standard for grant award and/or funding allocation mechanisms		<ol style="list-style-type: none"> <li>1. Provide evidence in the form of a report showing that the applicant has established a system for compiling and reporting data on financial irregularities or fraud in its operations;</li> <li>2. Provide evidence of the development of a policy to periodically review the effectiveness of the applicant's E&amp;S and gender management system;</li> <li>3. Provide evidence that the applicant has updated and approved its information disclosure policy consistent with requirements of the GCF IDP for Category B/1-2 projects/programmes;</li> <li>4. Provide evidence that the applicant has updated the following tools and procedures to reflect the requirements of the applicant's E&amp;S policy adopted in 2018: <ol style="list-style-type: none"> <li>a. Environmental social impact assessment procedures to screen for cumulative and supply-chain impacts;</li> <li>b. E&amp;S and gender questionnaire;</li> <li>c. Project supervision checklist; and</li> <li>d. Gender indicators; and</li> </ol> </li> <li>5. Provide evidence to show that the applicant has implemented its E&amp;S and gender capacity development plan in 2019 (e.g. list of training events and E&amp;S and</li> </ol>

Applicant number	Access modality	Accreditation type being recommended under the fit-for-purpose approach			Accreditation conditions (in each case in a form and substance satisfactory to the GCF)
		Size <sup>a</sup>	Fiduciary functions <sup>b</sup>	Environmental and social risk category <sup>c</sup>	
					<p>gender topics; list of participants; or correct use of new tools); and</p> <p><u>Condition to be met within two (2) years following the approval by the Board of the first GCF-funded project/programme to be undertaken by the applicant:</u></p> <ol style="list-style-type: none"> <li>1. Provide evidence showing that the applicant provides public access to information on the progress of GCF-funded projects/programmes, including budget utilization, in accordance with its information disclosure policy as updated and approved pursuant to paragraph 53(b)(i)(3) in annex XV to this document.</li> </ol>
<b>APL072</b> <b>Land Bank of the Philippines (Land Bank)</b>	Direct access, national (Philippines)	Medium	<p>Basic fiduciary standards;</p> <p>Specialized fiduciary standard for project management;</p> <p>Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and</p> <p>Specialized fiduciary standard for on-lending and/or blending (for loans)</p>	High risk (Category A/I-1)	<p><u>Conditions to be met prior to the submission of the first funding proposal to the Board:</u></p> <ol style="list-style-type: none"> <li>1. Provision by the applicant of the monitoring and evaluation policy for GCF-funded projects/programmes that has been adopted by the applicant's board, including the standardized templates for monitoring plans and reports, as well as the procedure on public disclosure of monitoring and evaluation reports;</li> <li>2. Establishment by the applicant of a policy for providing information to the public regarding the applicant's decisions concerning on-lending and/or blending operations and results of the on-lending and blending operations. The policy should cover, inter alia: <ol style="list-style-type: none"> <li>a. Type or content of information to be provided;</li> </ol> </li> </ol>

Applicant number	Access modality	Accreditation type being recommended under the fit-for-purpose approach			Accreditation conditions (in each case in a form and substance satisfactory to the GCF)
		Size <sup>a</sup>	Fiduciary functions <sup>b</sup>	Environmental and social risk category <sup>c</sup>	
					<p>b. Media/channels through which information will be provided;</p> <p>c. Timelines within which the award information will be made public; and</p> <p>d. Results of the projects funded under the on-lending and blending mechanism;</p> <p>3. Provision of evidence from the applicant of the adoption of a policy on information disclosure of E&amp;S assessment documents for projects financed with GCF resources, consistent with the requirements of the GCF IDP for Category A/I-1 projects/programmes;</p> <p>4. Provision of evidence from the applicant of the establishment of its policy on project-level grievance mechanisms to be established by executing entities; and</p> <p>5. Provision of evidence from the applicant of the approval of a gender policy and procedures consistent with the gender policy of the GCF, and the curriculum vitae of a gender expert responsible for implementing the gender policy; and</p> <p><u>Condition to be met on an annual basis for three consecutive years starting from the date of the first disbursement by GCF for the first approved project/programme to be undertaken by the applicant:</u></p> <p>1. Provision of evidence from the applicant on the publication of monitoring and evaluation reports in</p>

Applicant number	Access modality	Accreditation type being recommended under the fit-for-purpose approach			Accreditation conditions (in each case in a form and substance satisfactory to the GCF)
		Size <sup>a</sup>	Fiduciary functions <sup>b</sup>	Environmental and social risk category <sup>c</sup>	
					accordance with the applicant's procedure on the public disclosure of monitoring and evaluation reports.
<b>APL073</b> <b>Protected Areas Conservation Trust (PACT)</b>	Direct access, national (Belize)	Micro	Basic fiduciary standards; Specialized fiduciary standard for project management; and Specialized fiduciary standard for grant award and/or funding allocation mechanisms	Minimal to no risk (Category C/I-3)	<p><u>Conditions prior to the first disbursement by GCF for the first GCF-funded project/programme to be undertaken by the applicant:</u></p> <ol style="list-style-type: none"> <li>1. Provide a copy of the applicant's approved E&amp;S and gender capacity development plan for 2019 that that shows capacity development for E&amp;S and gender screening, categorization and monitoring in line with GCF interim ESS, and gender mainstreaming in line with the GCF Gender Policy. The applicant can provide evidence of training events; training materials; and screening, categorization and monitoring reports to address this condition; and</li> <li>2. Provide evidence by the applicant to show the following updates to the applicant's procedures and tools: <ol style="list-style-type: none"> <li>a. E&amp;S and gender monitoring form;</li> <li>b. Gender-sensitive communications strategy; and</li> <li>c. Monitoring and evaluation procedure that requires the applicant to review the adequacy of the executing entity's grievance redress mechanism during monitoring and evaluation of a project/programme.</li> </ol> </li> </ol>

Applicant number	Access modality	Accreditation type being recommended under the fit-for-purpose approach			Accreditation conditions (in each case in a form and substance satisfactory to the GCF)
		Size <sup>a</sup>	Fiduciary functions <sup>b</sup>	Environmental and social risk category <sup>c</sup>	
<b>APL074</b> <b>BNP Paribas S.A.</b> <b>(BNP Paribas)</b>	International access, private sector	Large	Basic fiduciary standards;  Specialized fiduciary standard for project management; and  Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees)	High risk (Category A/I-1)	<u>Conditions to be met prior to the submission of the first funding proposal to the Board:</u>  1. Provision of evidence by the applicant of the adoption of guidelines and methodologies for overseeing, assessing and reviewing the procurement procedures of beneficiary institutions for projects/programmes financed with GCF resources;  2. Provision of evidence by the applicant of the adoption of a policy on information disclosure of E&S assessment documents for projects/programmes financed with GCF resources, consistent with the requirements of the GCF IDP for E&S risk Categories A/I-1 and B/I-2 projects/programmes; and  3. Provision of evidence by the applicant on the adoption of a gender policy and procedures consistent with the GCF Gender Policy, and the curriculum vitae of gender expert(s) responsible for implementing the gender policy for projects/programmes financed with GCF resources.
<b>APL075</b> <b>Consortium of International Agricultural Research Centers (CGIAR)</b>	International access	Small	Basic fiduciary standards;  Specialized fiduciary standard for project management; and  Specialized fiduciary standard for grant award and/or funding allocation mechanisms	Minimal to no risk (Category C/I-3)	<u>Condition to be met prior to the signature of the accreditation master agreement for completion of Stage III of the accreditation process:</u>  1. Develop a Policy for AML/CFT and prohibited practices consistent with the GCF basic fiduciary standards, GCF AML/CFT Policy and the GCF General Principles on Prohibited Practices; and



Applicant number	Access modality	Accreditation type being recommended under the fit-for-purpose approach			Accreditation conditions (in each case in a form and substance satisfactory to the GCF)
		Size <sup>a</sup>	Fiduciary functions <sup>b</sup>	Environmental and social risk category <sup>c</sup>	
					<p><u>Condition to be met on an annual basis for three consecutive years, starting from the end of the calendar year 2018:</u></p> <ol style="list-style-type: none"> <li>1. Provide a summary of the implementation milestones and impact of the financial risks management improvements undertaken based on its governance structure adopted in 2016.</li> </ol>
<b>APL076</b> <b>Inter-American Investment Corporation (IDB Invest)</b>	International access	Large	<p>Basic fiduciary standards;</p> <p>Specialized fiduciary standard for project management;</p> <p>Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and</p> <p>Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees)</p>	High risk (Category A/I-1)	<p><u>Condition to be met prior to the submission of the first funding proposal to the Board:</u></p> <ol style="list-style-type: none"> <li>1. Provision of evidence by the applicant of the adoption of a register to receive and address external comments, complaints and inquiries on E&amp;S matters for GCF-funded projects/programmes.</li> </ol>
<b>Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE)</b>	Direct access, national (Peru)	Small (the entity is already accredited for Micro)	Specialized fiduciary standard for grant award and/or funding allocation mechanisms (the entity is already accredited for the basic fiduciary standards and specialized fiduciary standard for project management)	Medium risk (Category B/I-2) (the entity is already accredited for minimal to no risk (Category C/I-3))	<p><u>Conditions to be met on an annual basis for three consecutive years starting from the date of the first disbursement by the GCF for the first approved project/programme that has a grant award and/or funding allocation mechanism to be undertaken by the applicant:</u></p> <ol style="list-style-type: none"> <li>1. Provision by the applicant of an attestation letter issued by an external auditor which certifies that no duplication of grants awarded for the same activity has occurred, and that no retroactive grant award has been</li> </ol>

Applicant number	Access modality	Accreditation type being recommended under the fit-for-purpose approach			Accreditation conditions (in each case in a form and substance satisfactory to the GCF)
		Size <sup>a</sup>	Fiduciary functions <sup>b</sup>	Environmental and social risk category <sup>c</sup>	
					<p>made for activities under implementation or completed at the time of application for the grant by the grant proponent; and</p> <p>2. Provision by the applicant of an attestation letter issued by an external auditor which certifies that the applicant has complied with the grant award guidelines established in its project procedures manual adopted in 2016, including procedures on the disclosure of material non-compliance.</p>

<sup>a</sup> “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.

<sup>b</sup> “Fiduciary functions” refers to the basic fiduciary standards, the specialized fiduciary standard for project management, the specialized fiduciary standards grant award and/or funding allocation mechanisms and specialized fiduciary standards for on-lending and/or blending (for loans, equity and/or guarantees), as per annexes I and II to decision B.07/02.

<sup>c</sup> “Environmental and social risk category” refers to Category C/Intermediation 3, Category B/Intermediation 2 and Category A/Intermediation 1, as per annex I to decision B.07/02.

## Annex I: Draft decision of the Board

The Board, having considered document GCF/B.21/17 titled “Consideration of accreditation proposals”:

- (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 061 (APL061) is Caixa Economica Federal (CEF) based in Brazil, as contained in annex V;
  - (ii) Applicant 062 (APL062) is the Fondo para la Acción Ambiental y la Niñez (Fondo Acción) based in Colombia, as contained in annex VI;
  - (iii) Applicant 063 (APL063) is IDFC Bank Limited (IDFC Bank) based in India, as contained in annex VII;
  - (iv) Applicant 064 (APL064) is the Ministry of Finance and Economic Management (MFEM) based in Cook Islands, as contained in annex VIII;
  - (v) Applicant 065 (APL065) is the National Rural Support Programme (NRSP) based in Pakistan, as contained in annex IX;
  - (vi) Applicant 066 (APL066) is the Nordic Environment Finance Corporation (NEFCO) based in Finland, as contained in annex X;
  - (vii) Applicant 067 (APL067) is Pegasus Capital Advisors (PCA) based in the United States of America, as contained in annex XI;
  - (viii) Applicant 068 (APL068) is the Austrian Development Agency (ADA, Austria) based in Austria, as contained in annex XII;
  - (ix) Applicant 069 (APL069) is the Compañía Española de Financiación del Desarrollo S.A. S.M.E. (COFIDES) based in Spain, as contained in annex XIII;
  - (x) Applicant 070 (APL070) is the Financiera De Desarrollo Territorial S.A. (Findeter) based in Colombia, as contained in annex XIV;
  - (xi) Applicant 071 (APL071) is the Fundo Brasileiro para a Biodiversidade (Funbio) based in Brazil, as contained in annex XV;
  - (xii) Applicant 072 (APL072) is the LandBank of the Philippines (LandBank) based in the Philippines, as contained in annex XVI;
  - (xiii) Applicant 073 (APL073) is the Protected Areas Conservation Trust (PACT), based in Belize, as contained in annex XVII;
  - (xiv) Applicant 074 (APL074) is BNP Paribas S.A. (BNP Paribas), based in France, as contained in annex XVIII;
  - (xv) Applicant 075 (APL075) is the Consortium of International Agricultural Research Centers (CGIAR), based in France, as contained in annex XIX;
  - (xvi) Applicant 076 (APL076) is the Inter-American Investment Corporation (IDB Invest), based in the United States of America, as contained in annex XX;
- (b) Accredits applicants APL061, APL062, APL063, APL064, APL065, APL066, APL067, APL068, APL069, APL070, APL071, APL072, APL073, APL074, APL075 and APL076 pursuant to paragraph 45 of the Governing Instrument for the GCF, and subject to, and in accordance with, the assessments by the Accreditation Panel contained in the relevant annexes for each of the applicants;

- (c) Takes note with appreciation of the assessment conducted by the Secretariat and the Accreditation Panel contained within the relevant annex for the following applicant seeking to upgrade its accreditation type:
- (i) Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE), based in Peru, as contained in annex XXI;
- (d) Agrees to upgrade the accreditation type of Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE) as contained in decision B.09/07, paragraph (b), subject to, and in accordance with, the assessment by the Accreditation Panel contained in annex XXI; and
- (e) Recalling decisions B.14/08, paragraph (d)(i), B.18/04, paragraph (c) and B.19/13, paragraph (c), decides that future accreditation decisions by the Board should aim to bring forward accredited entities that fill the mandate on balance, diversity and coverage and advance the objectives of GCF, and to that end, decides to prioritize up to the end of the twenty-third meeting of the Board the following, not listed in order of priority:
- (i) National direct access entities nominated for accreditation by national designated authorities or focal points of countries that do not have an accredited direct access national entity;
- (ii) Private sector entities, in particular those in developing countries, seeking a balance of diversity of entities in line with decisions B.09/07, paragraph (g) and decision B.10/06, paragraph (h);
- (iii) Entities responding to requests for proposals issued by GCF, for example, including a pilot phase for enhancing direct access; a pilot programme to support micro, small, and medium-sized enterprises; and a pilot programme to mobilize resources at scale in order to address adaptation and mitigation;
- (iv) Accredited entities seeking fulfilment of their conditions for accreditation; and
- (v) Accredited entities requesting upgrades in their accreditation scope.

## Annex II: Readiness support for direct access entities

**Table 3: Status of readiness support for gap assessment and the generation of action plans for direct access entities seeking accreditation (as at 31 August 2018)**

	Country	Delivery partner	Amount (USD)
<b>Status: Finalized<sup>a</sup></b>			
1	Antigua and Barbuda	PwC	30 209
2	Bangladesh	PwC	34 620
3	Benin	PwC	37 000
4	Brazil	PwC	37 000
5	Cambodia	PwC	37 000
6	Cameroon	PwC	39 415
7	Colombia (2 entities)	PwC	74 000
8	Georgia	PwC	33 915
9	Honduras (2 entities)	PwC	74 000
10	Jamaica	PwC	33 915
11	Kenya	PwC	37 000
12	Mexico	PwC	37 000
13	Micronesia (Federated States of) (2 entities)	PwC	74 000
14	Niue	PwC	37 000
15	Pakistan	PwC	37 000
16	Palau	PwC	37 000
17	Senegal	PwC	29 722
18	Seychelles	PwC	37 000
19	Uruguay	PwC	28 203
20	Zimbabwe	PwC	35 722
<b>Status: Under implementation<sup>b</sup></b>			
21	Cote d'Ivoire	PwC	35 313
22	Cook Islands	PwC	29 722
23	Gabon	PwC	33 415
24	Peru	PwC	33 415
25	Tunisia	PwC	33 915
26	Sierra Leone	PwC	32 602
27	Mozambique	PwC	35 313
<b>Total</b>			<b>1 054 416</b>

*Abbreviation:* PwC = PricewaterhouseCoopers.

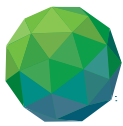
<sup>a</sup> "Finalized" indicates that both the gap assessment and the action plan for addressing any identified gaps have been developed and sent to the entity for implementation.

<sup>b</sup> "Under implementation" indicates that the activities of developing the gap assessment and action plan are in progress.

<sup>c</sup> "Approved" indicates that the readiness proposal for the gap assessment and action plan for addressing any identified gaps has been approved.

**Table 4: Status of readiness and project development support for direct access accredited entities (as at 31 August 2018)**

	Country	Recipient	Support	Amount (USD)	Status
<b>Readiness support for strengthening institutional capacities</b>					
1	Argentina	Unidad Para El Cambio Rural Of Argentina	Readiness support for strengthening institutional capacities	265 000	Approved
2	Kenya	National Environmental Management Authority	Readiness support for strengthening institutional capacities	431 060	Approved
3	Morocco	Agency for Agricultural Development of Morocco	Readiness support for strengthening institutional capacities	300 000	Approved
4	Namibia	Environmental Investment Fund of Namibia	Readiness support for strengthening institutional capacities	391 009	Approved
5	Peru	Peruvian Trust Fund for National Parks and Protected Areas	Readiness support for strengthening institutional capacities	285 000	Approved
6	Senegal	Centre de Suivi Ecologique	Readiness support for strengthening institutional capacities	208 000	Approved
7	South Africa	South African National Biodiversity Institute	Readiness support for strengthening institutional capacities	380 000	Approved
<b>Subtotal</b>				<b>2 260 069</b>	
<b>Readiness support for project preparation and Project Preparation Facility</b>					
1	Belize	Caribbean Community Climate Change Centre	Project Preparation Facility	694 000	Approved
2	Colombia	Corporación Andina de Fomento	Project Preparation Facility	861 000	Approved
3	Kenya	Devolved climate change governance to strengthen resilience of communities in target counties	Project Preparation Facility	371 200	Approved
4	Morocco	Agency for Agricultural Development of Morocco	Project Preparation Facility	717 407	Approved
5	Niger	Banque Ouest de Africaine de Développement	Project Preparation Facility	439 134	Approved
6	Rwanda	Ministry of Natural Resources of Rwanda	Project Preparation Facility	1 498 841	Approved
7	South Africa	Development Bank of Southern Africa	Project Preparation Facility	318 060	Approved
8	South Africa	Waste Management Flagship Programme	Project Preparation Facility	1 359 719	Approved
9	Vanuatu	Secretariat of the Pacific Regional Environment Programme	Readiness support for project preparation	137 000	Approved



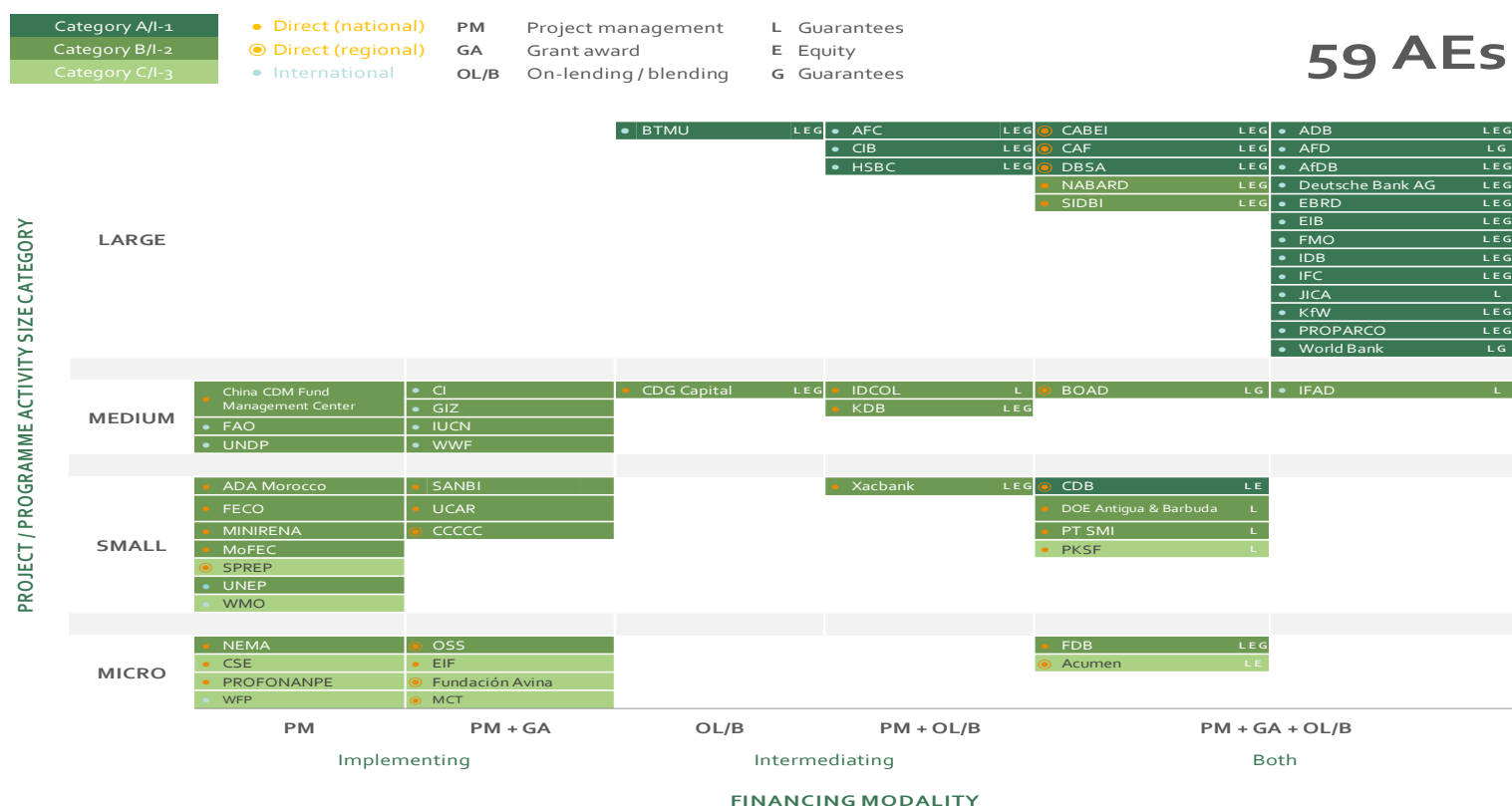
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	Country	Recipient	Support	Amount (USD)	Status
Subtotal				6 396 361	
Total				8 656 430	

## Annex III: Accredited entities and accreditation categories

1. A mapping of the 59 accredited entities and their accreditation scope (e.g. financing modalities, size category and environmental and social risk category) as at 31 May 2018 are shown in figure 5 below. Some accredited entities have conditions, remarks or recommendations attached to their accreditation; refer to decisions B.09/07, B.10/06, B.12/30, B.14/10, B.14/11, B.15/09, B.17/13 and B.18/05 and their relevant annexes for further details.

**Figure 5: Mapping of GCF accredited entities and their accreditation scopes (as at 31 August 2018)**





*Abbreviations:* Acumen = Acumen Fund, Inc., ADA Morocco = Agency for Agricultural Development of Morocco, ADB = Asian Development Bank, AFC = Africa Finance Corporation, AFD = Agence Française de Développement, AfDB = African Development Bank, BOAD = Banque Ouest Africaine de Développement (West African Development Bank), CABI = Central American Bank for Economic Integration, CAF = Corporación Andina de Fomento, CCCC = Caribbean Community Climate Change Centre, CDB = Caribbean Development Bank, CDG Capital = CDG Capital S.A., China CDM Fund Management Center = China Clean Development Mechanism Fund Management Center, CI = Conservation International Foundation, Crédit Agricole CIB = Crédit Agricole Corporate and Investment Bank, CSE = Centre de Suivi Ecologique, DBSA = Development Bank of Southern Africa, Deutsche Bank AG = Deutsche Bank Aktiengesellschaft, DOE Antigua and Barbuda = Department of Environment of Antigua and Barbuda, EBRD = European Bank for Reconstruction and Development, EIB = European Investment Bank, EIF = Environmental Investment Fund of Namibia, FAO = Food and Agriculture Organization of the United Nations, FECO = Foreign Economic Cooperation Office, Ministry of Environmental Protection of China, FDB = Fiji Development Bank, FMO = Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V., GIZ = Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, HSBC = HSBC Holdings plc and its subsidiaries, IDB = Inter-American Development Bank, IDCOL = Infrastructure Development Company Limited, IFAD = International Fund for Agricultural Development, IFC = International Finance Corporation, IUCN = International Union for Conservation of Nature, JICA = Japan International Cooperation Agency, KDB = Korea Development Bank, KfW = Kreditanstalt für Wiederaufbau, MCT = Micronesia Conservation Trust, MoE = Ministry of Environment of Rwanda (formerly, Ministry of Natural Resources of Rwanda (MINIRENA)), MoFEC = Ministry of Finance and Economic Cooperation of the Federal Democratic Republic of Ethiopia, MUFG Bank = MUFG Bank, Ltd. (formerly, Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU)), NABARD = National Bank for Agriculture and Rural Development, NEMA = National Environment Management Authority of Kenya, OSS = Sahara and Sahel Observatory, PKSf = Palli Karma-Sahayak Foundation, PROFONANPE = Peruvian Trust Fund for National Parks and Protected Areas, PROPARCO = Société de Promotion et de Participation pour la Coopération Economique, PT SMI = PT Sarana Multi Infrastruktur, SANBI = South African National Biodiversity Institute, SIDBI = Small Industries Development Bank of India, SPREP = Secretariat of the Pacific Regional Environment Programme, UCAR = Unidad para el Cambio Rural (Unit for Rural Change) of Argentina, UNDP = United Nations Development Programme, UNEP = United Nations Environment Programme, WFP = World Food Programme, WMO = World Meteorological Organization, World Bank = International Bank for Reconstruction and Development and International Development Association, WWF = World Wildlife Fund, Inc., XacBank = XacBank LLC.

## Annex IV: Status of accredited entities addressing accreditation conditions

1. During the ninth, tenth, twelfth, fourteenth, fifteenth, seventeenth and eighteenth meetings of the Board, 59 entities were recommended by the Accreditation Panel (AP) and accredited by the Board, some of which were accredited with conditions and/or remarks from the AP. All accredited entities (AEs) are required to submit to the AP, through the Secretariat, information and supporting documents on how they have addressed the condition(s). The AP thereafter assesses whether the condition(s) has/have been met. Following decision B.10/06, paragraph (e), the assessment of the AP of accreditation conditions is communicated to the Board by the Secretariat, on behalf of the AP, for information purposes.
2. The following AEs have previously “fulfilled and closed” all of their accreditation conditions:
  - (a) Acumen Fund, Inc. (Acumen);<sup>1</sup>
  - (b) Africa Finance Corporation (AFC);<sup>2</sup>
  - (c) Agency for Agricultural Development of Morocco (ADA Morocco);<sup>3</sup>
  - (d) Centre de Suivi Ecologique (CSE);<sup>4</sup>
  - (e) Corporación Andina de Fomento (CAF);<sup>5</sup>
  - (f) Deutsche Bank AktienGesellschaft (Deutsche Bank AG);<sup>6</sup>
  - (g) Deutsche Gesellschaft for Internationale Zusammenarbeit (GIZ) GmbH;<sup>7</sup>
  - (h) Development Bank of Southern Africa (DBSA);<sup>8</sup>
  - (i) Fundación Avina (Fundación Avina);<sup>9</sup>
  - (j) International Union for Conservation of Nature (IUCN);<sup>10</sup>
  - (k) National Bank for Agriculture and Rural Development (NABARD);<sup>11</sup>
  - (l) Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE);<sup>12</sup>
  - (m) South African National Biodiversity Institute (SANBI);<sup>13</sup>
  - (n) Unidad Para el Cambio Rural (Unit for Rural Change) of Argentina (UCAR);<sup>14</sup>

<sup>1</sup> See annex III to document GCF/B.11/03 and annex V to document GCF/B.15/16. In decision B.18/05, paragraph (d), the Board upgraded the accreditation type of Acumen Fund, Inc., in accordance with the assessment by the AP contained in annex VIII of document GCF/B.18/23. The assessment includes conditions that are specific to the upgraded accreditation criteria (refer to table 4 of this document for more details).

<sup>2</sup> See annex V to document GCF/B.15/16.

<sup>3</sup> As footnote 2 above.

<sup>4</sup> As footnote 2 above.

<sup>5</sup> As footnote 2 above.

<sup>6</sup> See Annex IV to document GCF/B.19/Rev.01

<sup>7</sup> As footnote 6 above.

<sup>8</sup> As footnote 2 above.

<sup>9</sup> See Table 5 below.

<sup>10</sup> See annex IV to document GCF/B.17/05.

<sup>11</sup> As footnote 2 above.

<sup>12</sup> As footnote 2 above.

<sup>13</sup> See annex X to decision B.14/11.

<sup>14</sup> Annex XX to decision B.12/30.

(o) United Nations Environment Programme (UNEP);<sup>15</sup>

(p) World Meteorological Organization (WMO);<sup>16</sup> and

(q) XacBank LLC (XacBank).<sup>17</sup>

3. The following AEs have “fulfilled and closed” some of their accreditation conditions since the nineteenth meeting of the Board (refer to table 5 for more details):

(a) CDG Capital S.A. (CDG Capital);

(b) China Clean Development Mechanism Fund Management Center (China CDM Fund Management Center);

(c) Fundación Avina (Fundación Avina);

(d) Infrastructure Development Company Limited (IDCOL);

(e) Ministry of Finance and Economic Cooperation of the Federal Democratic Republic of Ethiopia (MOFEC);

(f) Ministry of Environment of Rwanda (MoE) (formerly, Ministry of Natural Resources of Rwanda (MINIRENA)); and

(g) Palli Karma-Sahayak Foundation (PKSF).

4. The AEs included in table 5 may also have recommendations or remarks raised by the AP as part of the recommendation for accreditation for those entities, which may be “fulfilled” or “in progress”.

5. While the recommendations or remarks from the AP, as contained in the assessment for each AE, are not included in table 5, the AP and the Secretariat continuously follow up on the progress that AEs are making towards addressing such recommendations or remarks.

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<sup>15</sup> See annex III to document GCF/B.11/03.

<sup>16</sup> As footnote 2 above.

<sup>17</sup> See annex IV to document GCF/B.16/13.

**Table 5: Status of accredited entities addressing accreditation conditions (as at 31 August 2018)**

Entity	Standard	Time frame	Description of accreditation conditions	Status	Remarks
Acumen Fund, Inc. (Acumen) <sup>1</sup>	Fiduciary	Conditions to be met prior to the first disbursement by GCF for the first approved project/programme that has a grant award and/or funding allocation mechanism to be undertaken by the applicant	Fully implement all actions which are listed in the action plan provided in the “Implementation Roadmap” document as having a target completion date on or before the end of the second quarter of 2018; and	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
			Provide documentary evidence of the implementation of the actions mentioned above; and	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
		Condition to be met within one year of the first disbursement by GCF for an approved project/programme that has a grant award and/or funding allocation mechanism to be undertaken by the applicant	Provide evidence that the applicant has engaged an external auditor to review the technical assistance facility (TAF); and	In progress	The entity indicated that according to the “Implementation Roadmap” the appointment of an auditor is planned by the end of 2018
		Within 120 days of year-end of the first year of TAF grant-making activity utilizing GCF funds	Submit the first audit report of the TAF within 120 days of year-end of the first year of TAF grant-making activity utilizing GCF funds.	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information

Entity	Standard	Time frame	Description of accreditation conditions	Status	Remarks
African Development Bank (AfDB) <sup>2</sup>	Fiduciary	Conditions to be met for an approved project/programme that has an equity structure to be invested in by GCF to be undertaken by the applicant	1. Prior to the first disbursement from GCF to the equity issuer, submit draft terms of reference for the annual audit, which has to be included in the constitutional document of the equity issuer, for review and approval by GCF; and	In progress	The entity requested that the AP conduct a site visit to its headquarters in order to gain access to the confidential information required to address the condition. This visit is pending confirmation from the entity
			2. Undertaking in the funded activity agreement to provide GCF on an annual basis for the first three consecutive years with annual audit reports and information on the status of recommendations that may arise from such reports. After the first three years, GCF will review the need to extend this condition	In progress	The entity requested that the AP conduct a site visit to its headquarters in order to gain access to the confidential information required to address the condition. This visit is pending confirmation from the entity
Banque Ouest Africaine de Développement (BOAD, West African Development Bank) <sup>3</sup>	Fiduciary, ESS and gender	Conditions prior to the first disbursement by GCF for an approved project/programme to be undertaken by the applicant	1. Provide a plan for improving the monitoring of compliance with the applicant's 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 GCF;	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
	Fiduciary	Conditions prior to the first disbursement by GCF for an approved project/programme to be undertaken by the applicant	2. Develop a process for publicly disclosing information on beneficiaries and the results of projects and programmes that are financed by GCF; and	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information

Entity	Standard	Time frame	Description of accreditation conditions	Status	Remarks
		Conditions prior to submitting a request for GCF financing of a medium-sized grant award programme	3. Test and prove by way of having approved and successfully implemented for a minimum period of one year a small-sized grant award programme	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
Caribbean Community Climate Change Centre (CCCCC) <sup>4</sup>	Fiduciary	Conditions prior to the first disbursement by GCF for an approved project/programme to be undertaken by the entity	Relating to the internal audit function and “know-your-customer” procedure: (i) Adopt, through its audit committee, the audit charter as its frame of reference;	Fulfilled and closed	Refer to document GCF/B.15/16
			(ii) Submit its internal audit plan for the next financial year, 2016; and	Fulfilled and closed	Refer to document GCF/B.18/09
			(iv) Establish a “know-your-customer” procedure as part of its anti-money laundering and countering the financing of terrorism procedure	Fulfilled and closed	Refer to document GCF/B.12/07
		Conditions to be met on an annual basis for the three consecutive years, starting with the financial year 2016	Relating to the internal audit function: Submit internal audit reports annually for three consecutive financial years, starting with the financial year 2016	In progress	The entity indicated that the 2016 internal audit report could be submitted in early 2018
	Gender	Conditions prior to the first disbursement by GCF for an approved project/programme to	Adopt a gender policy consistent with the Gender Policy of GCF to be applied in projects and programmes funded by GCF	Fulfilled and closed	Refer to document GCF/B.12/07

Entity	Standard	Time frame	Description of accreditation conditions	Status	Remarks
		be undertaken by the entity			
Caribbean Development Bank (CDB) <sup>5</sup>	ESS	Condition prior to the first disbursement by GCF for an approved project/programme to be undertaken by the applicant	Demonstrate that the permanent external communications mechanism is fully functioning, in particular by identifying the staff assigned to manage, document and respond to communications, questions or complaints on the environmental and social performance of projects	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
	Fiduciary	Condition prior to the first disbursement by GCF for an approved project/programme to be undertaken by the applicant	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	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
CDG Capital S.A. (CDG Capital) <sup>6</sup>	Fiduciary	Condition to be met by the applicant prior to submitting the first funding proposal to GCF wherein the applicant would be providing GCF resources through a financial intermediary	Submit a description of the approach the applicant will undertake to assess the financial intermediary as the executing entity	Fulfilled and closed	The entity provided all requested documents, and the AP has reviewed and analyzed the approach the entity undertakes when channeling funds through financial intermediaries for the purpose of a project that is developed by another project management company. The AP found the information sufficient to address this condition
		Condition to be met prior to the first disbursement by GCF	Provide, on the applicant's website, a description of the arrangements and procedure for managing complaints	Fulfilled and closed	Refer to document GCF/B.19/14/Rev.01

Entity	Standard	Time frame	Description of accreditation conditions	Status	Remarks
		for the first approved GCF project/programme to be undertaken by the applicant	before, during and after the investigation process		
		Condition to be met on an annual basis for three consecutive years starting with the end of the first year of the implementation of the first GCF-funded project/programme	Provide evidence that the reports on beneficiaries and results during implementation of all GCF-funded activities were prepared and published in accordance with the applicant's procedures for public access to information	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
	ESS	Conditions to be met for each funding proposal	Provide in its funding proposal an E&S management framework that describes the applicant's project-specific approach to E&S risk and impact categorization, mitigation and management, E&S monitoring and reporting	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
	Gender	Conditions to be met for each funding proposal	Provide in its funding proposal a gender action plan that reflects the applicant's adequate competency in terms of human and financial resources and a system for maintaining data that addresses gender aspects in line with the GCF Gender Policy	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
China Clean Development	Fiduciary	Conditions to be met prior to the first	Provide documentary evidence of the establishment of an adequately staffed	In progress	As the entity is an affiliated institution of the Ministry of Finance (MoF), any changes in its



Entity	Standard	Time frame	Description of accreditation conditions	Status	Remarks
Mechanism Fund Management Center (China CDM Fund Management Center) <sup>7</sup>		disbursement by GCF for the first approved project/programme to be undertaken by the applicant	and fully functional internal audit unit; and		organizational structure including the establishment of a standalone internal audit department require the MoF's approval. Such approval has now been obtained and has been sent to the Department of Personnel and Education of the MoF to go through the administrative procedures for further implementation
	ESS		Adopt a policy on the disclosure of E&S information consistent with the GCF Information Disclosure Policy; and	In progress	The entity has been requested to update its E&S disclosure policy to align with GCF requirements
	Fiduciary	Condition to be met on an annual basis for the three consecutive years starting from the date of the first disbursement by GCF for an approved project/programme to be undertaken by the applicant	Provide documentary evidence of oversight and assessment of the procurement procedures of executing entities in GCF-funded projects/programmes funded by GCF	In progress	The entity has committed itself to providing, on an annual basis for three consecutive years following the first disbursement by the GCF, evidence of oversight and assessment of the procurement procedures of executing entities for projects/programmes funded by the GCF
Crédit Agricole Corporate and Investment Bank (Crédit Agricole) <sup>8</sup>	Fiduciary	Condition prior to the first disbursement by GCF for an approved project/programme to be undertaken by the entity	1. Develop a process for publicly disclosing information on beneficiaries and results of projects and programmes that are financed by GCF. This process should be aligned with the requirements of GCF regarding disclosure of project information	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information

Entity	Standard	Time frame	Description of accreditation conditions	Status	Remarks
	ESS	Condition prior to the first disbursement by GCF for an approved project/programme to be undertaken by the entity	2. Develop a tracking system or register within the external communications mechanism to document questions or complaints received from the general public and from clients, as well as responses to them, for projects and programmes financed by GCF; and	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
	Gender	Condition prior to the first disbursement by GCF for an approved project/programme to be undertaken by the entity	3. Develop a gender policy or approach in line with the Gender Policy of GCF and obtain gender competencies to implement the policy/approach on projects and programmes funded by GCF	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
Department of Environment of Antigua and Barbuda (DOE) <sup>9</sup>	Fiduciary	Conditions to be met prior to the first disbursement by GCF for the first approved project/programme to be undertaken by the applicant	Provide evidence of having an approved procedure for the public disclosure of grant award decisions, which shall contain at least the following information: a. Name, address and nationality (in case of individuals) or place of incorporation (in case of legal entities) of the beneficiary; b. Purpose of the grant; and c. Grant amount awarded and, where applicable, the maximum percentage of grant co-financing	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
	ESS		Provide evidence of an approved technical manual and an environmental	In progress	The entity has been requested to provide information on the efforts it is taking to

Entity	Standard	Time frame	Description of accreditation conditions	Status	Remarks
			and social safeguards policy that establish the procedures and requirements related to environmental and social safeguards for projects/programmes		address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
	Fiduciary	Conditions to be met on an annual basis for the three consecutive years starting at the beginning of the second year of implementation (with the first deadline falling at the end of the first quarter of the second year of implementation) of the first GCF-funded project/programme through a grant award and/or funding allocation mechanism	Provide evidence of the public disclosure of the monitoring and evaluation reports for any GCF-funded project/programme implemented through the applicant's grant award programme, as well as of the annual reports on the results of the operation of the revolving fund programme	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
			Provide the minutes of the applicant's technical evaluation committee meetings evidencing the process of consideration and approval of any grant proposals received under a grant award project/programme	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
Environmental Investment Fund of Namibia (EIF) <sup>10</sup>	Fiduciary	Conditions prior to the first disbursement by GCF for an approved project/programme to be undertaken by the entity	(i) Undertake an initial internal audit of its operations. The items to be addressed in the internal audit should include:  1. A sample review of three grant awards, including contractual arrangements for risk, assessed against its procedures;	Fulfilled and closed	Refer to document GCF/B.17/05

Entity	Standard	Time frame	Description of accreditation conditions	Status	Remarks
			2. Confirmation that its procurement practice complies with national law; and	Fulfilled and closed	Refer to document GCF/B.17/05
			3. A review of the new information technology control framework;	Fulfilled and closed	Refer to document GCF/B.17/05
			(ii) Submit the internal audit plan for the next financial year, 2016;	Fulfilled and closed	Refer to document GCF/B.15/16
			(iii) Submit the revised procurement policy and procedures; and	Fulfilled and closed	Refer to document GCF/B.17/05
			(iv) Publish information on its grant award mechanism and process on its website	Fulfilled and closed	Refer to document GCF/B.17/05
		Conditions to be met on an annual basis for the three consecutive years, starting with the financial year 2016	Submit internal audit reports annually for three consecutive financial years, starting with the financial year 2016	In progress	The entity has provided reports on the audits carried out in the past two consecutive financial years (i.e. 2016 and 2017). Audits of the entity's Finance and Asset Management and Procurement are scheduled for 2018 as per the 2017/2018 audit plan. This condition remains in place until copies of the audits of the Finance and Asset Management and Procurement are provided along with reports on progress made in addressing the gaps flowing from audits conducted in the previous two years

Entity	Standard	Time frame	Description of accreditation conditions	Status	Remarks
Fiji Development Bank (FDB) <sup>11</sup>	Fiduciary	Conditions to be met prior to the submission of the first funding proposal to GCF	Develop its information disclosure policy and provide evidence of an established system of disclosure which complies with the requirements of the GCF fiduciary standard for on-lending and/or blending for the disclosure of project/programme information, including providing access to information on the applicant's website	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
			Provide an anti-money laundering and countering the financing of terrorism policy consistent with the GCF interim policy on prohibited practices, including providing access to this policy on the applicant's website. Furthermore, the applicant is required to provide evidence of an established system mainstreamed in its lending manuals to ensure consistency with the GCF interim policy on prohibited practices both for its own operations and that of its executing entities for projects/programmes financed by GCF. This includes making provision for prohibited practices in financing agreements and the procurement of goods and services, where relevant	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information

Entity	Standard	Time frame	Description of accreditation conditions	Status	Remarks
	ESS		Provide an organizational chart indicating where the designated staff members responsible for making E&S risk categorization decisions are located in the organization and their reporting lines	Fulfilled and closed	The entity provided an organizational chart indicating where the designated staff members responsible for making E&S risk categorization decisions are located in the organization and their reporting lines. The AP concludes the evidence is satisfactory to fulfill the accreditation condition
	Gender		Finalize and provide the new gender policy that is under development and identify the associated procedures, tools and competencies required to implement the gender policy	Fulfilled and closed	The entity provided its final new gender policy the associated procedures, tools and competencies required to implement the gender policy. The AP concludes the evidence is satisfactory to fulfill the accreditation condition.
	ESS	Conditions to be met prior to the first disbursement by GCF for the first approved project/programme to be undertaken by the applicant	Provide evidence of the establishment of an external communication channel, which may include a website to receive, register and respond to any E&S-related complaints	Fulfilled and closed	The entity provided evidence of the establishment of an external communication channel, which may include a website to receive, register and respond to any E&S-related complaints. The AP concludes the evidence is satisfactory to fulfill the accreditation condition
	Fiduciary		Complete the design of, and integrate in its operations (strategy, policy, procedures, systems), the applicant's enterprise-wide risk management and control framework as anticipated in the applicant's Enterprise Wide Risk Management Development and Implementation Plan, including provision within the control framework	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information

Entity	Standard	Time frame	Description of accreditation conditions	Status	Remarks
			for an independent evaluation function which reviews the applicant's Credit Assessment Memorandum		
			Develop a procurement policy for GCF-funded projects/programmes which is disclosed on the applicant's website, and mainstream the policy in the applicant's lending manuals to ensure that the procurement processes for all of the projects financed by GCF are fair and transparent, promote efficient procurement and provide for a dispute resolution process and public disclosure of contract award	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
			Provide a written progress report from the applicant's management to demonstrate the steps the applicant has taken to address all of the recommendations of the independent credit review. The progress report should, among other things, include: a. A thorough risk audit prior to any new activities being commenced, which would include the plans to become a deposit taking institution and the re-introduction of any new microfinance lending activities by the applicant; and b. An update or completed review of the applicant's credit policy, which should include further guidance on the	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information

Entity	Standard	Time frame	Description of accreditation conditions	Status	Remarks
			exceptions to the applicant's credit policy		
			Update the terms of reference of the credit risk subcommittee of the applicant's board	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
	Fiduciary	Conditions to be met on an annual basis for three consecutive years starting with the applicant's financial year 2017/2018	Provide an annual audit plan and an annual audit report including an external audit of the first GCF-funded project, if any and, if different, of the first GCF-funded project that involves guarantees and equity investments by and from GCF, respectively, once the project is under implementation, and a final independent evaluation. The period of reporting may be extended depending on the commencement date of the project(s)	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
			Provide progress reports on the items mentioned in the credit review, as listed in document GCF/B.18/23, annex V, paragraph 47 (b)(ii)(4)	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
Fundación Avina <sup>12</sup>	Fiduciary	Condition(s) prior to the first disbursement	1. Develop its public disclosure procedures on:	Fulfilled and closed	Refer to document GCF/B.19/14/Rev.01



Entity	Standard	Time frame	Description of accreditation conditions	Status	Remarks
		by GCF for an approved project/programme to be undertaken by the applicant	(a) Project implementation reports, including information on budget utilization;		
			(b) Project evaluation reports;	Fulfilled and closed	Refer to document GCF/B.19/14/Rev.01
			(c) Grant award policy; and	Fulfilled and closed	Refer to document GCF/B.19/14/Rev.01
			(d) Decisions on grant awards, including, for individual grants, information on:  1. The name, address and nationality of the beneficiary;  2. The purpose of such grants; and  3. The grant amount awarded and, where applicable, the maximum co-financing rate of the cost; and	Fulfilled and closed	Refer to document GCF/B.19/14/Rev.01
			2. Demonstrate the effectiveness of the above public disclosure procedures, provide evidence of the publication of the grant award policy, one grant award decision taken, one project implementation report and one project evaluation report	Fulfilled and closed	The entity provided evidence of the publication of the grant award policy, grant award decision taken, project implementation report and evaluation report on its website. The AP found the information sufficient to address this condition
	Fiduciary	Condition to be met on an annual basis	Provide the Fund, through the Secretariat, with its annual reports that	In progress	The entity has been requested to provide the 2016 annual report when it becomes available

Entity	Standard	Time frame	Description of accreditation conditions	Status	Remarks
HSBC Holdings plc and its subsidiaries (HSBC) <sup>13</sup>			disclose information on regulatory compliance		
		Conditions from decision B.12/30, paragraphs (e–g), contained in document GCF/B.12/32. The Accreditation Panel is to report at the fourteenth and sixteenth meetings of the Board whether the results of its reviews of these conditions would alter its recommendation to accredit the applicant	(e) Notes that the Accreditation Panel has recommended the accreditation of applicant 26 and further notes that in its review the Accreditation Panel identified a potential information gap associated with the implementation of its Global Standards programme, which overviews the applicant's progress in implementing stronger anti-money laundering and sanctions compliance mechanisms (Global Standards);	Fulfilled and closed	No action from the AP or the entity is required
			(f) Requests that the Accreditation Panel review prior to the fourteenth and sixteenth meetings of the Board, the applicant's progress in implementing its Global Standard, including a review of material external information. Further requests that the Accreditation Panel report to the Board on whether the results of these reviews would alter its recommendation to accredit the applicant;	Fulfilled and closed	Refer to document GCF/B.16/13
			(g) Approves the accreditation of applicant 26 subject to the condition that the Board has the ability to temporarily or permanently suspend the applicant's accreditation based on the	Fulfilled and closed	No action from the AP or the entity is required

Entity	Standard	Time frame	Description of accreditation conditions	Status	Remarks
			recommendation of the Accreditation Panel following its reviews;		
		Conditions prior to the first disbursement by GCF for an approved project/programme to be undertaken by the entity	1. Provide the Fund, through the Secretariat, with a letter of comfort executed by the appropriate authority within the applicant entity stating that it is taking the necessary actions to strengthen its internal controls related to compliance with relevant regulations, including, but not limited to, risk management, management of operational risk, and anti-money laundering and countering the financing of terrorism;	Fulfilled and closed	Refer to document GCF/B.15/16
			2. Develop a process for publicly disclosing information on beneficiaries and results of projects and programmes that are financed by GCF. This process should be aligned with the requirements of GCF regarding disclosure of project information; and	In progress	The entity informed GCF that it intends to align its process with GCF requirements. During the process of establishing the method for disclosing the relevant information, the entity will follow the mechanism adopted with export credit agencies' financings and will advise executing entities accessing GCF funding that the project benefits and GCF funding will be publicly divulged
	Gender	Conditions prior to the first disbursement by GCF for an approved project/programme to be undertaken by the entity	3. Develop a gender policy or approach in line with the Gender Policy of GCF and obtain gender competencies to implement the policy/approach on projects and programmes funded by GCF	In progress	The entity informed GCF that it is consulting internally on the matter and an update with relevant information will thereafter be made available

Entity	Standard	Time frame	Description of accreditation conditions	Status	Remarks
Infrastructure Development Company Limited (IDCOL) <sup>14</sup>	Fiduciary	Conditions to be met prior to the first disbursement by GCF for an approved project/programme to be undertaken by the applicant	Provide evidence of the establishment and introduction of the policies and processes listed below: a. Establish a process to monitor and assess the overall effectiveness of the internal audit function, including its procurement activities;	In progress	The entity informed the AP that it decided to use external auditors to carry out periodic assessments of the overall effectiveness of the internal audit function, including its procurement activities. The external auditor's report on this is expected to be submitted to the AP once available
			b. Adopt a code of conduct, approved by the applicant's board;	In progress	The entity informed the AP that it had developed a draft Code of Conduct, which is expected to be submitted to GCF once approved by entity's board
			c. Adopt a project closure policy, approved by the applicant's board;	Fulfilled and closed	The entity provided a copy of its project closure policy recently approved by its board. The policy document is comprehensive and provides guidance and templates for close out of projects that would be funded by GCF
			d. Adopt a policy on the public disclosure of project monitoring and evaluation reports, and project results, approved by the applicant's board; and	Fulfilled and closed	The entity submitted a policy on public disclosure of project monitoring and evaluation reports, and project results, recently approved by the entity's board
			e. Adopt a policy on the public disclosure of information regarding the applicant's decisions on on-lending and/or blending operations, approved by the applicant's board	In progress	The entity submitted the draft policy which was reviewed by the AP. Based on the AP's review the entity has been requested to revise the policy to make it in line with GCF requirements

Entity	Standard	Time frame	Description of accreditation conditions	Status	Remarks
		Conditions to be met within one year of the first disbursement by GCF for an approved project/programme to be undertaken by the applicant	Provide a copy of a procurement oversight/audit report; and	Fulfilled and closed	The entity provided a copy of a procurement audit report, which the AP has found to meet GCF requirements
			Provide evidence of monitoring of the observations contained in procurement oversight/audit reports and appropriate management response and actions	In progress	The entity has been requested to provide information on the efforts it is making to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
Japan International Cooperation Agency (JICA) <sup>15</sup>	Fiduciary	Conditions to be met prior to the first disbursement by GCF for an approved project/programme to be undertaken by the applicant	1. Develop a system for providing public access to information on the periodic progress of all GCF-funded activities	In progress	The entity has been requested to provide information on the efforts it is making to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
			2. Develop a policy of periodic independent reviews/external audits of all grant award programmes funded by GCF	In progress	The entity has been requested to provide information on the efforts it is making to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
			3. Develop policies/guidelines for providing information to the public regarding all decisions on blending operations funded by GCF	In progress	The entity has been requested to provide information on the efforts it is making to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
		Condition to be met within one year of the first disbursement by	1. Provide evidence of the implementation of the items identified	In progress	The entity has been requested to provide information on the efforts it is making to address the condition. The AP is waiting for a

Entity	Standard	Time frame	Description of accreditation conditions	Status	Remarks
		GCF for an approved project/programme to be undertaken by the applicant	in decision B.17/13, annex XVI, paragraph 45(b)(i)		response from the entity on the expected time frame for providing the information
Korea Development Bank (KDB) <sup>16</sup>	Gender	Condition(s) prior to the first disbursement by GCF for an approved project/programme to be undertaken by the applicant	1. Provide evidence that the applicant has further strengthened its competencies to implement its gender policy	Fulfilled and closed	Refer to document GCF/B.18/09
	Fiduciary	Additional condition(s): for every GCF funding proposal in which the applicant seeks to provide equity funds, the Secretariat shall ensure that the following conditions are met by the applicant	1. Disclosure of information regarding the equity exit strategy, including information regarding the intended purchasers of the equity participation upon the applicant's divestment	In progress	The entity has been requested to provide information on the efforts it is making to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
			2. The applicant shall be the equity investor of record in the proposed project; thus, equity investments through funds provided by third parties, such as the applicant's subsidiaries or private equity funds, shall not be accepted	In progress	The entity has been requested to provide information on the efforts it is making to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
Micronesia Conservation Trust (MCT) <sup>17</sup>	Gender	Condition to be met for each funding proposal	1. Provide in its funding proposal a gender action plan that reflects the applicant's adequate competency in terms of human and financial resources and a system for maintaining data that	In progress	The entity has been requested to provide information on the efforts it is making to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information

Entity	Standard	Time frame	Description of accreditation conditions	Status	Remarks
	Fiduciary	Conditions to be met prior to the first disbursement by GCF for an approved project/programme to be undertaken by the applicant	addresses gender aspects in line with the GCF Gender Policy		
			1. Provide an investigation procedure containing the description of the investigation process and corresponding follow-up actions to be taken	In progress	The entity has been requested to provide information on the efforts it is making to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
			2. Provide anti-money laundering and countering the financing of terrorism policies that are fully in line with the GCF interim policy on prohibited practices	Fulfilled and closed	Refer to document GCF/B.19/14/Rev.01
		Condition to be met within one year of the first disbursement by GCF for an approved project/programme to be undertaken by the applicant	3. Provide an approved policy for the public disclosure of the decisions on grants awarded under a grant award programme	Fulfilled and closed	The entity has provided the approved policy for the public disclosure of the decisions on grants awarded under a grant award programme. The AP reviewed the document and closed the condition.
			1. Provide evidence of the implementation of the policies and procedures referred to in decision B.17/13, annex XIV, paragraph 37(b)(ii)(3) with regard to the public disclosure of the results of the grants awarded under a grant award mechanism, under the projects/programmes approved and funded by GCF	In progress	The entity has been requested to provide information on the efforts it is making to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information

Entity	Standard	Time frame	Description of accreditation conditions	Status	Remarks
	ESS	Conditions to be met prior to the first disbursement by GCF for an approved project/programme to be undertaken by the applicant	1. Provide evidence of the adoption of the applicant's procedures for the mitigation, management and monitoring of the E&S risks and impacts, including those that are unanticipated, of its programmes	In progress	The entity has been requested to provide information on the efforts it is making to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
			2. Provide evidence of the establishment of an external communication channel, which may include a website to receive, register and respond to E&S complaints	In progress	The entity has been requested to provide information on the efforts it is making to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
Ministry of Finance and Economic Cooperation of the Federal Democratic Republic of Ethiopia (MoFEC) <sup>18</sup>	ESS	Conditions prior to the first disbursement by GCF for an approved project/programme to be undertaken by the entity	1. Finalize the recruitment of an E&S expert to help to oversee the project management cycle under the applicant's facility; and	Fulfilled and closed	Refer to document GCF/B.19/14/Rev.01
			2. Develop an external communications mechanism, which provides a system to receive, document and respond to questions or complaints from the general public	Fulfilled and closed	The entity provided a website link to its external communication mechanism. The AP concludes the evidence is satisfactory to fulfill the accreditation condition
	Fiduciary	Conditions to be met on an annual basis for the three consecutive years, starting with the financial year 2016. All information shall be included on an annual basis within a	1. Report progress in respect of all projects and programmes being undertaken. The report should include: a. Progress of activities vis-à-vis a plan with specific indicators;	In progress	The document provided by the entity satisfies the requirements of the condition, however, the AP is unable to verify that the document provided has been appropriately revised and approved by an authorized officer of the entity. The AP requested that the entity provide a document on MoFEC letterhead and evidence that it was appropriately revised and approved



Entity	Standard	Time frame	Description of accreditation conditions	Status	Remarks
		semi-annual progress report consistent with the requirements of the GCF monitoring and accountability framework for accredited entities			by the authorized officer and/or committee (such as the CRGE Facility Management Committee)
			b. Budget variances and analysis;	In progress	Same as comment in 1(a) above
			c. Major risks and issues, if any, that may or are impacting the execution of a project/programme; and	In progress	Same as comment in 1(a) above
			d. Brief qualitative write-up, including the likelihood of the project achieving its planned objectives (results, budget and schedule)	In progress	Same as comment in 1(a) above
			2. Provide the annual audit reports of projects/programmes, including verification of assets, prepared by the office of the federal auditor general within four months of the close of each year to GCF;	In progress	The external audit reports provided by the entity satisfy the requirement of an independent project audit, however, the condition of accreditation specifies that the audited report must be prepared by the Ethiopian Federal Auditor General's Office. The AP requested that the entity provide certification from the Federal Auditor General's Office that the external audit reports are satisfactory and follow acceptable external audit standards, and further can be accepted as a substitute for audit reports prepared directly by the Federal Auditor General's Office
			3. Provide the annual audit reports on procurement related to projects/programmes where substantial	In progress	The AP requested the entity to provide information regarding non-public procurement in the projects described in its

Entity	Standard	Time frame	Description of accreditation conditions	Status	Remarks
			procurement has been undertaken by an executing entity, which is not a public sector body, to GCF		2016 annual report. The entity has also been requested, in cases where non-public procurement has been undertaken, to provide the 2016 annual audit report for said procurement activities. The condition is considered to remain open, subject to the above requirement
Ministry of Environment of Rwanda (MoE) (formerly, Ministry of Natural Resources of Rwanda (MINIRENA)) <sup>19</sup>	ESS	Condition in respect of any project/programme funded by GCF that invokes any of performance standards 2 to 8 until a mid-term review is undertaken for the purposes of determining the applicant's competency in the five-year accreditation period meeting the ESS of GCF at the project level	Use external support, including from co-financiers, acceptable to GCF in order to help to prepare projects or programmes that invoke any of performance standards 2 to 8	Fulfilled and closed	The AP has reviewed the environmental and social impact assessment (ESIA) report and resettlement framework (RPF) report prepared by the entity using external support and the project preparation facility support for this purpose. The AP finds that the reports prepared are of high quality and in line with the GCF environmental and social safeguards (ESS) (performance standards 1 to 8) and also take into account the performance standards 1 to 8 gap analysis assessment between GCF interim ESS and the Rwandese national System, provided earlier by the entity and found acceptable to the AP. The AP therefore considers this accreditation condition has been met and can be closed
	Fiduciary	Conditions prior to the first disbursement by GCF for an approved project/programme to be undertaken by the entity	Relating to the investigation function: (i) Publishing on its website the instructions and appropriate forms through which to log a complaint;	In progress	As reported in document GCF/B.11/03, the entity informed the Secretariat that it is making preparations to address the accreditation condition relating to its investigation function. The entity will keep the AP informed of developments in this regard

Entity	Standard	Time frame	Description of accreditation conditions	Status	Remarks
		Conditions prior to the first disbursement by GCF for an approved project/programme to be undertaken by the entity	(ii) Preparing quarterly reports on case trends and maintaining a formal record of all complaints received; and	In progress	No comments at this time
		Conditions prior to the first disbursement by GCF for an approved project/programme to be undertaken by the entity	(iii) Submitting a report of the incidents recorded with its Office of the Ombudsman for investigation on a monthly basis	In progress	No comments at this time
MUFG Bank, Ltd. (MUFG Bank) (formerly, Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU)) <sup>20</sup>	Fiduciary	Condition to be met prior to signature of the accreditation master agreement for completion of Stage III of the accreditation process	1. Provide a report on an independent assessment of the effectiveness of the applicant's measures and actions for improving its anti-money laundering and sanctions compliance programmes	Fulfilled and closed	Refer to document GCF/B.18/09
	Fiduciary, Gender	Conditions to be met prior to the first disbursement by GCF for an approved project/programme to	1. Provide evidence to show that the applicant: a. Carries out checks and audits of the payment and disbursement of funds under projects financed by the applicant;	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information

Entity	Standard	Time frame	Description of accreditation conditions	Status	Remarks
		be undertaken by the applicant	b. Has a publicly accessible and transparent procurement dispute resolution process;	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
			c. Has an appropriate mechanism with clear terms of reference for continuous oversight of the ethics function;	Fulfilled and closed	Refer to document GCF/B.18/09
			d. Has procedures for overseeing procurement activities of executing entities under GCF-funded activities;	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
			e. Has a policy requiring the public disclosure of procurement policies and procedures, and procurement contract awards under GCF-funded activities;	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
			f. Has a policy and guidelines on the public disclosure of information regarding the applicant's decisions on on-lending and/or blending operations in respect of activities that would be funded by GCF; and	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
			g. Has adopted a gender policy in line with the GCF Gender Policy	In progress	The entity has been requested to provide information on the efforts it is taking to

Entity	Standard	Time frame	Description of accreditation conditions	Status	Remarks
					address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
		Condition to be met within one year of the first disbursement by GCF for an approved project/programme to be undertaken by the applicant	1. Provide evidence of the implementation of the items identified in paragraph 46(b)(ii) of annex XV to decision B.17/13	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
National Environment Management Authority of Kenya (NEMA) <sup>21</sup>	ESS	Condition prior to the first disbursement by GCF for an approved project/programme to be undertaken by the entity	Use external support, including that from co-financiers, acceptable to GCF, to help to prepare projects or programmes that invoke any of performance standards 2 to 8	In progress	The entity is receiving readiness support from GCF for the development of its projects in line with this condition. Relevant documentation will be made submitted once available
Nederlandse Financierings-Maatschappij voor Ontwikkelingsland en (FMO) <sup>22</sup>	ESS	Conditions prior to the first disbursement by GCF for an approved project/programme to be undertaken by the applicant	1. Adopt and demonstrate effective implementation of policies and practices on the disclosure of project E&S assessments, as well as a stakeholder engagement strategy, in line with the GCF Information Disclosure Policy and the GCF interim ESS (performance standard 1), respectively; and	Fulfilled and closed	The entity provided its disclosure policy, which the AP considers satisfactory to meet the accreditation condition

Entity	Standard	Time frame	Description of accreditation conditions	Status	Remarks
	Fiduciary	Conditions prior to the first disbursement by GCF for an approved project/programme to be undertaken by the applicant	1. Develop and demonstrate effective implementation of policies and procedures for providing information on results achieved and lessons learned, and their public disclosure, on a project-by-project basis;	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
			2. Develop and demonstrate effective implementation of a policy on the disclosure of the evaluation reports on a project-by-project basis; and	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
	Gender	Conditions prior to the first disbursement by GCF for an approved project/programme to be undertaken by the applicant	1. Adopt a gender policy in line with the GCF Gender Policy, and demonstrate progress in developing appropriate competencies to implement, and experience in applying, the policy	Fulfilled and closed	Refer to document GCF/B.19/14/Rev.01
Palli Karma-Sahayak Foundation (PKSF) <sup>23</sup>	Fiduciary	Conditions to be met prior to the first disbursement by GCF for the first approved project/programme to be undertaken by the applicant	Provide evidence of an assessment of the effectiveness of the applicant's internal audit function	Fulfilled and closed	The entity provided a copy of an assessment report on the effectiveness of its internal audit function. The assessment was carried out by an independent external accounting/audit firm. The AP found the information sufficient to address this condition.
			Provide a copy of a policy on the disclosure of financial conflicts of interest	Fulfilled and closed	The entity provided a copy of its Policy on the Disclosure of Financial Conflicts of Interest, which was recently approved by its board. The

Entity	Standard	Time frame	Description of accreditation conditions	Status	Remarks
					AP found the information sufficient to address this condition
			Provide a copy of a whistle-blower protection policy or mechanism	Fulfilled and closed	The entity has provided its Whistle-blower Protection Policy recently approved by its board. The AP found the information sufficient to address this condition
			Provide a copy of a policy on the public disclosure of project/programme monitoring and evaluation reports, including information on the periodic progress of individual projects	Fulfilled and closed	The entity has provided its policy on the public disclosure of project/programme monitoring and evaluation reports, including information on the periodic progress of individual projects. The policy was recently approved by the entity's board. The AP found the information sufficient to address this condition
			Provide a copy of a policy and guidelines on the public disclosure of information on the applicant's decisions on on-lending and blending operations	Fulfilled and closed	The entity has provided its policy and guidelines on the public disclosure of information on the applicant's decisions on on-lending and blending operations. The policy was recently approved by the entity's board. The AP found the information sufficient to address this condition
		Conditions to be met within the first 15 months of the first disbursement by GCF for the first approved project/programme undertaken by the applicant	Provide evidence of the implementation of a policy on the public disclosure of project monitoring and evaluation reports, including information on the periodic progress of individual projects	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
			Provide evidence of the implementation of a policy and guidelines on the public	In progress	The entity has been requested to provide information on the efforts it is taking to

Entity	Standard	Time frame	Description of accreditation conditions	Status	Remarks
			disclosure of information on the applicant's decisions on on-lending and blending operations		address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
		Condition to be met on an annual basis for three consecutive years, starting after the twelfth month following the first disbursement for any GCF-financed project/programme undertaken by the applicant	Provide evidence of the publication of project monitoring and evaluation reports of all GCF-funded projects/programmes	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
PT Sarana Multi Infrastruktur (PT SMI) <sup>24</sup>	Fiduciary	Condition(s) associated with the GCF fiduciary standards to be addressed prior to first disbursement by GCF for an approved project/programme to be undertaken by the applicant	1. Provide a formal plan for mainstreaming the multilateral procurement framework into the applicant's operations, including plans for resourcing the function and making provision for an annual audit as a standard process and provide for lessons learned. This should include provision for disclosure of contract awards on the applicant's website;	In progress	The entity indicated that it is preparing the required documents to address this condition
			2. Further develop its grant management framework, ensuring the framework is mainstreamed into its overall operations. This includes further developing how the applicant intends to	In progress	The entity indicated that it is preparing the required documents to address this condition



Entity	Standard	Time frame	Description of accreditation conditions	Status	Remarks
			blend grants as part of both its direct and, in the future, its intermediated lending portfolio;		
			3. Provide further evidence (in the form of two examples) of its compliance with its most recent AML/CFT policy in the context of its new mandate;	Fulfilled and closed	The entity provided its “Guidelines and procedures for implementing AML/CFT financing prevention program”, containing the required evidence, in particular Chapter IX – Appendix, which the AP finds satisfactory to meet this accreditation condition
			4. Provide for project disclosure on its website, including monitoring and evaluation of its projects;	In progress	The entity indicated that it is preparing the required documents to address this condition
			5. Provide the approved version of the risk management guidelines and procedures, including information on the segregation of duties;	Fulfilled and closed	The entity prepared and provided its Risk Management Guideline approved by its board of directors in 2017. The AP has found that the new Guideline addresses the condition
			6. Provide two examples of reports from its management information system; and	In progress	The entity indicated that it is preparing the required documents to address this condition
			7. Provide an English version of the outcome of the recent regulation associated with government guarantees where relevant for the applicant’s sustainability	Fulfilled and closed	Refer to document GCF/B.19/14/Rev.01

Entity	Standard	Time frame	Description of accreditation conditions	Status	Remarks
	ESS	Condition(s) associated with the GCF interim ESS and Gender Policy to be addressed prior to the first disbursement by GCF for an approved project/programme to be undertaken by the applicant	1. Demonstrate with one more example per procedural step, full application of the 2016 guidance including its 10 ESS, as well as the application of its gender policy (i.e. provide one screening exercise, one environmental and social impacts assessment (ESIA), one gap analysis, one corrective plan, one gender assessment, one project disclosure report, one monitoring report and one environmental and social impacts plan (ESMP); and	In progress	The entity indicated that it was preparing ESS and gender reports for five projects, including projects with the World Bank and AFD
			2. Provide proof of employment of an external expert acceptable to GCF to prepare the ESIA and ESMP of the first project to be submitted to GCF, in full compliance with its 2016 ESS guidelines	In progress	The entity indicated that the employment of external experts for the ESIA would be the experts for the geothermal project, in cooperation with the World Bank and the New Zealand Aid Programme. The proof of employment is expected to be submitted along with other documentation
Sahara and Sahel Observatory (OSS) <sup>25</sup>	Fiduciary	Conditions to be met prior to the first disbursement by GCF for the first approved project/programme to be undertaken by the applicant	Provide evidence of the launch of the call for proposals, records of work of the Grant Evaluation Committee on evaluating grant proposals received, and evidence of the publication of the grant award decisions of the said committee	In progress	The entity indicated that it would launch a call for proposals from 15 February to 15 April 2018 on its website. A report containing evidence of the launch of the call for proposals, records of work of the Grant Evaluation Committee and the decisions will be provided to GCF once finalized
	ESS		Provide a sample M&E report on actions taken for E&S risk mitigation and performance improvement measures in	In progress	The entity indicated that the M&E report for a project currently under implementation would

Entity	Standard	Time frame	Description of accreditation conditions	Status	Remarks
			line with the applicant's performance standards under its E&S policy (adopted in April 2016)		be made available to GCF by the end of July 2018
			Provide evidence of the establishment of an external communication channel, which may include a website to receive, register and respond to E&S complaints	In progress	The entity is planning to launch its new official website by the end of February 2018 which will include a dedicated section with information relating to Projects Funding and specific section to the external communication channel including the online template for complaints, frequently asked questions, online requests, e-forum, etc.
	Fiduciary	Condition to be met on an annual basis for three consecutive years starting after the twelfth month following the first disbursement by GCF for the first GCF-funded project/programme through a grant award and/or funding allocation mechanism to be undertaken by the applicant	Provide evidence of the public disclosure of periodic monitoring and evaluation reports, including information on budget utilization in respect of the relevant GCF-funded project/programme	In progress	The entity indicated that the first Project Performance Report, which includes a monitoring and evaluation section, would be made available to GCF by the end of July 2018
	Fiduciary	Conditions associated with the GCF fiduciary standards, to be met	1. Develop a policy for the public disclosure of information regarding projects, including grant award	In progress	The entity has been requested to provide information on the efforts it is making to address the condition. The AP is waiting for a

Entity	Standard	Time frame	Description of accreditation conditions	Status	Remarks
Small Industries Development Bank of India (SIDBI) <sup>26</sup>		prior to the first disbursement by GCF for an approved project/programme to be undertaken by the applicant	programmes and on-lending/blending operations, to be undertaken with GCF funds. This policy must include, at the minimum, the following: a. Guidelines for the publication of independent project evaluation reports; b. Guidelines for the public disclosure of information on beneficiaries of grant awards and/or loans disbursed, purpose of the grants and/or loans and amounts disbursed; and c. Identification of the media/channels through which the information will be disclosed, as well as the timeline for disclosure		response from the entity on the expected time frame for providing the information
			2. Establish an independent project evaluation policy and capacity	In progress	The entity has been requested to provide information on the efforts it is making to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
			3. Develop, for GCF-funded grant award programmes to be implemented through executing entities, the policies and guidelines to be followed by the executing entity	In progress	The entity has been requested to provide information on the efforts it is making to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
			4. Develop the operating procedures the applicant will follow to ensure the executing entity's compliance with the	In progress	The entity has been requested to provide information on the efforts it is making to address the condition. The AP is waiting for a

Entity	Standard	Time frame	Description of accreditation conditions	Status	Remarks
			policies and guidelines for the grant award programmes mentioned above		response from the entity on the expected time frame for providing the information
	ESS, Gender	Condition associated with the ESS and Gender Policy, to be met prior to submitting the first funding proposal to GCF for consideration	1. Submit to the AP for its review a copy of the new entity-wide environmental and social management framework (ESMF) (2017 version) and the revised policies, procedures and organization chart highlighting the integration of the 2017 ESMF into the entity	In progress	The entity has been requested to provide information on the efforts it is making to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
Société de Promotion et de Participation pour la Coopération (PROPARCO) <sup>27</sup>	Fiduciary	Condition(s) prior to the first disbursement by GCF for an approved project/programme to be undertaken by the applicant	1. Formally adopt an external communication mechanism which provides a system to receive, document and respond to questions or complaints from the general public	In progress	The entity has been requested to provide information on the efforts it is making to address the condition. The AP is waiting for a response from the entity on the expected time frame for providing the information
		Condition(s) prior to the submission of a funding proposal to GCF that includes a guarantee operation	1. Provide two examples to fully demonstrate the applicant's capacity and ability to undertake a guarantee operation of a project/programme that is of the large size category and high E&S risk (Category A/I-1) for which it is seeking accreditation	Fulfilled and closed	Refer to document GCF/B.18/09

*Abbreviations:* AML/CFT = anti-money laundering and countering the financing of terrorism; AP = Accreditation Panel of the GCF; ESIA = environmental and social impact assessment; ESMF = environmental and social management framework; ESMP = environmental and social management plan; ESS = environmental and social safeguards; E&S = environmental and social; M&E = monitoring and evaluation; and TAF = technical assistance facility.

<sup>1</sup> Annex VIII to decision B.18/05.

<sup>2</sup> Annex XVII to decision B.12/30.

<sup>3</sup> Annex V to decision B.14/10.

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- <sup>4</sup> Annex XII to decision B.10/06 (annex XII to document GCF/B.10/17).  
<sup>5</sup> Annex VI to decision B.14/10.  
<sup>6</sup> Annex XI to decision B.17/13.  
<sup>7</sup> Annex III to decision B.18/05.  
<sup>8</sup> Annex XV to decision B.12/30.  
<sup>9</sup> Annex IV to decision B.18/05.  
<sup>10</sup> Annex VIII to decision B.10/06 (annex VIII to document GCF/B.10/17).  
<sup>11</sup> Annex V to decision B.18/05.  
<sup>12</sup> Annex X to decision B.15/09.  
<sup>13</sup> Annex XVI to decision B.12/30.  
<sup>14</sup> Annex XII to decision B.17/13.  
<sup>15</sup> Annex XVI to decision B.17/13.  
<sup>16</sup> Annex VII to decision B.15/09.  
<sup>17</sup> Annex XIV to decision B.17/13.  
<sup>18</sup> Annex XII to decision B.12/30.  
<sup>19</sup> Annex IX to decision B.10/06 (annex IX to document GCF/B.10/17).  
<sup>20</sup> Annex XV to decision B.17/13.  
<sup>21</sup> Annex XIII to decision B.12/30.  
<sup>22</sup> Annex XIII to decision B.14/11.  
<sup>23</sup> Annex VI to decision B.18/05.  
<sup>24</sup> Annex VIII to decision B.15/09.  
<sup>25</sup> Annex VII to decision B.18/05.  
<sup>26</sup> Annex XIII to decision B.17/13.  
<sup>27</sup> Annex XI to decision B.15/09.

## Annex V: Accreditation assessment of Applicant 061 (APL061)

### I. Introduction

1. Applicant 061 (APL061), Caixa Econômica Federal (CEF), is a government-owned financial institution based in Brazil, which aims to promote citizenship and sustainable development throughout the country. In particular, the applicant finances projects/programmes in the infrastructure, housing and sanitation sectors.

2. The applicant received support through the GCF Readiness and Preparatory Support Programme (i.e. pre-accreditation support for the institutional gap assessment and action plan). The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 2 February 2016. Accreditation fees were received from the applicant on 15 April 2016, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 3 May 2017 and the applicant was progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** direct access, national. The applicant received a national designated authority or focal point nomination for its accreditation application from Brazil;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or activity within a programme:** large;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards;
  - (ii) Specialized fiduciary standard for project management;
  - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
  - (iv) Specialized fiduciary standard for on-lending and/or blending (for loans and guarantees); and
- (e) **Maximum environmental and social risk category:** high risk (Category A/Intermediation 1 (I-1)).<sup>3</sup>

### II. Stage I institutional assessment and completeness check

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

#### 2.1 Legal status, registration, permits and licences

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

<sup>2</sup> Decision B.07/02.

<sup>3</sup> 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”.

4. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. The applicant was established by the Government of Brazil in 1861 and is registered under the Central Bank of Brazil.

## 2.2 Institutional presence and relevant networks

5. The applicant has a strong national presence in Brazil with locations in 5,561 Brazilian municipalities with 3,391 branches, 3,224 services centres and 18,211 representative offices. This national presence has allowed the applicant to reach the most diverse beneficiaries and contribute to national public policies through the projects it finances.

6. In order to advance the objectives of the GCF, the applicant intends to implement initiatives that have direct and positive impact in the climate change mitigation and adaptation. Particularly, it plans to promote:

- (a) Renewable energy: production, acquisition and installation of energy generating systems through renewable sources: solar, aeolic, and biomass and energy efficiency projects;
- (b) Forest: protection and recovery activities of degraded areas and sustainable restoration and/or handling of forests; and
- (c) Cities: infrastructure, sanitation, solid waste management, landfills and urban mobility.

## 2.3 Track record

7. The applicant has been working with the government, partner organizations and people at local community level. Aiming for sustainable development, the applicant ran programmes fostering social inclusion, responsible entrepreneurship, and urban development, with a focus on energy generation, energy efficiency, housing, water security, infrastructure, and solid waste management.

8. The applicant has indicated that it has successfully implemented its programmes and projects by maintaining environmental and social safeguard issues. For example, the applicant provided capacity building, social awareness training and knowledge management to beneficiaries during implementation of its projects.

9. The applicant's track record in financing climate change-related projects includes the following:

- (a) USD 9.6 billion (loans) for the Hydroelectric Power Plant Belo Monte in the state of Pará;
- (b) USD 4.98 billion (loans) for the Sanitary Landfill in the state of São Paulo;
- (c) USD 44 million (loans) for Wind Farms Araras in the state of Ceará; and
- (d) USD 8.6 million (loans) for the Porto Nacional Water and Sanitation System in the state of Tocantins.

## III. Stage II accreditation review assessment

10. The applicant applied under the normal-track accreditation process. Its application has been assessed by the Accreditation Panel (AP) during Stage II (Step 1) against the standards of the GCF in accordance with the accreditation requirements.

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



## 3.1 Fiduciary standards

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

12. The applicant's governance structure is based on the requirements of Brazilian financial regulations and of the Government of Brazil, as its sole owner. The applicant's governance structure includes its Administrative Council, Oversight Council and Executive Board. The Administrative Council retains final authority over all strategic and control functions; the Oversight Council exercises supervision functions over the compliance with regulatory and legal requirements; and the Executive Board is responsible for the execution of the applicant's strategy and control of daily operations.

13. The aforementioned oversight bodies are supported by an organization appropriate for the scope and volume of operations managed by the applicant. The organizational design includes an independent Audit Committee and an independent Risk Committee that report to the Administrative Council. The applicant provided appropriate documentation to demonstrate the functioning of these committees. The executive team is headed by the President, who is supported by the required business and control units, as well as by specialized executive committees such as the Ethics Committee and the Procurement Committee.

14. The applicant's planning procedures are thoroughly documented, and the required organizational resources and technology support the preparation, monitoring and execution of the strategic plan.

15. The applicant prepares its financial statements using the accounting principles defined in the regulations issued by the Central Bank of Brazil; the applicant in compliance with regulatory requirements, publishes semi-annual and annual financial statements. The accounting information system used by the applicant is appropriate for the volume of transactions operated daily by the applicant.

16. The internal audit unit's activities are appropriately planned in the annual audit plan that is approved by the applicant's Audit Committee, and incorporates recommendations made by the Brazilian Comptroller General of the Union (CGU) based on its review of the proposed plan before its approval. The applicant's internal audit unit is organized along geographic lines (national and regional audit offices) and along specialized functions (i.e. Information Technology Audit and Government Funds Audit). The applicant demonstrated that the internal audit procedures include appropriate communication of findings, development of action plans and appropriate follow-up. The main summary report prepared by the internal audit department is the Annual Internal Audit Report, which is also reviewed by the CGU, and approved by the applicant's Audit Committee.

17. The applicant's Oversight (Fiscal) Council comprises five members appointed by the Ministry of Finance, and who have the responsibility and authority to provide external oversight over the applicant's audit activities (including both internal and external audit).

18. The scope of the applicant's operations and its high transactional volume, generate substantial operational risk that is mitigated, and managed, through its internal control system. The applicant's control framework, developed based on the principles contained in the Committee of Sponsoring Organizations framework, and the resources (including human resources, technological tools and extensive procedure manuals) invested in internal control demonstrate the appropriateness of its internal control system. The applicant provided ample evidence of the control procedures implemented, as well as of its effectiveness. Reasonable assurance is provided of the internal control's system capacity for timely detection of irregularities and implementation of corrective actions.

19. The applicant's procurement activities are regulated by internal regulation and by the national regulations applicable to public sector procurement activities. Its procurement policy

establishes the mechanisms that provide reasonable assurance that the vendor selection process is appropriate, that procurement is conducted in a transparent manner and that all suppliers are treated in an equitable manner. The applicant has a specialized procurement department that manages the logistics of the procurement process, and has the technical resources available to assess the reasonability of proposed costs for the projects it finances. The entire procurement process is subject to clearly defined procedural requirements and complies with the procurement regulations applicable to Brazilian public-sector entities. The Ombudsman unit provides appropriate channels for procurement-related complaints and has established procedures, including a reasonable time frame, to respond to complaints it receives.

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

20. The applicant has a Code of Ethics, managed by the Internal Affairs Unit, that defines the conduct expected from its employees, directors and suppliers; further expectations of ethical behaviour from employees is defined in the Federal Employee Code of Ethics. The Code of Ethics is communicated through both the applicant's intranet and its webpage has a section dedicated to the Code of Ethics. The Ethics Committee is responsible for ensuring observance of the Code of Ethics. To provide appropriate transparency and communication it publishes (internally and externally) summary reports of the ethic incidents it has decided upon.

21. The Internal Affairs Unit is responsible for the investigations function of all events of reported violations of the applicant's codes that regulate integrity in the discharge of professional responsibilities by employees, directors and suppliers. The investigation process is well documented, and a clear definition of the procedures is contained in the relevant manuals. Furthermore, the investigations process is part of the regulatory and legal framework applicable to public sector companies in Brazil. The applicable framework clearly defines obligations to denounce suspected violations, as well as whistle-blower protection provisions. The applicant provided information of the number of cases investigated in the past three years. This evidences its capacity to detect irregularities and enforce its integrity programme. The information of complaints received is recorded in the Atender system, which is managed by the Ombudsman's office, and information therein contained is accessible to the entire organization.

22. The office of the CGU issued, in June 2017, the Integrity Assessment Report on State Enterprises Number 201601715.<sup>4</sup> This document contains the findings of the CGU regarding the applicant's organizational framework implemented to ensure compliance with the requirements of the codes and policies that regulate the ethical actions of the applicant's employees, directors and suppliers. This CGU report provides assurance that the applicant has the organizational framework to comply with GCF's Policy on Prohibited Practices.

23. The applicant's anti-money laundering (AML) and countering the financing of terrorism (CFT) policies and procedures are developed based on standards, such as those issued by the Financial Action Task Force and the Bank for International Settlements, and on extensive local regulations. The applicant has appropriate procedures for establishing customer relationships, that include initial information gathering and recording of information in the AML/CFT monitoring system. Furthermore, the required systems and procedures, including appropriate policies for customer record management and reporting of unusual transaction to the national financial intelligence unit are implemented, thus providing for the permanent monitoring of customer's transactions. The monitoring systems provide, as well, for control of wire transfer transactions (both domestic and international wire transfers).

24. AML/CFT is a regular part of employee training programmes. The applicant's AML/CFT training includes formal training on AML/CFT issues, an interactive simulation of real AML/CFT situations and a permanent specialized course aimed at highlighting the importance of

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<sup>4</sup> Refer to <<https://www.poder360.com.br/wp-content/uploads/2018/01/9831-1.pdf>>.

appropriate due-diligence procedures, with special emphasis placed on customer related factors that generate high AML/CFT risk.

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

25. For the assessment of projects, the applicant undertakes due diligence following established guidelines, including required financial, technical, legal and environmental assessments. The project appraisal and approval guidelines include clearly defined tasks to be completed and the recording of information in the credit support systems.

26. The applicant's project management organization does not include an independent project evaluation unit; however, the AP finds that appropriate mechanisms for independent risk evaluation and audit of project-related activities are in place. If required, the applicant has demonstrated capacity to outsource professional services, such as those that may be necessary to undertake independent project evaluation.

27. The applicant indicates that there is no specific policy for the public disclosure of project information. However, the applicant provided evidence of the disclosure of project related information through its website and its publicly available Sustainability Report.

28. The applicant's project assessment and management procedures are well-documented in its loan related policies and in the procedures used to implement grant award programmes through its Environmental and Social Fund. As a financial institution, the applicant's project assessment and management procedures are contained within the credit and grant approval processes, which include appropriate financial and technical evaluation guidelines.

29. As a financial institution, that serves the Brazilian Federal Government's as a financial partner in the implementation of government programmes, the applicant has developed the required competencies and standard operating procedures to appropriately assess, monitor and evaluate the performance of the implementing and executing entities through to whom financial resources are disbursed. The applicant's project management policies and procedures include project at-risk management tasks that allow for the identification of early warning signs and effective corrective actions.

30. The applicant's procedures to monitor projects provide for appropriate oversight and monitoring of project risks. Periodic reviews aimed at identifying resource inputs, the relevance of project activities and the achievement of project performance indicators are periodically undertaken. The applicant has standardized procedures to undertake project monitoring. Project monitoring is assigned to the business units in charge of the client relationship, with support from the appropriate technical support teams. In order to provide assurance of the effectiveness of the project monitoring activities, the applicant has standardized procedures for project oversight by the independent risk unit, internal audit and, furthermore, is subject to supervision by external oversight bodies and financial regulators.

31. The applicant provided evidence of its track record in implementing projects funded by the Brazilian Federal Government, as well as by international development agencies. Furthermore, the applicant referenced information from a solid waste project financed under the Clean Development Mechanism, with the participation of the International Bank for Reconstruction and Development.<sup>5</sup> The applicant's track record demonstrates its capacity to adapt its operating policies and procedures to the specific requirements of the provider of funds.

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

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<sup>5</sup> Refer to <[https://cdm.unfccc.int/ProgrammeOfActivities/poa\\_db/Q9LW74OKAXMUZPCE3IJBVS16025HDT](https://cdm.unfccc.int/ProgrammeOfActivities/poa_db/Q9LW74OKAXMUZPCE3IJBVS16025HDT)>.

32. The applicant's grant award competencies were assessed based on the applicant's track record for grants disbursed by its Environmental and Social Fund (FSA). The policies and procedures, as they pertain to the award and disbursement of grants, assessed are those of the FSA. The applicant disbursed approximately USD 7.0 million in 2016.<sup>6</sup>

33. The grant awards policies and the information of programmes implemented through the FSA funded programmes, demonstrate that the applicant has the required policies and procedures to undertake grant award activities in a manner that is aligned with the GCF requirements.

34. The FSA grant award process is initiated by the definition, by the Environmental and Social Committee, of the annual investment plan based on the approved thematic objectives established in the applicant's strategy. In strict compliance with the approved investment plan, the fund disburses grants in three modalities: Public Selection, Support for Internal Policies and Investment in Sustainable Projects.

35. The Public Selection modality is initiated by the publication of the call for proposals, which is prepared by the Environmental and Social Management Unit (GERSA). The proposals received are pre-qualified by GERSA in terms of the proposal's capacity to meet programme objectives and on the institutional capacity of the bidder. The proposals that are qualified are then evaluated by a Selection Committee, that has the requisite competencies to properly evaluate the proposals in detail. As a result of the Selection Committee's evaluation the proposals that will be granted funds are selected. The Environmental and Social Committee ratifies the results. This selection process is supported by publication of the call for proposals, clear definition of selection criteria, the publication of general guidance manual for accessing FSA grants, and a detailed proposal preparation guidance manual. All these documents are readily available on the applicant's website. Furthermore, an appeal process is in place to appeal decisions regarding the Selection Committee's selection.

36. The Support for Internal Policies modality finances projects that are directed to support the achievement of the FSA investment plan through projects defined internally in response to specific project requests made by the internal business units. The GERSA prepares the terms and conditions of the project, and then bidders for project implementation are invited (and in some cases open calls for proposals are issued) to present letters of interest in executing the defining project. The same procedures for bid evaluation and selection are implemented as in the case of Public Selection modality. The final decision for bid selection is made by the Environmental and Social Committee.

37. The strengths of the applicant's internal controls and internal audit function provide the assurance of appropriate control over grant funds, as well as their disbursement and appropriate use.

38. The applicant discloses detailed information on its website regarding the results of the grants disbursed by the FSA, and the entire grant award process is characterized by disclosure of information to relevant parties.

39. The AP notes that the applicant meets the GCF specialized fiduciary standard for grant award and/or funding allocation mechanisms specifically with the policies and procedures used for the FSA funded programmes. Furthermore, the applicant has demonstrated its capacity to appropriately document policies and procedures and transfer knowledge and competencies among organizational units. Therefore, the AP considers that the applicant meets the requirements for this specialized fiduciary standard.

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

<sup>6</sup> Refer to <[http://www.caixa.gov.br/Downloads/caixa-relatorio-sustentabilidade/Relatorio\\_de\\_Sustentabilidade\\_Caixa\\_2016\\_EN.pdf](http://www.caixa.gov.br/Downloads/caixa-relatorio-sustentabilidade/Relatorio_de_Sustentabilidade_Caixa_2016_EN.pdf)>.

40. The applicant, in response to its role as its country's main public financial institution, and as a financial partner for the implementation of government programmes with social impact, has well-developed credit policies, procedures and a technological platform appropriate for the scope and volume of its operations. Specifically, the applicant has demonstrated its capacity to manage different modalities of on-lending operations. Furthermore, the applicant has demonstrated its capacity to adapt to and manage additional modalities of loan structures, such as the projects developed with international development agency funding and the aforementioned CDM project it managed.

41. The applicant provided documentation regarding its credit policies and procedures (including credit manuals and evaluation reports), and examples of the standardized loan origination, evaluation and monitoring formats used to approve and monitor its loan operations. These documents contain the guidelines for loan operations that are required in a financial institution, such as the applicant. Additionally, copies of credit due diligence reports, credit approval documents and loan monitoring reports were provided for assessment by the AP.

42. Furthermore, copies of loan documents (contracts) were provided for assessment by the AP. These documents demonstrate the applicant's capacity to incorporate into the on-lending structures to which it is a party loans as well as guarantees. The AP's assessment of the documentation provided evidence of the applicant's capacity to meet the GCF specialized fiduciary standard for on-lending using loans and guarantees as the financial instruments.

43. The applicant provided information on the specific risk scoring it applies to its credit customers. This score is used to assess, monitor and evaluate the risk exposure of the applicant's loan portfolio. The availability of the appropriate information, the independence of the internal auditor and of the risk management function and the supervision of the national financial regulators provide assurance of the adequacy of the applicant's risk management environment.

44. The applicant provided information regarding its financial management policies and their implementation. It has clear delegations of power and appropriate separation of functions within its treasury unit, and between the business focused units, operational units, risk management units and control units.

45. The applicant also provided copies of the minutes of its asset and liability management committee meetings which validate the effective functioning of this committee, critical for effective management of banking loan portfolio.

46. The applicant regularly publishes, in accordance with Brazilian regulatory requirements, its Risk and Capital Management Report, which provides information of the risk position of the applicant and the mitigating actions taken. This report responds to Pillar III "Market Discipline" of the Capital Adequacy Framework issued by the Bank for International Settlements. The disclosure of this information demonstrates that the applicant has the required tools to manage the financial risks (including liquidity, operational and credit risk) inherent to the operations of financial intermediaries.

## 3.2 Environmental and social safeguards

### 3.2.1 Section 6.1: Policy

47. The applicant's environmental and social (E&S) policy approved in 2015 merged and updated two previous, separate policies, which had been in effect for 10 years. The E&S policy, available on the applicant's website, lists responsibilities, objectives, principles and standards. As an Equator Principles Financial Institution since 2009, the applicant applies nine Equator Principles III (EPIII) and performance standards 1 to 8 of the International Finance Cooperation (IFC). The E&S policy is in line with and supports national policies (e.g., environment code,



green protocol and pact to eradicate compulsory labor). The E&S policy is aligned with performance standards 1 to 8 of the GCF interim environmental and social safeguards, and the AP assesses it to be sufficient in addressing different levels of E&S risk, including a maximum E&S risk Category A/I-1. The E&S policy contains an environmental and social impact assessment (ESIA) process, which requires the use of a mitigation hierarchy, evaluation of alternatives, and assessment of cumulative impacts and the impacts of associated facilities.

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

48. The front-line staff conducts the initial assessment, using an exclusion list to screen out certain types of projects (e.g., use of child labor). The applicant then reviews the provided ESIA against EPIII and the IFC performance standards 1 to 8. There is an E&S manual with a comprehensive checklist and scorecard to support this review. External consultants may also be hired to review the more complicated projects. The potential client's past E&S performance is also reviewed. A potential project is classified by the applicant as Category A/I-1, Category B/Intermediation 2 (I-2) or Category C/Intermediation 3 (I-3). The screening process identifies projects that fall under EPIII. All projects that fall under EPIII are subject to the applicant's ESMS procedures, no matter the type of financial instrument (e.g., loans or guarantees). Sufficient evidence was provided to show the applicant's satisfactory track record of identifying E&S risks and impacts and categorizing projects in line with GCF's requirements for a maximum of Category A/I-1 projects/programmes.

### 3.2.3 Section 6.3: Management programme

49. The applicant has a comprehensive environmental and social management system (ESMS), comprised of policies, guidelines and procedures to track E&S risks and mitigation measures over the project cycle. For each EPIII project, the applicant first conducts a desk-level risk assessment (e.g., review of the ESIA and environmental and social management plan) and verifies the E&S risk categorization through a field visit. The E&S unit then issues an opinion and, where needed, a corrective action plan for any E&S non-compliance. The E&S findings are considered when the credit committee decides on whether to finance a project. If approved, the legal team integrates any E&S action plan into the loan agreement. If a client fails to comply, legal means can be used to re-establish conformity. The applicant provided an adequate track record of implementing the ESMS and tracking the mitigation measures of its clients in line with GCF requirements for a maximum of Category A/I-1 projects/programmes.

### 3.2.4 Section 6.4: Organizational capacity and competency

50. The organizational chart shows the key departments and units responsible for implementing the ESMS, along with the reporting lines. The operations department through its sustainability bureau and E&S unit implement the E&S policy and ESMS. The biodata of the five staff in the E&S unit were provided, showing relevant qualifications and experience with performance standards 1 to 8 of the GCF interim environmental and social safeguards. External experts can also be hired to conduct specialist tasks (e.g., anthropologist).

51. The applicant's intranet provides various E&S courses for all employees (e.g., sustainable development of cities). The E&S staff participate in external events to stay up to date with evolving best practices e.g., national, regional, and global Equator Principles meetings. Training materials, participant lists, and meeting agenda were provided to show the E&S training record. Various sectoral guides (e.g., housing and energy) and standardized E&S contract clauses were developed since 2016 to further institutionalise E&S capacity.

52. The AP has found that the applicant's organizational capacities and competencies are sufficient to manage Categories A/I-1, B/I-2 and C/I-3 projects/programmes.

### 3.2.5 Section 6.5: Monitoring and review

53. The E&S risk assessment manual outlines the project monitoring and review procedure. The executing entity in compliance with EPIII must hire an independent monitoring expert for

Category A/I-1 and for the complicated B/I-2 projects/programmes. The E&S Unit will validate the independent expert's reports. Each mitigation measure is monitored and followed until fully implemented. The ESMP and any corrective action plan will be updated as needed over the implementation period. The E&S unit analyses all the monitoring data before issuing its E&S opinion for project approval and project disbursements. The applicant provided its project-specific monitoring scorecard and sample monitoring reports against EPIII and performance standards 1 to 8 of the IFC for some Category A and Category B projects, showing alignment with requirements under the GCF interim environmental and social safeguards.

54. The ESMS is subject to an annual internal review to assess the adequacy of capital to address E&S gaps and risks. In addition, an in-depth third-party review was conducted in 2014; another is scheduled for 2018. The ESMS revisions over time and the applicant's avid participation in Equator Principles meetings confirm the applicant's continuous learning approach.

### 3.2.6 Section 6.6: External communications

55. The national environmental authorities require projects to establish a communications mechanism. The applicant also requires its executing entities to develop and implement a communications plan, with communication channels. The applicant is required in accordance with its ESMS to assess the adequacy of the project-level communications and complaints system, the timing and quality of the responses, and the compliance of the communications system to standards. If it is identified that the communications system or the grievances of affected communities have not been sufficiently addressed, a specific action plan is developed to ensure conformity with performance standard 1 or EP6, as applicable. Sample links to project-level communications channels were provided to show a track record of implementing project-level communications and grievance mechanisms.

56. The entity-level ombudsman manual outlines the procedures, timeline, and responsibilities to treat all communications and complaints. Internal and external stakeholders can access the applicant's ombudsman office through the website, or by telephone or national portal. The applicant provided a list of external communications and complaints from June 2011 to November 2015. To date, the applicant has not received any project-related E&S complaint through this entity-level communications and complaints channel. This entity-level grievance redress mechanism complies with GCF's requirements with respect to being culturally appropriate, accessible to all stakeholders, transparent and providing protection against retribution, where needed.

57. The E&S issues of large projects may also be disseminated by the press media, and the applicant will investigate such issues when an E&S issue related to one of its projects arises in the media.

58. The applicant does not currently disclose ESIA documents in line with the GCF information disclosure policy (IDP) for Category A/I-1 projects/programmes. The applicant confirmed that it and its executing agencies could meet GCF's consultation and disclosure requirements under the interim environmental and social safeguards and IDP, including the requirement to provide reports in full and in English and for the specified duration. The applicant will use the GCF IDP requirements as criteria to select executing agencies for any GCF project.

## 3.3 Gender

59. The applicant signed the United Nations (UN) Women's Empowerment Principles. It implements the national law on protecting women against violence. It has implemented a corporate level diversity program since 2005 to improve performance on gender equity and race discrimination. The applicant has been awarded the Gender Pro-Equity Label by UN

Women and International Labour Organization since 2012 for promoting equality between men and women at the institutional level. Examples were provided showing application of a non-discriminatory principle at the institutional- and project-levels. Other examples were provided to show a track record of projects that specifically target women beneficiaries (e.g., a home-based energy project). The curriculum vitae of two gender staff were provided to show the qualifications and competency to further mainstream gender into the organization.

60. It is noted that most of the applicant's efforts to date on gender mainstreaming are at the institutional level. To align with the GCF Gender Policy, the applicant is in the process of updating its gender policy and gender action plan; the terms of reference for this work were issued in early 2018. The updated gender policy and action plan will apply to all clients, as well as to beneficiaries.

## IV. Conclusions and recommendation

### 4.1 Conclusions

61. 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, the specialized fiduciary standard for grant award and/or funding allocation mechanisms, the specialized fiduciary standard for on-lending and/or blending for loans and guarantees, and partially meets the specialized fiduciary standard for project management. The applicant will need to provide for independent post-implementation project evaluation in order to fully meet the specialized fiduciary standard for project management;
- (b) The applicant partially meets the requirements of the interim ESS of the GCF in relation to the high E&S risk (Category A/I-1), with the main gap being not fully meeting GCF's consultation and disclosure requirements under the GCF IDP; and
- (c) The applicant partially meets the requirements of the GCF gender policy, with the main gap being the need to update or revise its gender policy to be in line with GCF Gender Policy requirements and applying it to not only clients, but also beneficiaries.

### 4.2 Recommendation on accreditation

62. The AP recommends, for consideration by the Board, applicant APL061 for accreditation as follows:

- (a) **Accreditation type:**
  - (i) **Maximum size of an individual project or activity within a programme:** large (including micro,<sup>7</sup> small<sup>8</sup> and medium<sup>9</sup>);
  - (ii) **Fiduciary functions:**

<sup>7</sup> 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".

<sup>8</sup> 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".

<sup>9</sup> 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 USD 50 million and up to and including USD 250 million for an individual project or an activity within a programme".



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:** high risk (Category A/I-1) (including lower risk (Category B/I-2<sup>10</sup> and Category C/I-3<sup>11</sup>); 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) Conditions to be met prior to the submission of the first funding proposal to the Board:
    1. Approval by the applicant of a consultation and information disclosure policy consistent with requirements of the GCF IDP for Category A/I-1 and Category B/I-2 projects/programmes;
    2. Approval by the applicant of a revised gender policy consistent with the requirements of the GCF Gender Policy; and
    3. Provision of written confirmation that the applicant has made the required arrangements to ensure that it will secure the engagement of services for a post-implementation independent evaluation for each GCF-funded project/programme.
63. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 62 above, and agrees to the recommendation.

### 4.3 Remarks

64. The AP notes that the applicant is already taking steps to address the conditions identified in paragraph 62(b) above. Where needed, the applicant is encouraged to seek readiness and preparatory support to assist it with meeting the said conditions.

<sup>10</sup> 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”.

<sup>11</sup> 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 VI: Accreditation assessment of Applicant 062 (APL062)

### I. Introduction

1. Applicant 062 (APL062), the Fondo para la Acción Ambiental y la Niñez (Fondo Acción), is a national entity aiming to promote activities that preserve, protect and manage natural and biological resources of Colombia in a sustainable and ecological manner. It also provides financial support and services to promote child protection and development, with an emphasis on early childhood.

2. The applicant received support through the GCF Readiness and Preparatory Support Programme (i.e. pre-accreditation support for the institutional gap assessment and action plan). The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 26 February 2016. Accreditation fees were received from the applicant on 19 July 2016, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 9 August 2017 and the applicant was progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** direct access, national. The applicant received a national designated authority or focal point nomination for its accreditation application from Colombia;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or activity within a programme:** micro;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards;
  - (ii) Specialized fiduciary standard for project management; and
  - (iii) 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)).<sup>3</sup>

### II. Stage I institutional assessment and completeness check

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

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

<sup>2</sup> Decision B.07/02.

<sup>3</sup> 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 applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. The applicant was incorporated in 2000 in the framework of the Bilateral Agreement between Colombia and the United States of America to manage the Account of the Americas. It is registered under the Bogota Chamber of Commerce as a legal non-profit organization.

## 2.2 Institutional presence and relevant networks

5. The applicant, as a national non-profit organization, indicated that it has maintained good connections with the Government of Colombia, private sector entities, national and international foundations, non-profit organizations and multilateral organizations. It focuses on three areas of work: environment programmes, capacity building programmes and child development programmes.

6. In order to advance the objectives of the GCF, the applicant intends to focus on the following areas, including but not limited to:

- (a) Building sustainable relationships between human societies and ecosystems by working in ecosystem conservation and sustainable rural development programmes and projects;
- (b) Carrying out demonstration initiatives on greenhouse gas emission reductions covering industry, agriculture, energy and housing sectors;
- (c) Designing, promoting, facilitating and implementing programmes and projects with local communities, aiming to transform current rural development models into sustainable forest management, low emissions agriculture and sustainable cattle ranching models;
- (d) Reducing greenhouse gas emissions through forest management, nature conservation, increased low-emission energy access and power generation, and green appliances and buildings; and
- (e) Designing projects for sustainable management of local protected areas, with the close participation of local populations.

## 2.3 Track record

7. The applicant has 16 years of experience in the implementation and management of environmental projects, conservation and sustainable management, in line with its mission to promote efforts to preserve, protect and manage natural resources in a sustainable and ecological way. Since 2016, Fondo Acción has implemented and managed a total of 616 environmental projects with a total value of over USD 134 million.

8. The applicant has focused on three levels of interventions in climate change mitigation and adaptation: capacity building, trusteeship and public policy. The applicant's track record in financing climate change projects includes the following, which fall within the GCF micro project size category and environmental and social risks Category B/I-2:

- (a) USD 0.16 million (grants) for the Project of Community Forestry and Reducing Emissions from Deforestation and Forest Degradation in Colombia;
- (b) USD 0.18 million (grants) for the Capacity Building of Community-Based Organizations and Other Climate Change Actors project;

- (c) USD 0.25 million (grants) for a French Development Agency Programme on Climate Change;
- (d) USD 9 million (grants) for the Connecting Landscapes Programme in the Amazon Basin and Western Colombia; and
- (e) USD 44 million (grants) for the Mainstreaming Sustainable Cattle Ranging project.

### III. Stage II accreditation review assessment

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

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

## 3.1 Fiduciary standards

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

11. The applicant's Executive Council is composed of the same members as the Administrative Council of the Account of the Americas in Colombia. The applicant's Executive Council provides assurance is staffed by independent and qualified professionals that appropriately represent the applicant's stakeholders. Furthermore, the applicant has established the following oversight committees: Ethics Committee, Anti-Corruption Committee, Audit Committee (further comment on this committee will be provided in the section on Internal Audit) and the Investment Committee. The organization is led by an Executive Director who has four direct report units: Internal Audit, Administrative and Finance Director, Technical Director and Legal Director.

12. The applicant has a mature strategic planning method guided by documented policies and procedures. The effective communication practices and small size of the organization ensure a shared understanding of objectives and responsibilities throughout the organization. The applicant uses a balanced scorecard planning and performance measurement system. Furthermore, the AP has found that the applicant has the systems and procedures to effectively translate its strategic plan into actionable tasks that are efficiently measured using key performance indicators supported by appropriate technology.

13. The applicant prepares its financial statements based on the national generally accepted accounting standards, and provided financial statements for the past three years with notes as supporting evidence; these financial statements are comparable across the relevant time periods and appropriately reflect the financial position of the applicant. The applicant's accounting system appropriately segregates information by costs centers and by programmes managed by the applicant.

14. The applicant has a well-established management information system (MIS) for the volume of data it manages, which provides detailed information for project monitoring and control. The applicant provided report samples that demonstrate the adequacy of its MIS. Furthermore, the MIS system is designed such that it provides timely information to all levels of the organization.

15. The separation of duties and responsibilities in the applicant's payment and disbursements system is well defined. Responsibilities for review, approval and execution of disbursements are appropriately segregated among several authorities. Review of payment requests consists of ensuring consistency between the delivery of goods or services and the

requirements of the agreement that regulates procurement. Once positively reviewed the area director approves the payment; once approved the accounting area executes the payment. The applicant is implementing its formal internal control procedures, which contemplate further audits and reviews of payments executed.

16. The applicant's Executive Council approved, in April 2017, establishment of the applicant's Audit Committee and the Office of the Internal Auditor, as part of the approval of its recently adopted Internal Control System (ICS). The Council's decision further recognizes that the applicant's ICS is guided by the following documents:

- (a) internal control system manual;
- (b) operational risk management templates and manual;
- (c) internal auditing manual; and
- (d) auditing committee regulations.

17. The ICS approves the decision to outsource (due to the applicant's size) the internal audit functions to a firm specialized in the areas of risk management and internal control. Furthermore, the applicant's Financial Director provided statement indicating that the ICS was in a preliminary implementation phase in 2017, and it is expected to be fully implemented in 2018.

18. The applicant provided copies of its audited financial statements for the past three years, as well as the notes for these financial statements. The external auditor reports that the financial statements of the applicant reasonably present, in all material aspects, the financial situation of the applicant. Furthermore, the external auditor does not report any internal control matters of concern. In addition to the independent audit undertaken by the external audit firm, the applicant is required to present annual management reports to municipal authorities in compliance with national regulations applicable to non-governmental organizations, such as the applicant.

19. Although, at the time of the AP's assessment, the applicant had not fully adopted its ICS, it did have in place a quality management system that audits the processes and procedures utilized by the applicant to execute and control financial transactions. While the quality management system is not considered an internal control system that meets the GCF basic fiduciary standards regarding internal control, it provides reasonable assurance regarding the applicant's control environment.

20. The applicant's procurement policies and procedures were developed in the framework of its quality management system and have been audited by the independent quality system auditor for effectiveness and organizational compliance. The applicant's procurement procedures are established within its Procurement Policy. Additionally, the applicant's Anti-Corruption Policy contains a specific section on prevention of corruption in procurement activities. The applicant's procurement policies and procedures are appropriate for the size category it is seeking accreditation for. Furthermore, the applicant has a demonstrated track record of effectively adapting its procurement procedures to specific requirements required by the donors that have provided funding for the projects it manages.

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

21. The applicant has a published Code of Ethics. The code of ethics applies to all officers, employees and parties with whom a contractual relationship is established. This code of ethics covers: conflict of interest, money laundering, confidentiality, discrimination and harassment, relations with stakeholders, financial management, investigations and sanctions. The applicant has provided evidence that it undertakes appropriate efforts to ensure the principles of its Code of Ethics are appropriately communicated to all relevant parties. The applicant has an Ethics

Committee responsible for evaluating events that may constitute a violation of the Code of Ethics.

22. The applicant's Code of Ethics establishes the reporting requirements for all cases in which an actual or potential conflict of interest exists. Furthermore, the Code of Ethics provides definitions of what is considered a conflict of interest, legal implications of non-compliance with the Code of Ethics (as it pertains to conflict of interest), the mechanisms and instances for communicating conflict of interest issues and the role of the Ethics Committee in the resolution of Conflict of Interest issues. Furthermore, the applicant's Anti-Corruption Policy states that failure to disclose a situation of conflict of interest is considered an act of corruption.

23. The applicant provided evidence that demonstrates the organizational value of zero tolerance towards fraud. The Anti-Corruption Policy defines the main forms of prohibited practices that are to be prevented, the practices defined are aligned with the GCF's requirements. Furthermore, to ensure proper project execution, the applicant requires that executing parties present a financial guarantee to insure the appropriate use of financial resources disbursed.

24. The applicant's relevant policies define the procedures that are applicable to the investigations function. In addition to the aforementioned policies, the applicant has published guidelines for placing complaints and for whistle-blower protection. Furthermore, the applicant has clearly defined procedures, as well as roles and responsibilities, for processing complaints. The appropriate officers, executive director, chairman of the Executive Council and Ethics Committee, have delegated responsibilities in the investigation process.

25. The guidelines for appropriate management of money laundering and financing of terrorism risks are established in the applicant's Code of Ethics. The relevant section of this code defines what constitutes money laundering and refers to the applicable national regulations, as well as to the obligation to report suspicious transactions to the appropriate authorities. The applicant's Anti-Corruption Policy further strengthens the applicant's policies regarding the prevention of money laundering and financing of terrorism. The applicant's Code of Conduct, Anti-Corruption Policy and strict national AML/CFT regulations provide the required elements for an effective management of AML/CFT risk.

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

26. The applicant has experience as manager of third party funds for investment in two priority areas: environment and childhood. Its project management track record includes projects funded with resources donated by international and national donors, both public and private; and the project implementation modalities include providing management of donor funds that are granted to project sponsors and direct project implementation.

27. In its role as manager of donor funds, including financial and programme management, the applicant's experience is centered on managing programmes jointly conceptualized and designed with its donors; the applicant has provided ample evidence of the adequacy of its operational procedures and management tools for definition of project/programme objectives and appraisal/selection of sub-projects or activities within a programme.

28. The aforementioned operational procedures include documented guidelines for issuing calls for project proposals, standardized formats for evaluating and scoring project proposals received and transparent mechanisms for project selection. The project evaluation procedures allow the applicant to identify project risks and plan for mitigating actions during project implementation.

29. The applicant provided copies of the request for proposals procedure and the application it uses to consolidate project information; as well as copies of a completed project evaluation report and matrix of project scoring. As further evidence of its project management



track record the applicant provided appraisal manuals developed for two specific programmes under management.

30. The applicant prepares budgets and implementation timelines for the projects it funds. Additionally, the project objectives are assigned a relevance score that is utilized during project implementation to generate a project score that is used to measure the effectiveness of project implementation. Copies of files containing budgets, timelines and weighted project objectives were provided for assessment by the applicant.

31. The applicant has documented monitoring and evaluation procedures that provide guidance for the activities that are undertaken during the project implementation phase. In addition, the applicant provides technical support during the project implementation, the support activities are documented in the project support guide.

32. The applicant utilizes two proprietary software applications for project monitoring and evaluation. The first application is used to keep track of the entire project portfolio under management and contains general information such as project disbursements and execution status. The second application is utilized to record detailed project information. This application contains all project information relevant for effective project monitoring. The project information is classified into the following categories: design and objectives, execution milestones, project modifications and project disbursements. Finally, this application is utilized to generate project monitoring and evaluation reports.

33. The applicant, based on its project management procedures, identifies the project milestones that are critical for successful project execution. The information regarding a project's critical path is recorded in the Critical Path software application and is utilized to identify, in a timely manner, risk factors that could hinder project completion. Based on the information provided by this management tool, corrective actions are applied or the decision to cancel a project and remedial measures, as provided by the relevant contract, are applied. Decisions regarding the course of action, when risk alerts are generated, are taken by the Project Alert Committee.

34. The applicant does not have an independent risk unit responsible for undertaking independent project evaluation; however, the applicant has demonstrated that, when required, it will engage the services of an independent project evaluator. Furthermore, the independent project evaluations are, in accordance with the applicant's information disclosure policy, information that is in the public domain, and will be disclosed if requested. The applicant does not have a specific policy regarding disclosure of independent project evaluation reports, however evidence of publications of such reports when required was provided.

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

35. The applicant has specialized in managing programmes and projects that utilize grants as the funding mechanism awarded to executing entities. The applicant has successfully applied its grant funding mechanism for projects and programmes using resources from both international and national organizations.

36. The initial step undertaken by the applicant, when implementing a project/programme with a grant award mechanism structure, is the call for proposals. In accordance with the design and nature of the project/programme, the applicant will issue one of the following calls for proposals (invitations): wide, shortlist or sole bidder (in cases where a specific expertise is required). The applicant's Calls Procedure clearly defines the call design and publication requirements, and evidence was provided that the Calls Procedure is effectively implemented, and appropriate channels are utilized to make the terms of reference for calls available to the relevant parties. The applicant's website has easily accessible information for all the calls for

proposals that are currently open.<sup>4</sup> Furthermore, the applicant provided examples of supporting documentation it provides to bidders to assist them in the preparation of their proposals.

37. Once proposals are received the applicant evaluates proposals utilizing standardized forms to record and assess proposal information; the evaluation process is undertaken with the support of a proprietary information system. The applicant provided evidence of project evaluation exercises, including final recommendation reports. The evaluation procedures utilized by the applicant are based on predefined criteria that is applied consistently for all proposals.

38. The proposal assessment is the responsibility of the Project Committee established for each project/programme. The Project Committee will present its assessment report (with relevant comments and observations) to the authorizing instance for approval. The applicant's Executive Council authorizes all grant awards, except in the cases in which the agreement entered with the donors stipulates a different authorizing instance.

39. The applicant's grant agreements contain clear stipulations regarding the amounts awarded, the definitions of activities that are eligible for funding with grant proceeds, the requirements for disbursements of funds and the conditions under which the grant award can be suspended. Furthermore, the applicant's requirements for approval of disbursement requests, in addition to its project monitoring and evaluation competencies, indicate that the applicant has the required controls over recipients' appropriate use of grant funds.

40. The applicant has provided evidence of publication of grant awards, and the applicant's Information Disclosure Policy establishes that the dissemination of information pertaining to the financing of projects is part of its information disclosure strategy. However, the applicant does not have a formal policy for the disclosure of grant award information that complies with the GCF's requirements, specifically a policy that establishes publication, at least of the following information on the applicant's website: name of the beneficiary, purpose of the grant, grant amount awarded.

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

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

## 3.2 Environmental and social safeguards

### 3.2.1 **Section 6.1: Policy**

42. The applicant's environmental and social management system (ESMS) comprises two main documents: Environmental and Social (E&S) Policy and Environmental and Social Management Framework (ESMF). The applicant's ESMS adheres to the performance standards 1 to 8 of the International Finance Corporation, and hence are consistent with performance standards 1 to 8 of the GCF interim Environmental and Social Safeguards (ESS). The E&S policy contains overarching statements on the E&S objectives and principles guiding the institution. The applicant's E&S coordinator reporting to the technical director of the applicant's institution is responsible for ensuring conformance with the E&S policy and for its execution. The E&S policy is endorsed by the applicant's senior management and is communicated to all levels of its organization. The applicant commits to address all the following elements in its E&S policy in projects implemented by it and projects it oversees executed by executing entities: assessment of cumulative impact, associated facility impacts, analysis of alternatives, baseline data standards and mitigation hierarchy. The AP found the applicant's ESMS, comprising the E&S

<sup>4</sup> Refer to <<http://www.fondoaccion.org/es/convocatorias>>.



Policy and ESMF, to be sufficient to meet the GCF requirements for a maximum E&S risk Category B/I-2 projects/programmes.

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

43. The applicant's ESMF instructs its staff and its partners step-by-step on the requirements of identification and management of E&S risks including categorization for E&S risk Category B/I-2 projects/programmes in line with the applicant's obligations under national regulations and international legislation adopted by the applicant's country. The general objective of the ESMF is to guide the applicant's socio-environmental practices, defining a series of methodologies, tools and procedures that allow to ensure an appropriate management and protection of the ecosystems, communities and personnel during the formulation and implementation of the projects and programmes. The applicant provided a sample of E&S risk and impact screening documents as evidence of projects which include the E&S risks and impacts identification process including categorization for E&S risk Category B/I-2 projects/programmes. The applicant also provided a list of past illustrative projects indicating their E&S risk category including the rationale for the identified E&S risks and impacts. The E&S risk identification and categorization process is found by the AP to meet GCF requirements for E&S risk Category B/I-2 projects/programmes.

### 3.2.3 **Section 6.3: Management programme**

44. The applicant's ESMF describes its institutional process for managing E&S risk mitigation measures and actions stemming from the E&S risk identification process. The ESMF provides the format for the E&S management plan (ESMP) to be developed for each project in the E&S risk category B/I-2. The ESMP also includes the E&S performance indicators specific to a given sector that are monitored by the applicant's project team to assess the management of the E&S impacts based on the evaluation of four capitals: natural capital, social capital, physical capital and human capital. The applicant provided a sample of project documents as a demonstration of its process for managing E&S mitigation measures. The E&S risk management function is found by the AP to meet GCF requirements for Category B/I-2 projects/programmes.

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

45. The applicant provided its institutional organisational structure that defines roles, responsibilities, reporting lines and authority to implement the ESMS, which includes its senior management. The applicant provided information on its key E&S technical staff with direct responsibility for project/programme performance who have the knowledge, skills and experience necessary to understand and ensure implementation of the performance standards 1 to 8 of the GCF interim ESS and are able to properly categorize potential funding proposals against the relevant E&S risk category (e.g. Category C/Intermediation 3 or Category B/I-2). The applicant also provided information on the ESS and gender-related training programmes undertaken by its staff. The AP found that the applicant's organizational capacities and competencies to implement its ESMS are appropriate, including for projects/programmes that are categorized as Category B/I-2 projects/programmes.

### 3.2.5 **Section 6.5: Monitoring and review**

46. The applicant's ESMF describes its monitoring and supervision procedure that instructs its staff on how to systematically track the completion of E&S risk and impact mitigation and performance improvement measures, including roles and responsibilities. The applicant provided evidence of its monitoring and evaluation of E&S matters in the projects designed and implemented using the funds from donors. The applicant also provided evidence of periodic performance reviews which are reported to its senior management on the effectiveness of the institutional ESMS, including the senior management's track record of taking the necessary steps to ensure the intent of the institutions policy is met and that procedures, practices and plans are implemented. The applicant's ESMF describes the guidelines on external audit to

assess the effectiveness of implementation of its ESMS. The AP found the applicant's monitoring and reporting process sufficient for E&S risk Category B/I-2 projects/programmes.

#### 3.2.6 **Section 6.6: External communications**

47. The applicant's ESMF provides information on its website to receive and register external communications. The applicant's ESMF describes its internal procedures and competencies to screen and assess issues raised, as needed. The applicant provided a compilation of the inquiries related to E&S matters that it has received and responded to in the last three years. The applicant's ESMF includes a requirement for a project-level grievance mechanism in projects/programmes executed by its executing entities that it oversees. The applicant's ESMF requirement on disclosure and public consultation of its E&S assessment documents is found to be in line with the GCF Information Disclosure Policy requirements for E&S category B/I-2 projects/programmes.

### 3.3 Gender

48. The applicant provided its gender policy which is found by the AP to be in line with the GCF Gender Policy. The applicant also provided a gender action plan and an operational manual for a specific programme that it funds, as evidence of its procedures and practice on gender mainstreaming. The applicant has been investing in the capacity building of its staff regarding gender considerations since early 2016. The applicant provided a sample of its grant award operations which provide special emphasis for motivating women's participation in the decision-making process and as project beneficiaries. The applicant provided evidence in the form of salary slips as the applicant's approach to the balanced remuneration between men and women beneficiaries. The applicant's sample of project documents demonstrate the linking of gender and climate change.

## IV. Conclusions and recommendation

### 4.1 Conclusions

49. 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, meets the specialized fiduciary standard for project management, and partially meets the specialized fiduciary standard for grant award and/or funding allocation mechanisms. The applicant will meet the GCF basic fiduciary standards once it completes the implementation of its Internal Control System, and demonstrates that the outsourced internal audit functions and its Audit Committee is functional. The applicant will fully meet the specialized fiduciary standard for grant award and/or funding allocation mechanisms once it develops and implements its policy for public disclosure of information regarding grant beneficiaries;
  - (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 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 consideration in the context of climate change.

### 4.2 Recommendation on accreditation

50. The AP recommends, for consideration by the Board, applicant APL062 for accreditation as follows:

(a) **Accreditation type:**

(i) **Maximum size of an individual project or activity within a programme:**

micro;

(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

(iii) **Maximum environmental and social risk category:** medium risk (Category B/I-2) (including lower risk (Category C/Intermediation 3 (I-3)<sup>5</sup>)); and

(b) **Conditions:** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the conditions. The AP will thereafter assess whether the conditions have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes:

(i) Conditions to be met prior to the first disbursement by the GCF for the first GCF-funded project/programme to be undertaken by the applicant:

1. Approval by the applicant of its policy for the public disclosure of grant award information, which shall contain at least the following information:
  - a. Name, address and nationality (in case of individuals) or place of incorporation (in case of legal entities) of the beneficiary;
  - b. Purpose of the grant; and
  - c. Grant amount awarded and, where applicable, the maximum percentage of grant co-financing; and
2. Provision of a report from an independent consultant confirming that the applicant's:
  - a. Internal Control System is effective;
  - b. Internal audit function, which is undertaken by the organization contracted by the applicant to serve as internal auditor, is effective; and
  - c. Audit Committee is functioning and effective.

51. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 50 above, and agrees to the recommendation.

## 4.3 Remarks

<sup>5</sup> As per annex I to decision B.07/02, category C is defined as "Activities with minimal or no adverse environmental and/or social risks and/or impacts" and intermediation 3 is defined as "When an intermediary's existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts".

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52. The AP recommends that the applicant formalize its commitment to engage a third party to undertake independent project evaluations for GCF-financed projects/programmes, and furthermore to make these evaluation reports available to the public.

## Annex VII: Accreditation assessment of Applicant 063 (APL063)

### I. Introduction

1. Applicant 063 (APL063), IDFC Bank Limited (IDFC Bank), is a national entity headquartered in India. The applicant is a banking company that is part of the Infrastructure Development Finance Company Limited (IDFC). In 2014, IDFC transferred through a demerger operation, its lending and financing business to the applicant. The applicant is now a licensed Indian private sector banking company that has a project portfolio that focuses on infrastructure, transportation and energy production, including solar and wind energy investments.
2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 18 April 2015. Accreditation fees were received from the applicant on 4 June 2015, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 31 January 2018 and the applicant was progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:
  - (a) **Access modality:** direct access, national. The applicant received a national designated authority or focal point nomination for its accreditation application from India;
  - (b) **Track:** normal track;
  - (c) **Maximum size of an individual project or activity within a programme:** medium;<sup>1</sup>
  - (d) **Fiduciary functions:**<sup>2</sup>
    - (i) Basic fiduciary standards; and
    - (ii) Specialized fiduciary standard for on-lending and/or blending (for loans); and
  - (e) **Maximum environmental and social risk category:** medium risk (Intermediation 2 (I-2)).<sup>3</sup>

### II. Stage I institutional assessment and completeness check

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

#### 2.1 Legal status, registration, permits and licences

<sup>1</sup> 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”.

<sup>2</sup> Decision B.07/02.

<sup>3</sup> 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”.

4. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. The applicant received a universal banking license from the Reserve Bank of India (RBI) by section 22(1) of the Banking Regulation Act (1949) on 23 July 2015, and became operational on 1 October 2015.

## 2.2 Institutional presence and relevant networks

5. The applicant is a knowledge-based, diversified, financial services company with a focus on private infrastructure sector projects in India. Its primary business is lending to infrastructure projects, and in addition the applicant's business lines include corporate and investment banking, alternative asset management and public markets asset management. The applicant has been in the infrastructure space in India for over a decade and half and has developed a deep understanding of the various issues and risks involved in private sector and public private partnership infrastructure projects in India. The applicant's core sectors of investment are:

- (a) Energy;
- (b) Transportation;
- (c) Telecom; and
- (d) Commercial and Industrial Infrastructure.

6. In addition to infrastructure financing, the applicant is also seeking to finance low carbon growth in the large corporate; mid-market; micro-, small- and medium-sized enterprises (MSMEs); rural banking and micro finance sectors across a wide geographical spread across India.

## 2.3 Track record

7. The applicant has been working and cooperating with partner organizations, private sector entities and people at the local community level. In the last five years, the applicant has strategically focused on clean energy and its associated infrastructure projects that are critical to meet India's energy demands. The applicant's focus on renewable energy has enabled it to reach out to a new committed group of project promoters in the renewable energy space. The applicant has been able to influence its clients to adopt good construction and labour practices in renewable energy projects and initiate community welfare activities in the project areas. The applicant's environment and social management system and procedures, which have been refined over the years, aim to safeguard its activities from environmental and social risks associated with projects by identifying them early on at the project appraisal stage. This enables the applicant to engage with the project proponents and address and mitigate identified environmental and social risks through appropriate action plans and measures.

8. The applicant's track record in financing climate change-related projects includes the following:

- (a) USD 118 million of USD 147.24 million (loans) for the Bindu Vayu Urja Pvt. Ltd. project (wind energy sector) in India;
- (b) USD 86 million of USD 126.52 million (loans) for the Rayala Wind Power Company Limited project in India;
- (c) USD 59 million (loans) for the Green Infra Wind Energy Projects Limited project in India;
- (d) USD 48 million of USD 63.56 million (loans) for the Clean Wind Power Devgarh Private Limited project in India;

- (e) USD 30 million of USD 40.42 million (loans) for the AES Solar Energy Gujarat Private Limited project in India; and
- (f) USD 22 million of USD 71.92 million (loans) for the GMR Gujarat Solar Power Private Limited project in India.

### III. Stage II accreditation review assessment

- 9. The applicant applied under the normal-track accreditation process. Its application has been assessed against by the Accreditation Panel (AP) during Stage II (Step 1) against the standards of the GCF in accordance with the accreditation requirements.
- 10. As part of this assessment, the AP consulted the applicant's website and third-party websites to complement the information provided in the application.

#### 3.1 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 and oversight structure that is appropriate for the size and scope of its activities. As of May 2018, the applicant had eight board-level committees: Audit Committee; Nomination and Remuneration Committee; Stakeholder Relationships and Customer Service Committee; Corporate and Social Responsibility Committee; Risk Committee; Credit Committee; Allotment and Share Transfer Committee; and Ethics and Culture Committee. In addition, there is an Information and Technology Governance and Infrastructure Committee that reports to the Audit Committee. The majority of the members of these committees are independent members, serving for terms of up to three years.
- 12. The Company Secretary and Chief Compliance Officer is the Secretary to all the oversight committees and ensures adherence to all laws and regulations for conducting committee meetings. The composition and terms of reference of these committees, together with the appointment and remuneration of their members is disclosed in the 2016-2017 Audit Report and in the Investor Relations section of the applicant's website. The number of meetings and attendance records are also disclosed.
- 13. To support the applicant's board-level committees highlighted above, a Management Committee framework has been established to enhance governance and strengthen oversight and compliance. The key Management Committees are: Credit and Market Risk (including Investments) Committee; Operations and Information Security Committee; Risk (including Fraud Risk Management) Committee; Business Planning and Strategic Initiatives Committee; Product and Process Approval Committee; Internal Audit and Controls Committee; Premises and Outsourcing Committee; Brand and Public Relations Committee; Human Resources Committee. These committees ensure that the various submissions to the applicant's board and its sub-committees are first reviewed, approved and recommended by management.
- 14. The applicant has a well-established procurement policy, which the AP has reviewed and found to be appropriate for its activities. The procurement function is established under the Chief Operations Officer of the applicant and the external auditor conducts regular spot checks to ensure that procurement activities comply with the corresponding procurement policy. The applicant is committed to implement a procurement oversight function for projects and programmes supported by GCF funds where the applicant would be the intermediary, as well for the executing entities that are overseen by the applicant. A condition will be added that this oversight function should also be applicable to third party executing entities and project developers that benefit from GCF funds through the applicant.



15. The applicant has provided a description of the strategic plans and an overview of its strategic direction over the next four years, and further updated the AP on its strategy in its virtual interview with the applicant. The applicant envisages a move towards becoming a major retail bank in the Indian market with retail loan share growing to 60 per cent of the loan portfolio over the next four years. With regard to this objective, the applicant announced in January 2018 the acquisition of a retail operation called Capital First. The loan portfolio of Capital First is approximately one third the size of the applicant's, but consists of 93 per cent consumer loans, whereas the applicant's portfolio currently consists of 23 per cent consumer loans.

16. The acquisition of Capital First has been approved by the Competition Commission of India, and is expected to be finalized by October 2018. In 2016, the applicant also acquired Grama Vidiyal Micro Finance Limited, one of the largest microfinance institutions in India. It has now been renamed IDFC Bharat Limited, and the applicant intends to increase its microfinance and retail businesses through focusing on hitherto financially excluded groups using innovative digital services and doorstep banking. As such, the applicant is diversifying into corporate and retail loans while reducing exposure to the infrastructure sector. As of financial year 2018, the corporate book grew 38 per cent year-over-year, while the infrastructure book reduced 21 per cent year-over-year.

17. With regard to its activities to be conducted with GCF funds, the applicant informed the AP that it would focus on providing finance for micro-finance programmes, involving both loans and equity financing; projects on solar water pumps for agriculture, smart-grid and metering technologies installation; energy storage solutions; off-grid rooftop photovoltaic-based solar power projects and programmes; renewable energy based mini-grids projects; manufacturing and indigenizing renewable equipment and machinery; financing renewable energy-based cold storage projects in rural areas through the corporate, mid-market, MSME, rural banking and micro-finance sectors; and providing partial risk and credit guarantees for climate change mitigation and adaptation projects, including energy efficiency projects.

18. The applicant's appointment of external auditors is governed by the guidelines prescribed by the RBI. The statutory auditor of the applicant is appointed for a term of one year as per the terms of Section 139 of the Companies Act (2013) read with Companies (Audit & Auditors) Rules (2014), subject to approval of the RBI. The remuneration is decided by the applicant's board or Audit Committee thereof. The Audit Committee recommends to the applicant's board, the appointment, re-appointment, remuneration, terms of appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees. The applicant's Audit Committee also reviews and monitors the auditor's independence and performance, and effectiveness of the audit process. It also approves payment to statutory auditors for any other services rendered by the statutory auditors.

19. The applicant's financial statements have been prepared based on historical cost convention and accrual basis of accounting in accordance with the requirements prescribed under the Indian Banking Regulation Act (1949) and in conformity with Generally Accepted Accounting Principles in India to comply with the statutory requirements prescribed under the circulars and guidelines issued by the RBI from time to time and the Accounting Standards notified under the Indian Companies Act (2013). Management information systems are adequate to monitor ongoing financial performance of the applicant.

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

20. The applicant's investigation function provides for the independent and objective investigation of allegations of fraudulent and corrupt practices. The investigation policy framework is based on the applicant's Fraud Risk Management Policy that contains the provisions for the classification of fraud, prevention and detection of fraud, corrective actions, staff accountability, reporting guidelines, violations, training and awareness of employees, customer awareness and monitoring provisions.



21. In addition to the Fraud Risk Management Policy, the applicant has published guidelines for processing cases, including procedures for receiving and handling complaints, as well as disciplinary actions following the complaints-handling process.
  22. The applicant confirmed that in the past three years there were no instances of violation of code of ethics, fraud or corruption identified.
  23. The applicant has well defined and robust policies on anti-money laundering, countering terrorism financing, whistle-blower, conflict management and comprehensive employee code of conduct. In addition, all these policies are governed by RBI.
  24. The applicant has a comprehensive Code of Conduct which is provided to all employees of the applicant upon appointment. It addresses ethical behaviour, prevention of financial mismanagement, anti-money laundering (AML), countering the financing of terrorism (CFT) and “know-your-customer” (KYC) policies. The applicant’s AML/CFT policy is found by the AP to be appropriate for the applicant’s activities and consistent with the GCF AML/CFT Policy.
  25. The policy contains specific policy and guideline documents for fraud risk, whistle blowing, prevention of sexual harassment, workplace guidelines, conflict management, information security compliance, equal opportunities and diversity guidelines, disciplinary action guidelines and prohibition of insider trading. These policies and guidelines are reviewed and updated periodically by the relevant oversight management and applicant’s board-level committees outlined in paragraphs 12 and 13 above.
  26. Since 2015, all of the applicant’s staff have undergone AML/CFT and KYC training covering the following areas: money laundering and terrorism financing, applicable laws, regulations and authorities; KYC guidelines; monitoring of transactions; and reporting requirements.
  27. The applicant provided copies of comprehensive due diligence reports and supporting documentation on clients and companies that the applicant has approved to work with and provide finance to for renewable energy projects.
  28. The monitoring of wire transfers is governed by the applicant’s AML/CFT policy, which contains the classification of various transaction reports, such as monthly cash transaction reports, cross-border transaction reports and suspicious transaction reports, as well as corresponding regulations on monitoring and record keeping of transactions. As evidence to demonstrate implementation of the AML/CFT procedure, the applicant provided copies of the monitoring reports of the money transfers referring to scheduled project-related payments.
- 3.1.3 **Section 5.1: Specialized fiduciary standard for project management**
29. The applicant did not apply for accreditation for this standard at this time.
- 3.1.4 **Section 5.2: Specialized fiduciary standard for grant award and/or funding allocation mechanisms**
30. The applicant did not apply for accreditation for this standard at this time.
- 3.1.5 **Section 5.3: Specialized fiduciary standard for on-lending and/or blending**
31. The applicant is specialized in providing financial services with a focus on private infrastructure sector projects in India. Besides its primarily lending business to infrastructure projects, it has three other primary businesses: corporate and investment banking, alternative asset management and public markets asset management.
  32. In addition to the on-going infrastructure funding, the applicant also invests in renewable energy projects in India, and is looking for more opportunities in financing other climate change mitigation and adaptation projects through the large corporate, mid-market, MSME, rural banking and micro-finance sectors. The applicant’s geographical spread will ensure significant reach to the underdeveloped areas and underprivileged communities of India.

33. The applicant borrows from multilateral banks and other financial institutions, bond markets and various lines of credit and then on-lends to various projects and borrowers in India. The applicant has a solid track record of working with such multilateral institutions as the International Finance Corporation (IFC), Asian Development Bank, Kreditanstalt für Wiederaufbau Bankengruppe, Overseas Private Investment Corporation on projects for which these institutions provided lines of credit to the applicant. With regard to GCF-funded projects the applicant plans to blend and on-lend its funds raised on its own balance sheet along with the GCF financing for lending to activities that meet GCF criteria.
34. The applicant's on-lending and blending operations are supported by a set of well-developed policies, procedures and guidelines that are well aligned with GCF standards, including micro credit manual, financial management manual and investment policy, as well as specific funding programme manuals. The implementation of on-lending and blending policies is supported by the track record of the funds provided by multilateral institutions for co-financed projects and programmes.
35. The applicant has a robust risk management practice that enables it to book, manage and mitigate risks in its businesses. The applicant has a comprehensive risk management framework that covers all three types of risks: credit, market and operational risks. The risks management function is headed by the chief risk officer.
36. The credit risk management policy sets out the guidelines, principles and approach for credit risk management for the applicant and put in place a framework to identify, assess, measure, monitor and control credit risks in a timely and effective manner. The applicant's designated market risk group monitors the risks on account of interest rate, liquidity, currency and equity price in the trading books.
37. The applicant has also provided information on the specific guidelines it developed to evaluate and monitor the currency exchange risks for the small and medium enterprises, as well as resident individuals, firms, companies and other small banks operating in India and outside the country. To demonstrate the effectiveness of its risk management function, the applicant provided copies of credit due diligence reports for the specific projects, loan agreements and project activity monitoring reports for which it has provided loans. The AP finds the information provided sufficient to address the applicant's track record and demonstration of the effective risk management function and concludes that the risk management practice is consistent with GCF requirements for the specialized fiduciary standard for on-lending and/or blending.
38. The applicant provided comprehensive information regarding its financial management policies and its implementation of the policies. The AP found the applicant's financial management function is aligned with the GCF standards. The applicant's credit policy contains a description of the credit appraisal standards, due diligence process and requirements for potential beneficiaries, and possible restrictions imposed and corresponding authorities with respect to managing the various financial products of the applicant. The examples of the loan agreements containing the conditions of the loans, as well as specific amendment documents on the modification of the loan structure and blending of different loan within the project finance structure were presented to the AP.
39. The applicant provided comprehensive lending portfolio analysis reports containing information on the retail and wholesale operations, income statements, statements on the assets and liabilities of the whole group's operations, information on the shareholders, the new programme of opening the visa card services, as well as information on geographical and regional representation of the applicant's operations in India.
40. The applicant has a well-developed risk management strategy and procedures supported by the methodological tools for defining the risk appetite for investments in specific sectors of economy in India. The applicant also provided analytical reports on defining its risk appetite and effectiveness of the implementation of risk strategies for the years 2016 and 2017.

41. The applicant also provided copies of the minutes of its asset and liability management committee, which validate the effective functioning of this committee, and copies of its investment policy and its asset and liability management policy.
42. The applicant's investment policy contains the provisions for the classification of the investments and eligible products and securities that it works with, including equity shares, bonds, treasury bills, investments in venture capital and mutual funds and money market dealings. The policy also defines the scope and authority of the investment committee that undertakes the supervision of the investment activities, approves the investments, and reviews the investment portfolio on a bi-annual basis. Comprehensive annual investment reports have been provided.
43. With regard to the public availability of loan-specific information, the applicant has stated that at the moment the applicants' project finance business is bound by confidentiality clauses and proprietary requirements. Presently there is no system established to provide information to the public on specific project induced benefits accruing to the community at large. However, the applicant is willing to establish a procedure and designated website to make the information about the loan beneficiaries and projects co-financed by GCF publicly available. The corresponding condition is placed in this recommendation.
44. The applicant has received a rating of "BBB-" from the credit rating agencies Standard and Poors and Fitch, and a "AAA" rating with a stable outlook by the rating agency ICRA Limited, stating that the applicant has the highest degree of safety regarding timely servicing of financial obligations and implementing the instruments carrying the lowest credit risk.
45. In particular, the Standard and Poor rating agency confirms that the applicant has a sound capital and earnings profile, strong management and adequate risk management. The higher market risk is stemming from the equity investments; however, it is noted by the AP that the applicant did not apply for equity instruments under this application.

## 3.2 Environmental and social safeguards

### 3.2.1 Section 6.1: Policy

46. The applicant's environmental and social management system (ESMS) comprises its environmental and social (E&S) policy and environmental management system and procedures (ESM&P). The applicant's E&S policy and ESM&P include an overarching statement of the E&S objectives and principles which guide the applicant's institution. The E&S standards adhered by the applicant conforms to the Equator Principles III and are consistent with the performance standards 1 to 8 of the GCF interim environmental and social safeguards (ESS). The E&S policy and ESM&P are endorsed by the applicant's management and are available on the applicant's intranet for access to all its staff. The AP found the ESMS policy and ESM&P are suitable for the maximum level for the GCF E&S risk I-2 that the applicant is seeking accreditation for.
47. The ESM&P does not reflect the requirements related to assessment of cumulative impact, associated facility impacts, analysis of alternatives, baseline data standards and mitigation hierarchy in projects it oversees executed by executing entities. However, the applicant is willing to invoke assessment of these elements in projects financed by the GCF resources.

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

48. The applicant's ESM&P describes its institutional procedure which guides its staff in identifying the E&S risks and impacts of projects/programmes. The EMS&P was developed based on the IFC Performance Standards on Environmental and Social Sustainability and its engagement with other multilateral financial institutions and has been integrated into the applicant's credit appraisal framework. The EMS&P manual describes the applicant's procedure

for categorization of projects and programmes and the AP found it to be in line with performance standards of the GCF interim ESS. The applicant's environmental risk group (ERG) conducts an environment risk assessment of E&S risk Intermediation I-2 projects/programmes. The applicant provided a list of illustrative projects implemented by it in the past three years including their E&S risk categories. The AP found the E&S risk identification and categorization system to meet the GCF requirements for I-2 projects/programmes, including for performance standards 1 to 8 of the GCF interim ESS.

### 3.2.3 **Section 6.3: Management programme**

49. The applicant's EMS&P describes its institutional process for managing E&S risk mitigation measures and actions stemming from the E&S risk identification process. The applicant provided a sample of E&S due diligence reports for projects financed by itself, which indicate applicant's track record and competency of its E&S staff in managing E&S mitigation measures and actions stemming from the E&S risk identification. The E&S due diligence reports undertaken for I-1 and I-2 projects also include E&S action plans. The applicant commits to carry out an external evaluation of the effectiveness of its ESMS for projects financed by GCF resources. The E&S risk management process is found by the AP to meet GCF requirements for I-2 projects/programmes.

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

50. The applicant provided an organizational structure that identifies key units, departments, senior and line management personnel who are responsible for implementing the applicant's EMS&P along with their authority and reporting lines. The applicant's ERG has the primary responsibility for ensuring adherence to environment and social policy by various business verticals of its institution including large corporates, mid-market and MSME business banking. The head of the ERG is responsible for ensuring that the EMS&P is implemented for each project and that records of environmental reviews are maintained. The applicant provided bio-data of the E&S experts in the ERG and a sample of their work done as evidence of their competency in performance standards 1 of 8 of the GCF interim ESS. The applicant also provided information on the trainings undertaken by the applicant's staff on environmental appraisal process. The AP has found that the applicant's organizational capacities and competencies are sufficient to manage I-2 projects/programmes.

### 3.2.5 **Section 6.5: Monitoring and review**

51. The applicant's EMS&P describe its monitoring and supervision procedure that instructs its staff on how to systematically track completion of E&S risk mitigation and performance improvement measures, including roles and responsibilities. The applicant's ERG undertakes E&S monitoring and review of I-2 portfolio projects/programmes after sanction to monitor and ensure compliances to the requirements of applicable national and Equator Principles and E&S-related loan covenants on an ongoing basis. The applicant provided a sample of E&S monitoring and review reports prepared for international financiers addressing performance standards 1 to 8. The applicant also provided a sample of annual environmental performance reports for its board and shareholders. The applicant also provided evidence of the periodic performance reviews of its ESMS reported to its senior management, and how the lessons learned based on the its senior management reviews are reflected in the update of its ESMS. The AP has found that the applicant's monitoring and review system and procedures and capacities are sufficient to manage I-2 projects/programmes.

### 3.2.6 **Section 6.6: External communications**

52. The applicant has indicated that it currently does not, but is willing to develop if accredited to the GCF, an external communication system that includes methods to:

- (a) Receive and register external communications from the public;
- (b) Screen and assess the issues raised and determine how to address them;

- (c) Provide, track and document responses, if any; and
- (d) Adjust the management programme, as appropriate.

53. The applicant also does not have a policy nor the track record on disclosure and public consultation of E&S information in line with the GCF Information Disclosure Policy (IDP), but is willing to develop such a system post-accreditation. The applicant also does not have a policy or practice but is willing to develop, if accredited to the GCF, a policy and practice on project-level grievance mechanisms to be followed by executing entities that it oversees.

### 3.3 Gender

54. The applicant does not have a gender policy, procedures nor competencies in line with the Gender Policy of the GCF and has not demonstrated that it has experience with gender consideration in the context of climate change. The applicant is willing to develop its gender policy, procedures and competencies in line with the GCF Gender Policy, if accredited to the GCF.

## IV. Conclusions and recommendation

### 4.1 Conclusions

55. 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 and specialized fiduciary standard for on-lending and/or blending (for loans):
  - (i) The applicant does not have in place a procedure for overseeing the procurement process of the executing entities that develop the projects that the applicant oversees and finances. However, the applicant is willing to develop the procedure for overseeing procurement process of the executing entities that would develop GCF-funded projects/programmes; and
  - (ii) The applicant also does not have a mechanism to publicly disclose information on loan beneficiaries and results of financed projects. However, the applicant is willing to establish this procedure and a dedicated website to disclose this information for GCF-funded projects/programmes;
- (b) The applicant partially meets the requirements of the interim ESS of the GCF in relation to the medium E&S risk (I-2):
  - (i) The applicant does not have an external communication system for E&S related information that includes methods to:
    1. Receive and register external communications from the public;
    2. Screen and assess the issues raised and determine how to address them; and
    3. Provide, track and document responses, if any;
  - (ii) The applicant also does not have a policy nor the track record on the disclosure and public consultation of E&S information on projects it finances in line with the GCF IDP for E&S risk I-2 projects/programmes; and
  - (iii) The applicant further does not have a policy or practice on project-level grievance mechanisms to be followed by its executing entities that it oversees, in line with performance standards 1 of the GCF interim ESS. The applicant is willing to develop such mechanisms for GCF-funded projects/programmes; and



- (c) The applicant does not have a gender policy, procedures nor competencies in line with the Gender Policy of the GCF, and has not demonstrated that it has experience with gender consideration in the context of climate change. The applicant is willing to develop its gender policy, procedures and competencies in line with the Gender Policy of the GCF, if accredited to the GCF.

## 4.2 Recommendation on accreditation

56. The AP recommends, for consideration by the Board, applicant APL063 for accreditation as follows:

- (a) **Accreditation type:**
- (i) **Maximum size of an individual project or activity within a programme:** medium (including micro<sup>4</sup> and small<sup>5</sup>);
  - (ii) **Fiduciary functions:**
    - 1. Basic fiduciary standards; and
    - 2. Specialized fiduciary standard for on-lending and/or blending (for loans); and
  - (iii) **Maximum environmental and social risk category:** medium risk (I-2) (including lower risk (Intermediation 3 (I-3)<sup>6</sup>)); 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) Conditions to be met prior to the submission of the first funding proposal to the Board:
    - 1. Provision of evidence from the applicant of the establishment of its oversight procurement function and the procurement procedures that it and entities who receive GCF funds from the applicant will be required to comply with;
    - 2. Provision of evidence from the applicant of the establishment of its external communication system for environmental and social-related information that includes methods to (i) receive and register external communications from the public; (ii) screen and assess the issues raised and determine how to address them; (iii) provide, track and document responses, if any;
    - 3. Approval by the applicant of a consultation and information disclosure policy consistent with the requirements of the GCF IDP for I-2 projects/programmes;

<sup>4</sup> 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”.

<sup>5</sup> 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”.

<sup>6</sup> As per annex I to decision B.07/02, category C is defined as “Activities with minimal or no adverse environmental and/or social risks and/or impacts” and intermediation 3 is defined as “When an intermediary’s existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts”.

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4. Provision of evidence from the applicant of the establishment of its policy on project-level grievance mechanisms to be established by executing entities; and
  5. Provision of evidence from the applicant of the adoption of a gender policy and procedures consistent with the Gender Policy of the GCF, and the curriculum vitae of a gender expert responsible for implementing the gender policy; and
- (ii) Conditions to be met prior to the first disbursement by the GCF for the first GCF-funded project/programme to be undertaken by the applicant:
1. Provision of evidence from the applicant of the establishment of a policy or guideline for providing information to the public regarding the applicant's decisions on on-lending and/or blending operations; and
  2. Provision of evidence from the applicant of the creation of a webpage on the applicant's website for disclosing information on beneficiaries and results from GCF-funded projects/programmes.
57. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 56 above, and agrees to the recommendation.

### 4.3 Remarks

58. The AP recommends that the applicant seek support through the GCF Readiness and Preparatory Support Programme with regard to building up the competence of its E&S risks management to address the conditions in paragraph 56(b) above.

## Annex VIII: Accreditation assessment of Applicant 064 (APL064)

### I. Introduction

1. Applicant 064 (APL064), the Ministry of Finance and Economic Management (MFEM) of the Cook Islands, is a national entity whose core mandate is to advise the government of the country on economic, fiscal and financial issues. The applicant's scope of work and functions have implications across all sectors of the government, such as economic development, business management, climate change, natural resources, infrastructure, transportation, energy, agriculture and tourism.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 28 April 2017. Accreditation fees were received from the applicant on 24 May 2017, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 18 December 2017 and the applicant was progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** direct access, national. The applicant received a national designated authority or focal point nomination for its accreditation application from the Cook Islands;
- (b) **Track:** fast-track under the Adaptation Fund (AF);
- (c) **Maximum size of an individual project or activity within a programme:** small;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards;
  - (ii) Specialized fiduciary standard for project management; and
  - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
- (e) **Maximum environmental and social risk category:** minimal to no risk (Category C/Intermediation 3 (I-3)).<sup>3</sup>

### II. Stage I institutional assessment and completeness check

3. The applicant is eligible for, and applied under, the fast-track accreditation process as an AF entity. Its application has been assessed by the Secretariat during Stage I in accordance with the requirements and gaps identified in decisions B.08/03 and B.14/09.

#### 2.1 Legal status, registration, permits and licences

<sup>1</sup> 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".

<sup>2</sup> Decision B.07/02.

<sup>3</sup> 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".



4. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. It was established and enacted by the Parliament of the Cook Islands in 1996 and is charged by the general administration of the Ministry of Finance and Economic Management Act 1995-96, No.21.

## 2.2 Institutional presence and relevant networks

5. With a mission of implementing national sustainable development plans and relevant frameworks for achieving a low-emission and climate-resilient future of the Cook Islands, the applicant has a solid track record in managing climate change projects and programmes and plays a central role in developing and implementing country programmes. For example, it has managed the Official Development Assistance and associated aid projects and advanced the Joint National Action Plan for Disaster Risk Management and Climate Change Adaptation (2011-2015).

6. In order to advance the objectives of the GCF, the applicant's plans include:

- (a) Elevating development priorities and enhancing country ownership by engaging with various stakeholders of initiatives supported by the Government of the Cook Islands;
- (b) Identifying programmes and projects, including public-private partnerships, consistent with the GCF's investment framework;
- (c) Interacting with the GCF, guided by key national frameworks such as the National Sustainable Development Plan, Joint National Action Plan for Climate Change Adaptation and Disaster Risk Management and Cook Islands Renewable Energy Chart; and
- (d) Ensuring to address key result areas of the GCF and improve activity management for meeting the GCF investment criteria by reviewing and aligning its National Activity Management Framework.

## 2.3 Track record

7. The applicant, as the primary financial management arm of the country, works in all sectors of government to allocate funds appropriated by the Parliament of the Cook Islands. Key sectors of government that the applicant works in include health, natural resources, transportation, infrastructure, energy, agriculture, disaster risk reduction and climate change. The applicant interacts with relevant government agencies that cover these different sectors in making sure that the allocated budgets are being spent for intended purposes.

8. The applicant's track record in managing climate change-related projects includes the following, which fall within the GCF small and micro size categories:

- (a) USD 650,000 (grants) for the Mangaia Harbour Climate Adaptation Project;
- (b) USD 1.3 million (grants) for Northern Water-Community Water Tank Upgrades;
- (c) USD 8.58 million (grants) for Renewable Energy Grant (Southern Group) Project;
- (d) USD 13.96 million (grants) for Waste Management and Sanitation Improvement Project; and
- (e) USD 14.36 million (grants) for the Te Mato Vai Programme.

## III. Stage II accreditation review assessment

9. The applicant is eligible for, and applied under, the fast-track accreditation process as an AF entity. Its application has been assessed by the Accreditation Panel (AP) during Stage II (Step 1) against the accreditation standards of the GCF in accordance with the requirements and gaps identified in decisions B.08/03 and B.14/09.

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

### 3.1 Fiduciary standards

#### 3.1.1 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 is 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 standard concerning transparency and accountability, with the exception of item 4.2.4, investigation function, and item 4.2.5, anti-money laundering and countering the financing of terrorism, has been met by way of fast-track accreditation.

13. Regarding the investigation function, the Cook Island Audit Office (Audit Office) is responsible for investigating all reported and/or suspected cases of malpractice within the applicant. To ensure functional independence, the Audit Office is headed by a director who is appointed by the Prime Minister who is head of government of Cook Islands and reports directly to the Public Expenditure Review Committee, a body that is responsible for oversight of public accountability across the entire government structure. The Audit Office has a process for reporting cases investigated. To enhance accountability and transparency, investigation reports are tabled before Parliament and become public information thereafter. Sample cases of investigations of violation of code of ethics, fraud or corruption within the past three years were provided. Overall, the applicant's system and procedures for investigation of fraud, corruption and other forms of misconduct are aligned with the GCF standards.

14. Regarding anti-money laundering and countering the financing of terrorism, the applicant has a recently approved its anti-money laundering and anti-terrorist financing policy which is consistent with the GCF AML/CFT Policy. The policy is comprehensive and prescribes "know-your-customer" (KYC) procedures to be followed in combating money laundering and financing of terrorism. However, as the KYC procedures are new, the applicant has not yet produced any reports to demonstrate their effective implementation.

15. The applicant relies on the country's Financial Intelligence Unit (FIU) to trace and monitor the electronic transfer and wiring of funds in accordance with the Financial Transactions Reporting Act 2017. This act requires all banks and other organizations engaged in electronic funds transfers operating in the Cook Islands to report all wire transfers sent out of and received into the Cook Islands. In addition to the Financial Transactions Reporting Act 2017, the FIU carries out its responsibilities in accordance with other relevant legislation including: the Terrorism Suppression Act 2004, which makes it an offence to deal with sanctioned entities; the Proceeds of Crime Act 2003; the Crimes Act 1969; and the Currency Declaration Act 2016. This allows the FIU to analyse, monitor and investigate funds transfers for purposes of detecting criminal activity as part of the country's anti-money laundering and countering terrorism financing framework. The applicant provided evidence of the key role played by the FIU in monitoring electronic transfer of funds.

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

16. 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**

17. The applicant has a comprehensive set of policies and procedures which guide the management of climate financing mechanisms. All climate change related grants funded by development partners, such as the Asian Development Bank, are administered by the applicant's Development Coordination Division under which a Program Development Manager is assigned for each grant award programme. Other types of grants that are not climate change related are administered in accordance with a process known as the "Te Tarai Vaka" where the grant management process is dependent on the value of the grant activity and the risks involved.

18. The applicant's grant award system, including the terms of reference of the Grant Award Evaluation Committee, is adequately publicized and is available on the applicant's website. To ensure competence in the evaluation and grant award decision making process, the Grant Evaluation Committee comprises senior staff from the applicant and other government agencies. Sample agenda and minutes of recent Grant Evaluation Committee meetings provided by the applicant demonstrate transparency and objectivity in grant award decision making process.

19. The applicant has suitable procedures, guidelines and provisions in place for:

- (a) Ensuring that no grant is awarded retrospectively for activities already started or completed at the time of the application;
- (b) Suspension, reduction, or termination of the grant in the event of the beneficiary failing to comply with its obligations;
- (c) Providing information to the public regarding its grant decisions;
- (d) An annual, periodic independent review and external audit of its grant award activities; and
- (e) Recovery of funds paid to the grantees, in respect of expenditures which are unauthorized or fall outside the scope of the funding for the project.

20. The applicant has a sound system for undertaking due diligence to assess the eligibility and capabilities of potential grant awardees. The assessment places emphasis on the grant activity's financial viability and long-term sustainability, robustness of the grant implementing agency's management systems to ensure funds are used for the intended purposes, and adequacy of controls to support monitoring and supervision of the grant funded project.

21. The AP found that the information provided by the applicant was sufficient to demonstrate that the applicant has:

- (a) Proven experience in handling of grant funds from several external sources including the United Nations, European Union and the Asian Development Bank, and
- (b) Grant award mechanisms that comply with the GCF requirements.

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

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

## 3.2 **Environmental and social safeguards**

### 3.2.1 **Section 6.1: Policy**

23. The applicant applied for the minimal to no environmental and social (E&S) risk Category C/I-3 and thus the applicant is not required to have in place an E&S policy. Nevertheless, the applicant provided its environmental and social safeguards framework

(ESSF), which the AP had found to be in line with performance standards 1 to 8 of the GCF interim environmental and social safeguards. The environmental and social safeguards in the ESSF also includes the standard on stakeholder engagement and information disclosure. The applicant's government is committed to support projects that are aligned to the achievement of the National Sustainable Development Plan, and therefore projects must be environmentally and socially sustainable in line with the ESSF. The ESSF is endorsed by the applicant's management government and available on its website.

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

24. The applicant's ESSF describes its institutional process and procedures to guide its staff in identifying the E&S risks and impacts of projects/programmes as they evolve over the project life. The applicant provided a list of its past projects illustrating their E&S risk screening and categorization, which were all categorized by the applicant as E&S risk Category C/I-3 projects/programmes.

### 3.2.3 **Section 6.3: Management programme**

25. The applicant's ESSF describes its institutional process for managing E&S risk and impact mitigation measures and actions stemming from the E&S risk identification process. The ESSF also includes the process to address unanticipated risks or impacts arising after E&S risk screening and the related organizational capacity to manage the E&S risks when they arise. The applicant also provided a sample of project activity progress reports which contain risk management registers. One of the items in the registers focuses on the E&S risks on projects, including consultation and communication, environmental data evaluation and mitigation and management measures. The applicant's ESSF has integrated the requirement for the documenting the E&S risk mitigation and management, where relevant. The AP found the applicant's E&S risk management programme is found to be sufficient for E&S risk Category C/I-3 projects/programmes.

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

26. The applicant provided its organizational chart showing where the designated staff members who make E&S risk categorization decisions sit in the organization and their reporting lines. The applicant's staff responsible for categorization are its programme development managers who report to the development coordination manager of the applicant. The development programme managers have the necessary qualifications and aptitude in managing E&S risks required as per the applicant's ESSF and gender policy. The AP found that organizational capacities and competencies to implement the ESSF are appropriate, including for projects/programmes that are categorized as E&S risk Category C/I-3 projects/programmes.

### 3.2.5 **Section 6.5: Monitoring and review**

27. The applicant's ESSF describes its institutional level project E&S monitoring and reporting process. Any major changes in the scope of the activity once implementation is underway are subject to the same procedures as for in the original project design. The applicant's national environmental service is involved in ensuring ongoing compliance with the project impact management plans and is reported in the project activity progress updates at least quarterly. It is the applicant's project activity manager's responsibility to ensure compliance of the project impact management plans, including on E&S matters. The AP found the applicant's E&S monitoring and reporting process to be sufficient for E&S risk Category C/I-3 projects/programmes.

### 3.2.6 **Section 6.6: External communications**

28. The applicant provided its website used for external communication and a description of a related procedure which outlines the steps to be undertaken when a complaint is received. The applicant also has a register on its website for receiving and responding to any E&S related complaints, including the nature of complaint, action taken by the applicant and status of

addressing the complaint. The applicant's ESSF requires its executing entities to include a project-level grievance redress mechanism in projects it finances. The applicant provides support to its executing entities where required to ensure that this is in place and is appropriate for the project. The ESSF also describes the applicant's policy on E&S information and disclosure of its projects on its website in a timely manner.

### 3.3 Gender

29. The applicant provided its gender policy which is found by the AP to be in line with the Gender Policy of the GCF. The gender-related sectoral checklists are annexed to the policy to assist the applicant's staff in their implementation of the gender policy. The applicant also provided a project-specific gender action plan as an example of implementation of its gender policy at the project-level. The applicant provided the curriculum vitae of a gender expert retained on a part-time basis to help the applicant to implement its policy and to conduct staff capacity building. The applicant provided evidence of its non-discrimination practice in terms of benefits and remuneration, for both men and women employees. The applicant's sample of project documents demonstrate the linking of gender and climate change.

## IV. Conclusions and recommendation

### 4.1 Conclusions

30. 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 standards, but fully meets the specialized fiduciary standard for project management and specialized fiduciary standard for grant award and/or funding allocation mechanisms. The applicant has recently adopted a comprehensive AML/CFT policy that prescribes KYC procedures to be followed in combating money laundering and financing of terrorism, however, as the KYC procedures are new, the applicant has not yet produced any reports to demonstrate their effective implementation;
- (b) The applicant meets the requirements of the interim ESS of the GCF in relation to the minimal to no E&S risk (Category C/I-3); 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 consideration in the context of climate change.

### 4.2 Recommendation on accreditation

31. The AP recommends, for consideration by the Board, applicant APL064 for accreditation as follows:

- (a) **Accreditation type:**

- 
- (i) **Maximum size of an individual project or activity within a programme:** small (including micro<sup>4</sup>);
  - (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
  - (iii) **Maximum environmental and social risk category:** minimal to no risk (Category C/I-3); 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 to be met prior to the first disbursement by the GCF for the first GCF-funded project/programme to be undertaken by the applicant:
    - 1. Provision by the applicant of sample copies of two (2) reports on KYC due diligence undertaken in line with the applicant's KYC procedures to combat money laundering and the financing of terrorism.
32. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition, as identified in paragraph 31 above, and agrees to the recommendation.

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<sup>4</sup> 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".



## Annex IX: Accreditation assessment of Applicant 065 (APL065)

### I. Introduction

1. Applicant 065 (APL065), the National Rural Support Programme (NRSP), is a national entity whose mandate is to alleviate poverty by harnessing people's potential and undertake development activities in Pakistan. Relying on a presence in all four national provinces, NRSP is currently working with more than 3.3 million poor households organized into a network of community organizations in sectors such as microfinance and enterprise development, environmental and natural resources management, gender and development as well as infrastructure and technology development.

2. The applicant received support through the GCF Readiness and Preparatory Support Programme (i.e. pre-accreditation support for the institutional gap assessment and action plan). The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 30 November 2016. Accreditation fees were received from the applicant on 8 February 2017, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 20 June 2017 and the applicant was progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:

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

### II. Stage I institutional assessment and completeness check

<sup>1</sup> 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".

<sup>2</sup> Decision B.07/02.

<sup>3</sup> 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 applied under the normal track and was assessed by the Secretariat during Stage I.

## 2.1 Legal status, registration, permits and licences

4. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. The applicant was incorporated as a company on 2 November 1991 with the primary objective of improving rural development, development of land-based resources and other welfare activities. The applicant's license was renewed on 29 May 2015 by the Securities and Exchange Commission of Pakistan for a term of five years up to 29 May 2020.

## 2.2 Institutional presence and relevant networks

5. The applicant has a strong national presence through regional and field offices covering 3.3 million rural households organized into over 200,000 community organizations, which cover 67 districts in all four provinces including Azad Jammu and Kashmir. The geographic scope of NRSP's activities encompasses diverse socio-economic, geographical and cultural conditions and enhances its capacity to trigger paradigm shifting social development.

6. In order to advance the objectives of the GCF, NRSP is strongly committed to taking adaptation and mitigation measures to reduce Pakistan's vulnerability to climate change. With the view to shifting Pakistan's economy onto a low-carbon and climate resilient development pathway NRSP will focus its activities under GCF's climate mitigation and adaptation strategies/intervention in:

- (a) Energy generation and access;
- (b) Forest and land use;
- (c) Health, food and water security;
- (d) Livelihoods of people and communities;
- (e) Ecosystems and ecosystem services; and
- (f) Infrastructure and building environment.

## 2.3 Track record

7. The applicant's track record in financing climate change-related projects includes the following, which fall within the GCF small size category:

- (a) USD 59.2 million (grants) for the Small Grants and Ambassadors Fund Programme in Pakistan;
- (b) USD 26.6 million (grants and loans) for the Sindh Union Council and Community Economic Strengthening Support Programme in Pakistan;
- (c) USD 12.3 million (grants) for the Sindh Coast Community Development Project in Pakistan; and
- (d) USD 8.3 million (loans) for the Sustainable Livelihood for Bharani Areas Project in Pakistan.

## III. Stage II accreditation review assessment



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

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

### 3.1 Fiduciary standards

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

10. The applicant has a solid decentralized organizational structure that is clearly set out in its 23<sup>rd</sup> annual progress report (2016-2017) which is available on its website. It has a Head Office and 10 regional offices that supervise close to 70 district offices, including a network for its micro banking. Under the applicant's board there is a finance and an audit committee, while several other committees exist within the executive structures. Based on the terms of reference and examples of agendas and meetings minutes of various committees, the AP concludes that the committees and the applicant's board provide effective guidance and oversight to the organization.

11. The applicant's vision, mission, goals, objectives and outputs are defined in its strategy. It is based on the core assumption that people have the willingness to improve their quality of life and have a tremendous potential to undertake various development activities. These concepts are translated into programmes working with rural communities and households. Interventions are systematically planned, monitored and evaluated to achieve the aims of the strategy. The applicant's annual progress report contains transparent and detailed information on how the programmes have benefited the recipients across programmes and districts. The external auditor in the applicant's annual report on the financial statements confirms that the business conducted, investments made, and expenditures incurred during the year were in accordance with the applicant's objectives. Thus, the full cycle of planning, execution, reporting and verification are in place.

12. The applicant has a well-established internet-based financial information system that is integrated with its micro-finance banking operations and accessible to all regional offices. Bi-annual audits, done by an external firm, provides assurances over the security and management of the information technology systems. The financial statements of the applicant are based on the financial information system and are prepared in accordance with the national laws of Pakistan, which is consistent with international financial reporting standards (IFRS). The statements contain detailed notes, are consistent from year to year and were audited by an internationally recognized external audit firm.

13. The goods receiving, examination and approval of invoices is covered in financial management manual, which includes a matrix of signatories relating to head office, regional and district offices and it provides for adequate segregation of approval and disbursement responsibilities and authorities. Internal audits cover cash disbursements as one of many areas.

14. The applicant has a four-member audit committee headed by the Vice-Chairman of the applicant's board of directors. It has strong terms of reference and meets several times each year. The review of financial statements and the external audit thereof is done by the finance committee.

15. The internal audit function is accountable to the audit committee of the applicant's board. Its work is guided by international standards including a Code of Ethics. The report on the first external quality review of the internal audit function is expected in mid-2018. As such, the required evidence of periodic internal and external quality assessments to monitor the overall effectiveness of the internal audit function remains to be provided.

16. Audits are mostly of a compliance nature with some systems audits that review governance structures and comment on the strengths of internal control systems. Additionally, experts review the management and security of the IT system on a bi-annual basis.
17. Management responses to the internal audit recommendations is documented and reviewed when the next audit takes place. Important recommendations are raised to the audit committee to ensure swift actions.
18. The various internal audit reports examined by the AP demonstrate that the internal audit function is a key control within the organization that operates in an environment that is very decentralized and challenging and where a certain level of non-compliance with controls and fraud are inevitable. The AP therefore recommends that a bi-annual internal audit be conducted of all open projects involving GCF financing. It should be emphasized that this is not a reflection of a weakness of the applicant's delivery system and its controls but emphasizes the strength and importance of the internal audit function in the applicant's challenging delivery system.
19. The applicant has not formally adopted an internal control framework and all its elements thereof such as: risk management, audit, segregation of duties, existence of manuals, anti-fraud procedures, etc. Nevertheless, the AP has determined that the required internal control elements are in place. This is corroborated by the external auditor statement referenced above. During the AP's review the applicant developed and adopted manuals that describe the functions and roles of management, internal oversight and personnel and this is an important component of an internal control framework.
20. The procurement policies promote economy and efficiency. The procurement process is well-established and regulated by the procurement manual recently adopted by the applicant's board of directors. They specify procurement regulations, cover requirements, accountability, and authority to take procurement actions. It includes procedures for addressing grievance. Examples of recent procurements show that the procedures in the manual were followed.
21. The applicant has developed a document containing procedures, guidelines, methodologies for overseeing, assessing and reviewing the procurement procedures of its beneficiary institutions. The procedures involve verifying the beneficiary's procurement system, providing procurement training where needed, supporting procurement activities and issuing non-objections at specific points in the procurement process. The applicant demonstrated that it had the resources in place to oversee the procurements of beneficiaries of a major donor-funded programme: the Small Grants and Ambassador's Fund Programme. This gives assurances that such procurement by executing entities will be followed for GCF-financed projects.

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

22. The applicant has updated its code of conduct, which is applicable to its employees, consultants and executing entities using the applicant's funds. It has an active awareness programme amongst its employees to ensure they are aware of its provisions. The disclosure of a conflict of interest is on a transaction by transaction basis (including financial transactions) and it is sufficiently described to resolve the conflicts and take actions in case of a violation. A separate policy covering conflict of interest and disclosure exists for vendors. The applicant's board of directors has separate policies covering the code of conduct, conflict of interest and disclosure.
23. The applicant approved a high-level Anti-Fraud Policy that demonstrates the institutional commitment to appropriate standards of transparency, accountability and resistance to fraud in all its forms. The policy provides for adequate reporting of suspected fraud. The whistle-blower protection is elaborated upon in the human resource manual that also emphasizes the zero-tolerance policy.

24. The Anti-Fraud Policy includes minimal investigative guidelines. These guidelines need to be elaborated as they do not constitute sufficient guidelines for processing cases, including standardized procedures for handling complaints received by the function and managing cases before, during and after the investigation process. Such guidance is required for the applicant given that investigations are done by appointed staff for specific cases instead of having professional investigators. The applicant's Anti-Fraud Policy does not meet the GCF basic fiduciary standard requirement that it has publicly available terms of reference that outline the purpose, authority and accountability of the investigative function.

25. The applicant's board of directors approved its Anti-Money Laundering and Anti-Terrorism Financing Policy and Guidelines in March 2018. However, the applicant has extensive experience of conducting "know-your-customer" type due diligence reviews of over 900 organizations that have applied for grants provided by the applicant. The applicant also reviews disbursements before they are made and it relies on crossed cheques using the formal banking system of the country that are required to have anti-money laundering and anti-terrorism financing procedures in place.

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

26. The applicant has an extensive track record working with different sectors, including social mobilization, environment and natural resource management, microfinance, agriculture and others. Each programme sector has a dedicated, specialized and experienced team of professionals who overlook the implementation of all projects and provide the continuous support to field teams.

27. Prior to the identification of the particular project/programme, the applicant undertakes a thorough baseline and situational analysis in a specific region or area. The applicant, in collaboration with local communities, also identifies the most marginalized and vulnerable community members and particular problems to be addressed, in order to effectively help these communities move towards a better quality of their livelihood and sustainable ways of conducting activities, related to climate resilience and agriculture.

28. The applicant has well-documented operational procedures and manuals, including procedures for project formulation and preparation, appraisal, risk management, implementation, monitoring and evaluation policies and guidelines. The applicant has an appraisal and evaluation committee mandated to appraise project proposals and oversee project/programme evaluations.

29. The effective use of the procedures is demonstrated by sample project appraisal reports and other supporting documents provided, which also show that the applicant has the capacity to examine and incorporate the technical, financial, economic and legal, environmental and social (E&S) aspects of the project at the appraisal stage.

30. The applicant has satisfactory procedures and processes for undertaking project quality reviews through a sequential review process involving several stakeholders and units within the organization, such as the programme development and research, regional offices, appraisal and evaluations committee and donor organizations.

31. The applicant has a mature monitoring and evaluation function undertaken by the monitoring and evaluation department at two levels: programme-level and project-level. The function places emphasis on continuous oversight of the project implementation process and periodic reporting on the project's implementation status and the achieved results against the planned indicators contained in the development programme and annual plan or results framework of the project. The progress reports are shared quarterly at programme management meetings. Sample implementation and quarterly progress reports were provided. The project management function is supported by the periodic site-visits and monitoring of the sectoral units.

32. The applicant does not have in-house capability for the independent evaluation of project results following completion of project implementation. Instead, the project evaluations are commissioned by a third party either selected by the donors or by the applicant on the donors' behalf. The documented policy for independent evaluation of project results was provided and contains the evaluation criteria and institutional arrangements ensuring the independence, credibility and impartiality of the evaluation. The terms of reference for independent evaluation are developed by the corresponding donors or the applicant accordingly. The sample evaluation reports provided by the applicant demonstrate that its evaluation function complies with recognized professional standards and methods.

33. As part of its project implementation monitoring process, the applicant has a project-at-risk system to identify and address project in a timely manner. The system is primarily managed by staff members of the project compliance and monitoring office, who are responsible for the follow-up of project activities at different stages against the defined objectives. The information on the objectives versus real results is shared with the concerned departments and periodic progress data is compiled in the designated system. Sample monitoring reports indicating the situations where the problems were identified and addressed were provided.

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

34. The applicant's grant award procedural framework is found to be mature and well-developed. The applicant has extensive experience of working with a number of bilateral and multilateral organizations, including the Directorate-General for International Development and Cooperation of the European Commission, United States Agency for International Development, World Food Programme, Food and Agriculture Organization of the United Nations, International Fund for Agricultural Development, United Nations Children's Fund, universities and research institutions within different grant programmes and funds, for which the corresponding operational procedures are developed and implemented.

35. The applicant has provided evidence on the transparency of its grant award mechanisms with formally documented procedures for evaluating proposals and awarding grants and clearly defined eligibility criteria, as well as mechanisms for monitoring, reporting, auditing and evaluation of the results of the grant award programmes.

36. The grant management manuals developed for grant programmes successfully implemented by the applicant contain clear standardized procedures for the entire grant management process, provisions for conducting calls for proposals, eligibility criteria for projects and potential grantees, procedures for evaluating proposals and awarding grants, due diligence and risk assessment procedures, procurement guidelines, and roles and responsibilities for grant proposal consideration, approval, disbursement, record keeping/reporting and audit processes.

37. The applicant's grants procedures also include: standardized provisions for the recovery of funds awarded to the grantees, in respect of expenditures which are unauthorized or fall outside the scope of the funding for the projects; procedures for the suspension, reduction or termination of grants in the event of the beneficiary failing to comply with its obligations; and systems to prevent irregularities in the use of grant funds. The relevant clauses on the conditions for the termination of grants and recovery of funds are included in the standardized grant agreement templates.

38. The grant award programmes are managed by the applicant through supporting standardized checklists and tools that are used by its technical evaluation committee in the preparation of recommendations for awarding grants that are presented to the grant review committee. The terms of reference of the technical evaluations committee, records of its recommendations and records of the decision making of the grant review committee were

provided and contain evidence of the competence and independence of their members, and objectivity of their decision-making.

39. The applicant has provisions for the periodic review of its grant award activities and has provided examples of the monitoring and evaluation reports of the programmes implemented in the last five years. In addition, the applicant provided reports compiled by its donor partners (e.g. multilateral and bilateral organizations) containing positive observations and conclusions on the performance of the applicant in respect of its management of projects and grant award programmes.

40. Although the applicant publishes information on grant award notices on its website, it does not have a formal procedure in place to provide public access to information on the periodic progress of individual grant award programmes, including budget utilization. The applicant is currently in the process of finalizing the designated location on the website to provide the relevant information on the progress of the individual projects under the grant award process. The development of the website is expected to be completed in mid-2018.

41. The applicant conducts close monitoring of the activities implemented under its grant award programme and undertakes regular site visits through the designated field operation officers to support its beneficiaries before, during and after project and/or programme implementation. The applicant also disseminates best practices in project implementation under grants awarded and maintains good relations with grant awardees. A number of examples of site visit reports were provided and they demonstrate the applicant's effective implementation of the monitoring procedures.

42. Overall, following the assessment, the AP concludes that the grant award mechanisms implemented by the applicant are mature and well-established and can be applicable to GCF-funded activities subject to the development and implementation of a policy for the public disclosure of grant award decisions and grant award programme results.

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

43. The applicant's on-lending and blending operations are supported by a set of policies, procedures and guidelines, including micro credit manual, financial management manual and investment policy, as well as specific funding programme manuals. It has a proven track record in receiving and on-lending and/or blending resources from more than 100 international, bilateral and national funding agencies, financial institutions and the government of Pakistan for around 500 project and programme activities.

44. The applicant specializes in providing micro credits to communities in rural areas and towns on a programmatic basis. The advantages of the applicant's micro credits are the flexible terms and conditions of the microfinance products with regard to repayment period, repayment mode and modifications of the loan cycle, tools and methodologies, which are determined through the assessment of the corresponding regional and local market conditions and community needs.

45. In its investment portfolio, the applicant has demonstrated its experience with equity investments in the various project activities and programmes. For example, the applicant provided documentation on a profit-and-loss sharing-based micro business finance product based on the applicant's equity investments. The micro business finance product is intended to finance a set-up of a new business for the entrepreneurs by creating a joint ownership of that business between the applicant and the client. The applicant and the entrepreneurs share the profit and loss based on the financial agreement between the applicant and the client and the ratio of the financing and profit sharing.

46. When taking a decision on equity financing the applicant undertakes proper business assessment to ensure investment in profitable enterprises and avoid the potential losses. The



applicant also undertakes proper monitoring of business to prevent frauds, losses and depletion of capital invested by the applicant and the client.

47. The applicant provided a number of examples of on-lending activities, such as community investment fund or social mobilisation programme activities, including information on beneficiaries and sources of funding. The sample project appraisals and due diligence reports provided contain comprehensive analyses of the credibility of potential loan beneficiaries and risks associated with repayment capabilities and economic, social and environmental conditions in a corresponding geographical area.

48. The applicant has appropriate operating guidelines to ensure that the funds it provides are channelled transparently and used effectively. The applicant's disbursement process and the utilization of funds by its partner organizations are audited by external auditors to ensure that funds are used for the intended purposes. Sample audit reports of the financial statements of the projects were provided. The applicant also provided information on several projects, which shows that advantages to the final beneficiaries of projects funded by the applicant are regularly monitored and evaluated.

49. The applicants' financial management manual contains the investment policies for funds managed by the applicant. The investment policies are consistent with the applicant's anticipated financial needs and account for its investment and financial risk tolerance. Standards for risk, return, asset allocation, diversification and liquidity are determined from a strategic perspective and re-measured at least on quarterly basis. The investment policies intend to provide guidelines, where necessary, for ensuring that the portfolio's investments are managed consistently with the short-term and long-term financial goals of the specific fund.

50. The applicant has in place a separate unit for asset management. The finance committee of the applicant's board analyses and manages risks identified by the internal auditors. The applicant has recently developed terms of reference for its asset and liability committee and provided the sample minutes of its first meeting.

## 3.2 Environmental and social safeguards

### 3.2.1 Section 6.1: Policy

51. The applicant's Environmental and Social Management Framework (ESMF) adopted in April 2014 was developed to set out the environmental and social assessment (E&S) procedures for its national poverty alleviation fund. The ESMF was designed for the E&S assessments required for projects/programmes financed by the various donors, such as the World Bank, the European Union, United States Agency for International Development and Kreditanstalt für Wiederaufbau. With its increasing portfolio and outreach, especially in terms of being a financial intermediary, the applicant in 2017 developed its Environmental, Social and Statutory Framework (ESSF) to provide guidance to its operations as well as partner organizations and executing entities for ensuring compliance of environmental, social and statutory safeguards. The ESSF document brings together three interlinked but distinct sections on environmental, social and statutory safeguards. Inspired by the recently approved Environmental and Social Framework of the World Bank (2017), the ESSF builds upon the same safeguards and has frequently used terminologies, definitions and elaborations of the safeguards proposed by the World Bank. The ESSF Manual was endorsed and approved by the applicant's Board in its meeting on 31 October 2017. The ESSF includes a comprehensive statement on the overarching E&S objectives and principles guiding the institution. The applicant adheres to the E&S standards which are found by the AP to be consistent with the performance standards 1-8 of the GCF interim ESS. The ESSF also requires the applicant to comply with its national environmental regulations and country's obligations under applicable international laws. The ESSF is endorsed by the applicant's management and is communicated to all levels within the organisation. The

ESSF requires the applicant as well as the executing entities it oversees to address the following elements in its E&S assessments: assessment of cumulative impacts; assessment of associated facility impacts; analysis of alternatives; baseline data standards; and mitigation hierarchy.

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

52. The applicant's ESMF (April 2014) was assigned by the applicant E&S risk category B based on the World Bank safeguards describes the applicant's process for identifying the E&S risks and impacts. The ESSF has now updated this process for identifying E&S risks and impacts and E&S risk categorization of projects/programmes in line with performance standards 1 to 8 of the GCF interim ESS. The ESSF is complemented by sectoral guides and checklists previously developed as part of the implementation of the applicant's national poverty programme. However, as the ESSF was adopted only in November 2017, the applicant has so far not been able to demonstrate its implementation with respect to identification of E&S risk and impacts including E&S risk categorization.

### 3.2.3 **Section 6.3: Management programme**

53. The applicant's ESMF (April 2014) describes the applicant's institutional process and track record for managing mitigation measures and actions stemming from the E&S risk identification process. The applicant provided one environmental and social impacts assessment study for its national drought mitigation and preparedness plans devised under the applicant's national poverty alleviation fund. The applicant's ESSF now describes its institutional process and track record for managing mitigation measures and actions stemming from the E&S risk identification process consistent with the performance standards 1-8 of the GCF interim ESS. However, as the ESSF was adopted only in November 2017, the applicant has so far not been able to demonstrate its track record for managing mitigation measures and actions stemming from the E&S risk identification process based on the application of the ESSF.

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

54. The applicant provided its institutional organizational structure including the description of the roles, responsibilities, reporting lines and authority of its E&S management committee on implementation of the ESSF. The primary responsibility lies with the E&S management committee which has the knowledge, skills and experience necessary to understand and ensure implementation of the performance standards and are able to properly categorize potential funding proposals. The applicant also provided information on the ESS- and gender-related training undertaken by its staff.

### 3.2.5 **Section 6.5: Monitoring and review**

55. The applicant provided its Monitoring, Evaluation and Research Manual which contains a documented institutional process for monitoring projects but does not contain a process for managing E&S risk mitigation actions. A summary of a sample of monitoring reports based on this approach was provided which did not contain monitoring of E&S matters. The applicant's ESSF now explicitly describes its E&S monitoring and evaluation process, as well as the role and responsibility of the E&S management committee. However, as the ESSF was adopted only in November 2017, the applicant has not been able to demonstrate its implementation with respect to monitoring and evaluation of E&S impacts and related mitigation measures.

### 3.2.6 **Section 6.6: External communications**

56. The applicant's ESSF describes its external communication system comprising a general email address for external stakeholders to approach the applicant. The emails received are then forwarded to the relevant thematic or operational departments. The applicant has also set up its Facebook page which is managed by the monitoring and evaluation department. The applicant provided a copy of its complaints log as well as profiles of responsible staff, indicating the applicant has internal procedures and competencies to screen, assess and address issues raised.

57. The applicant's ESSF describes the grievance redress mechanism process followed by its partners and executing entities that it oversees. The applicant's ESSF includes a requirement for a project-level grievance mechanism in projects executed by its executing entities that it oversees. The applicant's ESSF describes its policy on disclosure and public consultation of E&S assessment documents which the AP has found to be in line with the GCF Information Disclosure Policy, particularly for the disclosure of E&S information for E&S Category B/I-2 projects/programmes.

### 3.3 Gender

58. The applicant provided its gender policy and an action plan which is found by the AP to be in line with the Gender Policy of the GCF. The applicant provided the curriculum vitae of its gender experts, as well as descriptions of their work as evidence of their competency on gender mainstreaming. The applicant provided a sample of its grant operations that specifically target women among project and/or programme beneficiaries. The sample also demonstrates the applicant's experience in linking gender and climate change, including a track record of lending to both men and women. The applicant also provided a sample of legal agreements for a small grants programme which shows that projects to which the applicant lends have non-discriminatory practices in terms of benefits and remuneration for both men and women employees.

## IV. Conclusions and recommendation

### 4.1 Conclusions

59. 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, 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. The gaps include: a publicly-available guideline for processing investigations is missing; and there is no information on periodic progress reports on grant award activities on the applicant's website at the moment;
  - (b) The applicant partially meets the requirements of the interim ESS of the GCF in relation to the medium E&S risk (Category B/I-2). As the ESSF which is consistent with the performance standards 1 to 8 of the interim GCF ESS was adopted only in November 2017, the applicant has not been able to provide evidence of implementation of the ESSF with respect to E&S risk and impacts identification including categorization, mitigation, management and monitoring and reporting, in line with the E&S risk category B/I-2; 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 consideration in the context of climate change.

### 4.2 Recommendation on accreditation

60. The AP recommends, for consideration by the Board, applicant APL065 for accreditation as follows:

- (a) **Accreditation type:**



- (i) **Maximum size of an individual project or activity within a programme:** small (including micro<sup>4</sup>);
  - (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:** medium risk (Category B/I-2) (including lower risk (Category C/I-3<sup>5</sup>)); 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 to be met prior to submission of the first funding proposal to the Board:
    - 1. Submission of the applicant's environmental and social management framework (ESMF), as part of the relevant funding proposal, that describes the applicant's project-specific approach to environmental and social risk and impacts identification, including categorization, mitigation, management and monitoring and reporting process based on the applicant's ESSF, and in line with the E&S risk Category B/I-2 and Category C/I-3 projects/programmes;
  - (ii) Conditions to be met prior to the first disbursement by the GCF for the first GCF-funded project/programme to be undertaken by the applicant:
    - 1. Development by the applicant of a mechanism to publicly disclose periodic progress reports of grant award activities, including information on budget utilization; and
    - 2. Publicly-publishing its guidelines for processing investigation cases, including standardized procedures for handling complaints and managing cases before, during and after the investigation process; and
  - (iii) Condition to be met at the accreditation mid-term review of the applicant:
    - 1. Provision of evidence from the applicant that bi-annual internal audits have been conducted for each GCF-funded project/programme.
61. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 60 above, and agrees to the recommendation.

<sup>4</sup> 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".

<sup>5</sup> As per annex I to decision B.07/02, category C is defined as "Activities with minimal or no adverse environmental and/or social risks and/or impacts" and intermediation 3 is defined as "When an intermediary's existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts".

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## 4.3 Remarks

62. The AP recommends that the applicant considers developing the procedures/rules to be followed by executing entities in cases where the applicant decides to work with the executing entities to undertake blending of grant funds for a particular funding proposal to be submitted to GCF.

63. The AP recommends that in order to demonstrate the practice of periodic internal and external quality assessments to monitor the overall effectiveness of the internal audit function, the applicant considers providing the report on the first external quality review of the internal audit function, which is expected to be finalized by mid-2018.

## Annex X: Accreditation assessment of Applicant 066 (APL066)

### I. Introduction

1. Applicant 066 (APL066), the Nordic Environment Finance Corporation (NEFCO), was established by the Nordic governments in 1990 in order to support the Nordic countries' efforts to increase environmental awareness in Eastern and Central Europe by financing projects that reduced emissions harmful to the environment. The applicant has participated in the development of innovative financing instruments designed to improve the environment and combat climate change. The applicant typically works in close partnership with its private and public investors. One of the applicant's current priorities is to promote green growth and further prevent climate change with a focus on interventions related to renewable energy, energy efficiency and the reduction of short-lived climate pollutants, having a positive effect on adaption and mitigation.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 4 May 2016. Accreditation fees were received from the applicant on 10 July 2017, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 18 December 2017 and the applicant was progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** international access;
- (b) **Track:** fast-track under the Directorate-General for International Development and Cooperation of the European Commission (DG DEVCO);
- (c) **Maximum size of an individual project or activity within a programme:** small<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - 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:** medium risk (Category B/Intermediation 2 (I-2)).<sup>3</sup>

<sup>1</sup> 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".

<sup>2</sup> Decision B.07/02.

<sup>3</sup> 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".

## **II. Stage I institutional assessment and completeness check**

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.14/09.

### **2.1 Legal status, registration, permits and licences**

4. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. The applicant was incorporated in 1990 through the Agreement regarding the establishment of the Nordic Environment Finance Corporation by Denmark, Finland, Norway, Iceland and Sweden.

### **2.2 Institutional presence and relevant networks**

5. The applicant has an extensive network within the green community and a proven ability to connect stakeholders to relevant projects, and has attracted a number of fund management assignments, in particular related to environment and climate change projects in the Baltic Sea, the Arctic, and the Barents regions.

6. The applicant has a broad and active project portfolio in Ukraine and is in the process of expanding its public-sector activities in other Eastern European countries, including Armenia, Georgia and Moldova.

7. Furthermore, the applicant's activities encompass a portfolio of over 600 small and medium-sized private as well as public projects spread across different sectors in over 60 countries. These include around 200 projects in Africa, Asia and Latin America.

### **2.3 Track record**

8. The applicant's track record in financing climate change-related projects includes the following, which fall within the GCF Small and Micro size categories:

- (a) USD 800,000 (loans) for the Finnish Red Cross project in Malawi;
- (b) USD 1 million (loans) for the DemoUkraineDH project in Ukraine;
- (c) EUR 2.5 million (loans) out of EUR 6 million for the Vyborg Wastewater Treatment Project in Russia;
- (d) EUR 5 million (loans) out of EUR 16 million for the St Petersburg Ten Suburban Wastewater Treatment Plants Rehabilitation project in Russia; and
- (e) EUR 11 million (loans) out of EUR 32 million for the Petrozavodsk Water and Wastewater Rehabilitation Project in Russia.

### **2.4 Potential support for direct access entities**

9. The applicant focuses on financing small-and medium sized projects working at the local level directly with private companies (including local banks) and utilities. Therefore, NEFCO is providing direct financial and capacity building support to local private companies, banks, and public authorities, and through their implementation of demonstration projects, inspiring other private and public stakeholders to do similar investments. They are also keen to collaborate with sub-national, national, and regional entities and intermediaries as well as other relevant stakeholders in developing a relevant project pipeline for GCF funding.

### **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 accreditation standards of the GCF in accordance with the requirements and gaps identified in decisions B.08/03 and B.14/09.

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

#### **3.1 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 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 10 above, the basic fiduciary standards concerning transparency and accountability, with the exception of item 4.2.5, anti-money laundering and countering the financing of terrorism policies, have been met by way of fast-track accreditation.

14. Regarding item 4.2.5 of the accreditation application, the applicant adheres to its policy for integrity checks and its internal procedure on prohibited practices in accordance with the applicant's board resolution on fighting corruption. In conformity with the policy for integrity checks the applicant thoroughly screens all new customers, including identification of the potential integrity risk areas, assessment of the new customers and counterparts against relevant sanctions lists, identification and assessment of the beneficial owners and politically exposed persons. This screening also covers anti-money laundering and countering the financing of terrorism aspects.

15. The applicant continuously monitors integrity issues, and performs additional integrity due diligence checks in case of change of ownership or control, if allegations are raised in the media or if there are unexpected changes in the project.

16. In addition to the applicant's board resolution and policy for integrity checks, the applicant follows its procurement guidelines that prohibit any financing to be used for payments to persons or entities or for any import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations. The applicant requires that clients, including beneficiaries of all operations, as well as tenderers, suppliers, contractors, service providers and consultants follow the highest standard of transparency and integrity during the procurement, execution and implementation of such contracts.

17. The applicant's policies on prohibited practices, including its board resolution on fighting corruption, the policy for integrity checks and procurement guidelines are found by the AP to be fully compliant with the GCF interim policy on prohibited practices.

18. To evidence application of the integrity checks policy, the applicant provided samples of due diligence reports demonstrating the integrity due diligence checks performed on the potential loan recipients.

19. The applicant has a sound mechanism for the approval and recording of wire transfers to the bank accounts of authorised beneficiaries. The applicant has established sound administrative procedures and routines for undertaking financial disbursements, containing the description of the loan disbursement process through the designated electronic system, and using the appropriate software.

20. All payments are reflected in the applicant's electronic accounting system, including payments from the trust funds and carbon funds managed by the applicant. Wire transfers are monitored by the authorized project coordinator of the approved project. Copies of wire transfers to sub-contractors and consulting firms, as well as loan disbursements to project developers in accordance with the payment schedules within the approved projects were provided.

21. The evidence provided, including the copies of the electronic accounting system interface and copies of the wire transfers, demonstrates the effective implementation of the financial disbursement procedures and proper functioning of the electronic system of recording and monitoring of wire transfers in accordance with the loan disbursement schedule.

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

22. The applicant has 25 years of experience in managing environmental and greenhouse gas reduction projects in various regions of the world, including Eastern Europe, Africa and Latin America. The applicant works through the investment fund established with the applicant's own resources, as well as through trust funds and climate change related facilities established by the founding donor countries, where the applicant serves as a trust manager. Throughout its years of work the applicant has attracted a considerable number of trust fund management assignments compared to its size and own capital, which demonstrates that donors and investors found its work valuable and adding value to the execution of the projects financed by the specific trust funds.

23. The applicant has well-documented operational project management procedures and manuals, including procedures for project selection and preparation, due diligence and appraisal, project approval, risk management, implementation, monitoring and evaluation policies and guidelines both for the projects financed by its own investment fund and the projects financed by the other trust funds.

24. The applicant has set up an investment committee mandated to appraise project proposals and a dedicated project team to oversee project implementation and monitoring. The larger project group, that includes participation of the staff members from different departments assesses the project submitted by the potential client against the applicant's mandate and eligibility criteria, and decides at its meeting to endorse the project into the pipeline. Then the designated operating project team consisting of the appointed project manager, environmental analyst, financial analyst, legal counsel and project officer further administers and manages the implementation of the project endorsed by the investment committee.

25. The operational procedures are continually updated and refined by the applicant's staff. Given that the applicant is a fairly small organization, its separate units and project teams work closely together, and constantly share the information on results and best practices within NEFCO-financed and managed projects, which enables the organization to improve its operational procedures and performance quality.

26. The effective use of the procedures is demonstrated by sample project appraisal and due diligence reports, a number of periodic progress reports and other supporting documents that the applicant provided. These documents also show that the applicant has the capacity to examine and incorporate the technical, financial, economic and legal and environmental, including climate change mitigation and adaptation aspects of the project at the appraisal and implementation stages.

27. The applicant recently established a separate set of procedures for implementation of GCF-funded projects, including the standardized templates for preparation of project implementation plans, project budgets and progress reporting templates. However, the application of the procedure for the preparation of project implementation plans has not yet been demonstrated.



28. Quality assurance reviews of the progress reports at the project implementation stage are undertaken by project manager and managing director prior to the loan disbursements. All information on project details, including the information on the progress and project achievements against the objectives, as well as information on the funds disbursements is contained in the applicant's electronic system.

29. The applicant has a mature and well-documented monitoring and evaluation function undertaken by assigned project officers and supported by external consultants. The function places emphasis on continuous oversight of the project implementation process and periodic reporting on the project's implementation status and achieved results against the implementation plan and budget. The project monitoring function is supported by periodic site visits and monitored by the applicant's staff, external consultants and local experts that also support project beneficiaries with necessary counselling and advice.

30. The applicant's evaluation of the results of its own projects is carried out under the supervision of the applicant's board of directors and control committee in accordance with the applicant's statutes and project implementation manual. The project evaluations for the trust funds managed by the applicant are commissioned by the donors of those trust funds upon signing the loan agreement with the applicant. The separate evaluation on the environmental impacts and indicators of projects is carried out by the environmental and technology unit of the applicant. To evidence the institutional arrangements for the independent evaluation function, the applicant provided sample evaluation reports and the AP found that they demonstrate that the applicant's evaluation function complies with recognized professional standards and methods.

31. As part of its project implementation monitoring process, the applicant has a project-at-risk system to identify and address project problems before they affect the project performance and loan re-payment. For every meeting of the applicant's board, the project team prepares the risk report, where each project is analysed according to the applicant's guidelines for risk management. In case of any risks or issues identified, the investment committee is immediately informed and the necessary actions are implemented by the project manager. The information on the risks identified and impairments provided are contained in the specific reports and the electronic system. The sample monitoring reports indicating the situations where the risks and actual problems were identified and addressed were provided.

32. The applicant partially meets the GCF requirements relating to the specialized fiduciary standard for project management, as it has yet to demonstrate the implementation of the new procedure for the preparation of the implementation reports. The applicant has indicated that it is taking the appropriate steps to address this shortfall in meeting GCF requirements.

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

33. 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**

34. In accordance with its statutes, the applicant operates as a corporation founded by the Nordic Council of Ministers, and in this capacity, is entitled to promote investments which from the environmental and sustainability perspective are deemed important by the governments of Nordic countries. The applicant finances projects by means of joint ventures, technology transfers and other forms of corporation, involving the production of environmental equipment, or other uses of environmental technology, or the rendering of services in the environmental sector. For this purpose, the applicant may subscribe to stock or shares in such companies, as well as provide loans and issue guarantees on commercial terms. Loans can be provided as

subordinated loans, and shall be repaid and yield interest to the extent made possible by the revenues of the project.

35. The applicant operates its own investment fund dedicated primarily to investments in the Eastern European region and manages other trust funds, programmes and facilities that are set up by the Nordic countries' governments, Nordic Development Bank and co-financed by other European investment institutions and funds. A number of examples of the on-lending facilities, including information on the beneficiaries and sources of funding, were provided by the applicant. The applicant also provided an overview of the investment portfolio of the applicant's investment fund. Apart from loan and equity financing provided by the applicant and the investment institutions, the co-financing institutions provide support in the form of grants for technical assistance.

36. Sample project appraisals and due diligence reports provided by the applicant contain comprehensive analyses on the credibility of the potential loan beneficiaries and risks associated with the repayment capabilities, economic, technological social and environmental conditions in a corresponding region, as well as detailed environmental and climate mitigation and/or adaptation impacts analyses. The conditions for loans disbursements and re-payment conditions of the end beneficiaries for the specific programmes are also included in the loan agreements between the applicant and other donor and co-funding institutions.

37. The applicant has appropriate operating guidelines which ensure that the funds it provides are channelled transparently and used effectively. The due diligence conducted on the potential beneficiary is undertaken by the applicant in accordance with its risk management guidelines. The applicant's disbursement process and the utilization of funds by its partner organizations are audited by external auditors to ensure that the funds are used for the intended purposes. The applicant provided information on several projects, which shows that advantages to the final beneficiaries of projects funded by the applicant are regularly monitored and evaluated.

38. The applicant's procurement process for the projects it implements is based on open, transparent and fair procedures, which do not discriminate between foreign and local providers. The applicant permits firms and individuals from all countries to offer goods, works and services for projects/programmes the applicant finances.

39. The applicant has recently established a new procedure on public access to information on beneficiaries and results of projects/programmes funded by the applicant.

40. The applicant's risk management policy contains the investment guidelines that are followed by the applicant in the operation of its funds. The risk management policy guides the applicant's investment committee and board of directors in the investment decision-making process by providing the risk assessment tools and appropriate risk control measures. The risk management policy is supported by adequate track record of the applicant's risk analyses of various projects and project beneficiaries.

41. The applicant does not have a formal asset and liability committee in place, as it mainly serves as an administrator or manager of different trust funds and facilities and does not have significant liabilities with regard to the borrowed capital. For the applicant's own investment fund, the applicant's investment committee undertakes the monitoring of the cash flows and liquidity positions, as well as assesses each project on an annual basis based on a risk report and portfolio analysis. If the individual project risk level differs significantly from the anticipated risk level, a project-specific impairment is made by the applicant's investment committee. To support the evidence of the continuous work of the investment committee the applicant provided the minutes from its last annual portfolio review meeting, containing the details on the risks analysis undertaken.

42. The applicant partially meets the GCF requirements relating to the specialized fiduciary standard for on-lending and/or blending (for loans and equity), as it has yet to demonstrate the



practice of implementation of the new procedure for the publication of the project results. The applicant has indicated that it is taking the appropriate steps to address this shortfall in meeting GCF requirements.

## 3.2 Environmental and social safeguards

### 3.2.1 Section 6.1: Environmental and Social Policy

43. The applicant's environmental and social management system (ESMS) comprises its Environmental Policy adopted by its board in November 2013 and its Environmental and Sustainability Guidelines (ESG) adopted in September 2017. The applicant, together with other European international financial institutions, is a co-signatory to the "Declaration on European Principles for the Environment" (EPE).<sup>4</sup> The EPE consists of the guiding principles enshrined in the European Commission treaty and the project-specific practices and standards incorporated in European Union secondary legislation on the environment. The principles, include the precautionary principle, the prevention and do-no-harm principle, the principle that environmental damages as a priority be rectified at source, and the polluter-pays principle. Although the September 2017 ESG does not specifically refer to performance standards 1 to 8 of the GCF interim environmental and social safeguards (ESS), the AP found that the applicant's ESMS including its commitment to the EPE, is consistent with the performance standards 1 to 8 of the GCF interim ESS.

44. In April 2018 during the Stage II (Step 1) accreditation review, the applicant supplemented the ESG with an update to specifically incorporate the performance standards 1 to 8 of the GCF interim ESS in the applicant's E&S standards. The applicant's ESMS includes an overarching statement of the environmental and social (E&S) objectives and principles which guide the applicant. The interventions funded by the applicant are also required to be in line with national and local development policies, strategies and plans of the countries they take place in. The ESG are endorsed by the applicant's management and is available on the applicant's intranet for access to all its staff. The guidelines and the applicant's practice reflect the requirements related to assessment of cumulative impact, associated facility impacts, analysis of alternatives, baseline data standards and mitigation hierarchy in projects implemented by it and projects it oversees executed by executing entities.

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

45. The applicant's ESG provides the process for identifying environmental risks and impacts and E&S risk categorization of project proposals including its environmental reviews and an illustration of how the process is implemented within a project cycle. The applicant provided sample documents as evidence of the application of this process including the E&S risk categorization for existing projects/programmes in E&S risk Category B/I-2 and Category C/Intermediation 3 (I-3), which the AP has found to be conducted in a manner consistent with the GCF interim ESS. The applicant also provided a list of illustrative projects from the past three years including their E&S risk categories consistent with the E&S risk categories B/I-2 and C/I-3 in the GCF interim ESS.

### 3.2.3 Section 6.3: Management programme

46. The applicant's ESG describe the applicant's institutional process for managing E&S risk mitigation measures and actions stemming from the E&S risks and impacts identification process. This process is illustrated in terms of the applicant's project cycle, including identification and assessment of E&S risks and actions taken to mitigate and manage the risks. The applicant provided an example of an environmental and social action plan (ESAP) for a

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<sup>4</sup> Refer to <[https://www.nefco.org/sites/nefco.org/files/pdf-files/the\\_european\\_principles\\_for\\_the\\_environment.pdf](https://www.nefco.org/sites/nefco.org/files/pdf-files/the_european_principles_for_the_environment.pdf)>.

project, showing how the E&S risk mitigation measures are documented and tracked throughout implementation of the sample project. The ESG also describe the process for an environmental and energy audit of applicant's projects, conducted by either an independent third party or in-house experts. The applicant is committed to conduct an audit on the effectiveness of its institutional ESMS as applied to the applicant's projects financed using GCF resources.

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

47. The applicant provided its organizational structure including the job description, responsibilities of key units, and management personnel for implementing the ESG, along with their authority and reporting lines. The coordination of E&S matters related to the applicant's projects is the responsibility of its environment and technology unit. The applicant provided bio-data of the staff of this unit. The applicant conducts regular trainings for the applicant's staff on E&S matters in its project appraisal process. An example of such a training was provided. The AP has found that organizational capacities and competencies to implement the ESG are appropriate, including for projects/programmes that are categorized as Category B/I-2 or Category C/I-3 projects/programmes.

#### 3.2.5 **Section 6.5: Monitoring and review**

48. The applicant's ESG describe its process for monitoring and review of the completion of E&S risk mitigation and performance improvement measures. The applicant's environment and technology unit is responsible for the review of the clients' monitoring reports, and when necessary, a visit to the project site is carried out to audit the report findings. The applicant provided an example of a project completion report for a project financed by it, which includes E&S monitoring. The applicant indicated that it prepares an annual environmental report which is first approved by the managing director and then presented to its board of directors for their approval. The applicant demonstrated that its senior management takes the necessary steps to ensure that the intent of the institution's ESMS is met and how the lessons learned from monitoring and evaluation are reflected in updating its ESMS.

#### 3.2.6 **Section 6.6: External communications**

49. The applicant's supplement to the ESG includes a website to receive and register external communications for E&S matters. The applicant provided a description of the procedure and related internal competency to screen, assess and address E&S issues raised via external communication. The applicant's supplement to the ESG includes a requirement for a project-level grievance mechanism in projects executed by its executing entities that it oversees. The applicant's supplement to the ESG has adopted requirements for information disclosure and public consultation for E&S assessment information, which the AP has found to be in line with the GCF Information Disclosure Policy, particularly for the disclosure of E&S information for E&S Category B/I-2 projects/programmes.

### 3.3 Gender

50. The applicant has provided its gender policy and action plan including evidence of its competencies to implement its gender policy, which is found by the AP to be in line with the Gender Policy of the GCF. According to the applicant, the applicant's gender policy and action plan contains a framework for the application of gender mainstreaming in the various programmes/projects presently financed by the applicant.

51. Many of the applicant's financing activities are directly targeted at reducing energy poverty of end users through enhancing energy efficiency of buildings or of district heating systems. The applicant indicated that energy poverty issue in its projects has distinct gender characteristics, since it is estimated that 70 per cent of people affected by energy poverty are women, many of whom live in female-headed households, who are also more likely to suffer

from low incomes. According to the applicant, implementation of energy efficiency measures in buildings or modernization of district heating systems are therefore indirectly contributing to increased gender equality. The applicant provided examples of projects related to linking gender and climate change. The applicant provided as an example, the standard terms for its loans which contain provisions on non-discriminatory practices in terms of benefits and remuneration for both men and women employees.

## IV. Conclusions and recommendation

### 4.1 Conclusions

52. 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 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. The applicant has recently established a separate set of procedures for implementation of GCF-funded projects/programmes, including standardized templates for the preparation of project implementation plans, project budgets and progress reports. However, the implementation of this new set of procedures has not yet been demonstrated;
- (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 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 consideration in the context of climate change.

### 4.2 Recommendation on accreditation

53. The AP recommends, for consideration by the Board, applicant APL066 for accreditation as follows:

- (a) **Accreditation type:**
  - 1. **Maximum size of an individual project or activity within a programme:** small (including micro<sup>5</sup>);
  - 2. **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

<sup>5</sup> 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”.

3. **Maximum environmental and social risk category:** medium risk (Category B/I-2) (including lower risk (Category C/I-3<sup>6</sup>)); 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:
  1. Condition to be met prior to the first disbursement by the GCF for the first GCF-funded project/programme to be undertaken by the applicant:
    1. Provide one example of the project implementation plan prepared in accordance with the “Project Implementation Framework for GCF funded activities” contained in the applicant’s “GCF-NEFCO Rules, Policies and Procedures”.
54. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition, as identified in paragraph 53 above, and agrees to the recommendation.

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<sup>6</sup> 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 XI: Accreditation assessment of Applicant 067 (APL067)

### I. Introduction

1. Applicant 067 (APL067), Pegasus Capital Advisors (PCA), is an organization headquartered in the United States of America that operates internationally. The applicant provides strategic growth capital to middle-market companies operating in the sustainability and wellness sectors and focuses its investment on investments within both the sustainability sector, such as renewable energy, waste and recycling, and agriculture amongst others.
2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 14 March 2016. Accreditation fees were received from the applicant on 20 July 2016, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 13 July 2017 and the applicant was progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:
  - (a) **Access modality:** international access;
  - (b) **Track:** normal track;
  - (c) **Maximum size of an individual project or activity within a programme:** medium;<sup>1</sup>
  - (d) **Fiduciary functions:**<sup>2</sup>
    - (i) Basic fiduciary standards;
    - (ii) Specialized fiduciary standard for project management; and
    - (iii) Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees);
  - (e) **Maximum environmental and social risk category:** medium risk (Category B/Intermediation 2 (I-2)).<sup>3</sup>

### II. Stage I institutional assessment and completeness check

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

#### 2.1 Legal status, registration, permits and licences

<sup>1</sup> 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”.

<sup>2</sup> Decision B.07/02.

<sup>3</sup> 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”.

4. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. PCA was created in the form of a limited partnership on 30 March 1999.

## 2.2 Institutional presence and relevant networks

5. The applicant has a strong international presence through its portfolio companies and investments based in Israel, Peru, Singapore, Thailand, the United Kingdom of Great Britain and Northern Ireland covering activities in Asia, Latin and Central America, the Middle East and Africa.

6. PCA has also been involved in climate change related initiatives with partners such as R20 Regions of Climate Action, Ceres, Principles for Responsible Investment, the Global Impact Investing Network, Confluence Philanthropy and United States Agency for International Development.

7. In order to advance the objectives of the GCF, PCA and its affiliates intend to continue investing in industries and companies that address both climate change mitigation and adaptation, with an expanding focus on sustainable economic development in Least Developed Countries, small island developing States and African countries. The applicant intends to specifically focus on:

- (a) Energy generation and access;
- (b) Energy efficiency;
- (c) Transport;
- (d) Buildings, cities, industries and appliances;
- (e) Enhancing livelihoods;
- (f) Health and well-being and food and water security;
- (g) Infrastructure and built environment; and
- (h) Ecosystem and ecosystem services.

## 2.3 Track record

8. The applicant's track record in financing climate change-related projects is in Africa, Asia Pacific, Latin America and the Caribbean, Europe and North America. Such track record includes the following:

- (a) USD 50 million to USD 100 million (loans and equity) in sustainable tourism in multiple countries in Africa, Asia Pacific and Latin America;
- (b) USD 50 million to USD 100 million (equity and guarantees) in liquid fuels storage, distribution and marketing in Peru, including operations of private port facility and biodiesel production facility; and
- (c) USD 50 million to USD 100 million (equity and guarantees) in a medical nutrition company that addresses prevalent health ailments due to sanitation, poor water quality and availability, particularly in developing countries.

## III. Stage II accreditation review assessment



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

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

### 3.1 Fiduciary standards

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

11. The applicant is registered with the Securities and Exchange Commission (SEC), as an Investment Advisor under the United States of America's Investment Advisor Act of 1940. The regulatory requirements, enforced under SEC supervision, provide the framework for the applicant's corporate governance structure.

12. The applicant has an organizational structure that is appropriate for the governance requirements of its main business activities, as a private equity fund manager and investment advisor. The main governance bodies are the Investment Committees and the Compliance Committee. The Partners and Principals are members of the Investment Committees for each of the funds managed by the applicant. Active oversight and strategic supervision of the investments made through the private equity funds is exercised through the applicant's Investment Committees. The Partners, the Chief Compliance Officer and the Associate General Counsel, are members of the Compliance Committee. This committee is responsible for ensuring compliance with all applicable internal and external laws and regulations.

13. The applicant's organization is designed for the management of private equity funds. The Partners and Principals lead the applicant's management and are supported by a balance of control functions (e.g. applicant's Executive, Investment and Compliance Committees) and technical industry expertise units required for assessment and management of private equity investments.

14. The direct participation of the applicant's Partners provides assurance of effective strategic direction; objectives and goals are clearly defined and supported by effective implementation of action plans with specific measurement metrics. The applicant has a well-developed system for receiving regular reports from investee companies that provides the flow of information required to manage a portfolio of equity investments.

15. As mandated by the Investment Advisor Act of 1940, the applicant must prepare its funds financial statements in accordance with the United States Generally Accepted Accounting Principles. Furthermore, the applicant provided a copy of relevant accounting and control manuals that demonstrate the adequacy of its financial management framework.

16. The applicant as an investment advisor, not an operating company, does not audit its financial statements; however, each of the funds under management by the applicant are audited on an annual basis. Furthermore, the investee companies in which the funds invest, each have the appropriate accounting policies and procedures.

17. Given the applicant's fiduciary responsibilities as fund manager, as well as the regulatory framework in which it operates, compliance and appropriate internal control are of strategic importance. The applicant's compliance manual and accounting manual were assessed, and these provide assurance that the applicant has an internal control framework that is appropriate for its operations. Furthermore, the applicant uses a compliance monitoring software and engages, on an annual basis, an independent expert firm to assess the effectiveness of its internal control system.

18. The main direct procurement activity the applicant undertakes is securing professional services (technical expertise) required as part of its activities as a private equity fund manager.

As such, the applicant does not have a documented procurement policy that meets the GCF's requirements. However, the applicant has stated its willingness to develop a procurement policy (including downstream procurement requirement at the investee company level) that satisfies the GCF's requirements.

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

19. The applicant's Code of Ethics is part of its Compliance Manual, which reflects the ethical standards established by both the regulatory environment and industry best practice. All employees and parties working directly for the applicant must comply with the established ethical requirements. Furthermore, detailed guidelines, that regulate the disclosure of conflict of interest are in place. The applicant's ethics and conflict of interest disclosure requirements are clearly communicated to all relevant parties, through policy manuals (mainly through its comprehensive Compliance Manual), written communications and educational activities.

20. The applicant's Compliance Manual provides the channels through which misconduct and breaches of its ethical standards can be reported. Furthermore, both external and internal regulations, provide for whistleblower protection. The applicant's Chief Compliance Officer, who reports to the Compliance Committee, is responsible for heading investigations into allegations of misconduct and regulatory non-compliance, as well as customer complaints. The policies and procedures to undertake investigations are described in the Compliance Manual.

21. The applicant's Compliance Manual contains its Anti Money Laundering and Countering the Financing of Terrorism (AML/CFT) policy and guidelines. Although the United States Patriot Act of 2001 does not require a Registered Investment Advisor to develop an AML/CFT policy, given the sensitive nature of this issue, the applicant has implemented appropriate measures to mitigate this risk. The applicant has clearly defined procedures to appropriately respond to regulatory investigations, as well as for suspicious activity reporting. Furthermore, all financial assets that are managed by the applicant are held in custody at recognized financial institutions, which are subject to appropriate AML/CFT regulations and supervised by local banking regulators.

22. The applicant's due diligence process, when considering an investment, is comprehensive. This process includes verifying that the investment does not expose the applicant to the risk of being associated with money laundering and terrorist financing activities. When undertaking the analysis of a potential investment the applicant's portfolio managers must take reasonable steps to verify that the investee is not involved in money laundering or financing of terrorism activities. The applicant actively monitors the Specially Designated Nationals lists issued by the Office of Foreign Assets Control of the United States Department of the Treasury, both at the time of subscribing new investments and annually to verify the status of the investors it is associated with. The applicant has procedures in place to appropriately control the beneficiaries of the wire transfer instructions it issues, and it relies on its banks for correct execution of instructions issued.

23. The applicant's external and internal regulatory environment (including, in addition to the aforementioned regulations, the Foreign Corrupt Practices Act of 1977 of the United States of America) provide assurance regarding the applicant's compliance with the GCF's requirements as they pertain to AML/CFT and prohibited practices.

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

24. In the case of this applicant, a "project" is understood for the purpose of assessing its project management capabilities in the accreditation review to be the identification of an investment opportunity, the due diligence process, the investment decision and the management of the investment (including an appropriate investment exit strategy).

25. The applicant's success as a private equity fund manager is based on its track record of offering investors private equity opportunities that generate the expected results. In order to



achieve this goal all investment recommendations made by the applicant must be based on a comprehensive due-diligence process.

26. The applicant has multiple sources for identifying investment opportunities that contribute to the achievement of its strategy. Once an investment opportunity is identified, a project team will, based on established criteria, evaluate the suitability of the investment opportunity. Those investment opportunities that are found appropriate, are presented to the Investment Committee who decides whether to further invest resources in the due-diligence process.

27. The investment due-diligence process includes, with the assistance of external experts, a review of the elements that are relevant to the specific investment, including but not limited to, a due-diligence of legal, technical and financial elements; and an analysis of the strength of the investee company's strategy. Based on the results of the due-diligence and analysis process, the investment team prepares a business forecast model to evaluate the potential results that can be generated by the investment.

28. The final product of the due-diligence process is an investment memo that is presented for approval to the applicant's Investment Committee. If the decision of the committee is favourable, the applicant will structure the investment, and enter into the required legal and business arrangements. The documentation pertaining to the investment process, provided by the applicant, demonstrates the effective implementation of its investment policies and procedures.

29. The investment team, by leveraging the understanding acquired during the due-diligence process, is best qualified to manage the post-acquisition relationship with the investee company. The management of this relationship is guided by an action plan developed for each investee company, as part of the applicant's investment management procedures. Furthermore, the senior management of investee companies have access to the applicant's technical experts. This working relationship is the basis for the applicant's effective management of its equity investment, which is completed with appropriate investee company reporting requirements and governance provisions (such as holding seats on the investee's board of directors).

30. One or more of the applicant's Partners will regularly monitor the information, pertaining to the investee company and will maintain close contact with the investment team. The direct involvement of the Partners provides, within the context of the applicant's operations, a monitoring instance that is independent from the investment team and from the investee's management team.

31. The applicant regularly provides the investors of each fund under management with relevant information regarding the portfolio companies. Information provided includes quarterly reports on material developments and financial data of portfolio companies. Furthermore, annual meetings are held with the investors of each of the funds, and detailed data on the portfolio companies is provided.

32. The permanent oversight and detailed knowledge the applicant has of the investee companies allows for effective project at risk management. Through this process, the applicant works to detect issues that generate risks for the attainment of investment objectives and implement corrective actions in a timely manner. Furthermore, the applicant includes provisions, in the investment agreements, that provide the required authority to implement the corrective measures.

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

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

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

34. The applicant has proven experience managing resources provided by qualified investors, and successfully blending these capitals in the private equity funds it manages. The applicant currently manages approximately USD 1.9 billion in four private equity funds.

35. The applicant has a track record of structuring and implementing investment proposals that include equity, loans and guarantees. The diverse portfolio of investee companies in which the private equity funds, under management by the applicant, has invested provide assurance of its ability to structure financing proposals that include equity, loans and guarantees. The applicant provided examples for each type of financial instrument it has utilized as part of the funding invested in portfolio companies, and while equity is the main instrument employed, the documentation provided demonstrates the applicant's ability to incorporate loans and guarantees as part of the funding structure.

36. The applicant's investment due-diligence procedures and track record provide assurance of its ability to understand, and appropriately mitigate, the risks assumed with each investment it pursues, both at the time of initial investment, as well as during the investment holding period.

37. Compliance with the applicable regulatory environment, as well as the terms of the investment agreements executed by the applicant, establish restrictive guidelines regarding the type and manner in which information regarding investment results and beneficiaries can be disclosed. However, the applicant has already implemented procedures to gather non-confidential information, regarding its investments, that is included in its publicly-available annual sustainability report.

38. The applicant's ability to grow, and continue to attract capital from qualified investors, demonstrates its ability to manage funds in a transparent and effective manner. Transparency in the use of funds is enhanced by the applicant's practice of routinely providing all investors with reliable information regarding the use of funds invested. The applicant provided redacted copies of investment reports as evidence. Finally, the regulatory requirements of the SEC provide further assurance regarding the applicant's compliance with its fiduciary duties to investors.

## 3.2 Environmental and social safeguards

### 3.2.1 Section 6.1: Policy

39. The applicant implemented an environmental, social and governance (ESG) Statement from 2014 to 2016. Building on this plan, it approved its ESG policy and ESG management system (ESG-MS) in 2017. The ESG policy and ESG-MS set the ESG responsibilities, policies, standards and procedures for each stage of the investment cycle; both refer to applicable local and national laws, the International Finance Corporation (IFC) Performance Standards (PS) on Environmental & Social Sustainability (performance standards 1 to 8), the IFC Environmental, Health and Safety Guidelines and the Equator Principles III (EPIII). Other tools are referenced, including the Global Reporting Initiative, the Commonwealth Development Corporation ESG Toolkit for Fund Managers, the United Nations (UN) Sustainable Development Goals, and the policy for responsible supply chains that it is developing with its portfolio companies. The applicant has signed various relevant international statements (e.g., the UN Principles for Responsible Investment and the We are Still In Campaign, demonstrating its commitment to the Paris Agreement and) and collaborates with the UN Environment Programme's Finance Initiative. The ESG policy is found by the AP to be in line with GCF requirements, including performance standards 1 to 8 and the requirements related to environmental and social impact assessment (ESIA). The ESG policy is available on the website. AP has found that the ESG policy and ESG-MS are suitable for the maximum level of E&S risk Category B/I-2 that the applicant is seeking accreditation for.

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

40. The ESG–MS requires investment opportunities to first be screened against an exclusion list to eliminate certain types of investments (e.g., companies that make use of child labour). The investment professional and ESG manager then complete a screening questionnaire and other screening tasks (e.g., document review and site visit) before categorizing the investment as A, B, or C using IFC and EPIII guidance. The screening result and agreed category are stored in the internal deal folder. The procedure aligns with the requirements of the GCF and the applicant provided an adequate track record showing how it screened existing and proposed new investments into Categories A/I-1, B/I-2, and C/I-3.

### 3.2.3 **Section 6.3: Management programme**

41. The ESG–MS outlines requirements over the investment cycle. The investment professional and ESG Manager use a due diligence questionnaire based on the requirements of IFC, EPIII, the Commonwealth Development Corporation ESG Toolkit for Fund Managers, and Invest Europe. Typically, the due diligence entails reviewing the investee's ESIA and/or other evidence (where there is no ESIA) against the standards; confirming the E&S risk category of the investment; reviewing the investees' capacity and track record with ESG implementation; and developing a time-bound ESG action plan to fill any ESG gap. Where Category B/I-2 projects/programmes (and Category A/I-1 projects) have identified risks, these are summarized in a risk-and-mitigation register, which notes for each risk the probability, frequency, severity of impact, recommended mitigation measure, and responsible party. The findings are integrated into an investment committee memorandum. If an investment is agreed, ESG conditions are incorporated into the legal agreement, a risk register, and key performance indicators. The investee and the applicant then monitor ESG impacts and mitigation measures over the implementation period, with correction actions applied, as needed. The system aligns with GCF requirements. The applicant provided a sufficient track record showing application of its ESG–MS over the investment cycle. The AP has found that the ESG management programme meets the GCF requirements for Category B/I-2 projects/programmes.

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

42. The organizational chart locates the ESG responsibilities within the applicant. The sustainability committee provides ESG oversight and quality assurance, whereas the ESG Manager manages and implements the system with the support of other operating advisors. Additional social advisors are expected to be hired in 2018 to complement existing firm-level capacity.

43. ESG training materials, and workshop attendance lists were provided to demonstrate that investment professionals, the investment relations teams, operating advisors, and portfolio companies regularly receive ESG training. The ESG training plan for 2018 was also provided. The applicant engages in ESG networks and other working groups to collaborate and keep informed on ESG best practices. Curriculum vitae of the E&S operating advisors and work samples were also provided. The AP has found that the applicant's organizational capacities and competencies are sufficient to manage Category B/I-2 projects/programmes.

### 3.2.5 **Section 6.5: Monitoring and review**

44. All investees must report to the applicant on their ESG compliance. The applicant also monitors each investee against the ESG–MS requirements and agreed ESG metrics. A data service provider is being hired to develop an online ESG reporting tool to further assist investees to submit ESG data and to help the applicant aggregate this information. The applicant provided a number of monitoring reports to demonstrate its capacity and the capacity of its portfolio companies to conduct ESG monitoring.

45. The ESG–MS provides for third party audits. The effectiveness of the ESG–MS is subject to an annual internal review. The lessons learnt in 2017 were integrated into a 2018 update to

the ESG–MS. The applicant is now considering the selection of a consultant to assist with third-party audits and ESG evaluations at the investee and fund level.

### 3.2.6 Section 6.6: External communications

46. The applicant indicated that to the best of their knowledge it and its portfolio companies have complied with local and national laws for ESIA-related consultation and information disclosure, providing ESIA and due diligence reports as evidence of this practice. It now publishes an annual sustainability report, showing further commitment by the applicant to external communications.

47. The applicant confirmed that it and its executing agencies could adopt a public consultation and E&S information disclosure policy in line with the GCF information disclosure policy (IDP) regarding E&S information disclosure and duration for Category B/I-2 projects/programmes.

48. The ESG policy and ESG–MS formally require Category B+ investees as defined in the applicant’s policy to have a communications and grievance mechanism accessible to all stakeholders. The applicant is currently reviewing the grievance mechanisms of all its portfolio companies, aiming to ensure that each has an IFC-compliant grievance mechanism by end of 2018.

49. The investor relations team manages the public website, which provides contact information and serves as the external, entity-wide grievance redress mechanism. There have not been any ESG inquiries or complaints received via the applicant’s website in the last year. The new firm-level (2018) draft grievance redress mechanism and procedure awaits senior management approval. Once approved, the grievance redress mechanism and procedures will align with GCF requirements.

## 3.3 Gender

50. The revised 2018 diversity and inclusion (D&I) policy awaits approval, replacing an earlier version. It focuses on promoting diversity, equal opportunity, non-discrimination, zero harassment, and flexible work arrangements. The applicant now requires its portfolio companies to report on their D&I policies and on matters related to employment, promotion, and compensation of women and minorities. As this baseline data is collected, the applicant will assist portfolio companies to update their D&I policies, procedures, goals, and targets.

51. Sample D&I training materials were provided to show capacity development at entity- and portfolio-company levels; the 2018 D&I training schedule was also provided. The applicant provided examples of how its portfolio companies have integrated gender and climate change in their activities and projects (e.g., solar street lighting).

52. The applicant’s D&I policy and competencies are partially in line with the GCF Gender Policy. The applicant’s main focus to date has been on the D&I issues of employees, at the entity or portfolio-company levels. The applicant committed to further developing its gender/D&I policy to comply with GCF requirements (e.g., the policy should require a gender assessment at the project-level).

## IV. Conclusions and recommendation

### 4.1 Conclusions

53. 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, and meets the specialized fiduciary standard for project management and the specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees. The gap between the applicant's policies and procedures and the GCF basic fiduciary standards pertains to procurement, specifically the development of a procurement policy that includes provisions of procurement practices that must be followed at the executing entity level (e.g. portfolio company level);
- (b) The applicant partially meets the requirements of the interim ESS of the GCF in relation to the medium E&S risk (Category B/I-2), with the main gaps being the final adoption of the draft grievance redress mechanism and procedures (with a register for recording environmental and social-related complaints), and the adoption of a public consultation and information disclosure policy in line with requirements under the GCF IDP for Category B/I-2 projects/programmes; and
- (c) The applicant partially meets the competencies, policies and procedures to implement the gender policy of the GCF, with the main gaps being that the policy needs to require a gender assessment to be conducted at the project-level.

## 4.2 Recommendation on accreditation

54. The AP recommends, for consideration by the Board, applicant APL067 for accreditation as follows:

- (a) **Accreditation type:**
  - (i) **Maximum size of an individual project or activity within a programme:** medium (including micro<sup>4</sup> and small<sup>5</sup>);
  - (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/Intermediation (I-3)<sup>6</sup>); and
- (b) **Conditions:** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the conditions. The AP will thereafter assess whether the conditions have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes:
  - (i) Conditions to be met prior to the submission of the first funding proposal to the Board:

<sup>4</sup> 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".

<sup>5</sup> 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".

<sup>6</sup> As per annex I to decision B.07/02, category C is defined as "Activities with minimal or no adverse environmental and/or social risks and/or impacts" and intermediation 3 is defined as "When an intermediary's existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts".

1. Establishment of the applicant's grievance redress mechanism and procedures to be applied at the institutional-level, together with a register for recording environmental and social-related complaints;
2. Approval by the applicant of a consultation and information disclosure policy consistent with the requirements of the GCF IDP requirements for Category B/I-2 projects/programmes;
3. Revision of the applicant's Diversity and Inclusion policy (or the development of a stand-alone gender policy) consistent with the GCF Gender Policy; and
4. Development of a procurement policy (including procurement requirements at the executing entity level) that meets the relevant principles in the GCF basic fiduciary standards.

55. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 54 above, and agrees to the recommendation.

### 4.3 Remarks

56. The AP recommends that the applicant consider further developing the practice of disclosing information regarding investment results and beneficiaries (refer to paragraph 37).



## Annex XII: Accreditation assessment of Applicant 068 (APL068)

### I. Introduction

1. Applicant 068 (APL068), the Austrian Development Agency (ADA Austria), functions as the operational unit of the Austrian Development Cooperation and finances and supports development projects internationally on behalf of the Government of Austria. The applicant primarily works on the themes or sectors of economy and development; education; environment and climate protection; gender equality; peace, human security, human rights and migration; and water, energy and food security.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 8 July 2015. Accreditation fees were received from the applicant on 30 July 2015, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 9 August 2017 and the applicant was progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** international access;
- (b) **Track:** fast-track under the Directorate-General for International Development and Cooperation of the European Commission (DG DEVCO);
- (c) **Maximum size of an individual project or activity within a programme:** small;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards;
  - (ii) Specialized fiduciary standard for project management; and
  - (iii) 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)).<sup>3</sup>

### II. Stage I institutional assessment and completeness check

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 decision B.08/03.

<sup>1</sup> 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”.

<sup>2</sup> Decision B.07/02.

<sup>3</sup> 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 applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. The applicant is a limited liability, non-profit company owned by the Federal Government of Austria and was established in January 2004 by the Austrian Federal Act on Development Cooperation, BGBl I Nr. 49/2002 idF BGBl I Nr. 65/2003.

## 2.2 Institutional presence and relevant networks

5. The applicant is primarily engaged in sectors where Austria has proven know-how and long-standing experience. The mission of the applicant is to improve conditions of life in developing countries and assist partner countries in engaging and achieving their priorities according to the United Nations Sustainable Development Goals. The applicant engages with national institutions, European and local civil society organizations and private sector entities in its programmes and projects. It also cooperates with international development organizations in the implementation of specific programmes in its regions of focus.

6. The applicant operates from its head office in Vienna, Austria and through 12 offices, including in Africa (Burkina Faso, Ethiopia, Mozambique and Uganda), Asia (Bhutan and Palestine) and Eastern Europe (Albania, Armenia, Georgia, Kosovo, Moldova and Serbia).

7. In order to advance the objectives of the GCF, the applicant intends to focus on its best practices in climate change mitigation and adaptation and undertake projects/programmes in the following areas with the GCF:

- (a) Mitigation: energy generation and access/energy efficiency, land use/forestry, institutional and regulatory systems; and
- (b) Adaptation: enhancing livelihoods, health, wellbeing and food and water security, early warning and disaster risk reduction and infrastructure and built environment.

## 2.3 Track record

8. The applicant has been working with governments, partner organizations, and local and international civil society organizations, as well as private sector entities. The applicant follows the Three-Year Programme set out by the Government of Austria, and its 2016-2018 programme highlights:

- (a) Education and capacity building;
- (b) Peace, human security, human rights and migration;
- (c) Water, energy and food security;
- (d) Economic development; and
- (e) A crosscutting theme of environment, climate change and gender equality.

9. The applicant has indicated that it has successfully implemented its programmes and projects by maintaining environmental and social safeguards. All programmes and projects conducted by the applicant attach importance to the equal participation of women. Special consideration is paid to the needs of children and persons with disabilities.

10. Since 2009, the applicant has supported climate change projects/programmes totalling approximately United States Dollars 170 million, of which 40 per cent has been allocated to mitigation projects/programmes, 25 per cent to adaptation projects/programmes and 35 per cent that have been cross-cutting. In more recent years, the figures across each type of activity

has been more equal. The applicant's track record in financing climate change-related projects includes the following:

- (a) EUR 31.7 million (grant) for Water supply and Sanitation Development in Small Towns and Rural Growth Centres in Uganda;
- (b) EUR 19.5 million (grant) for Socio-Economic Development of the Danube Serbia Region in Serbia;
- (c) USD 7.957 million (grant) for the livelihood improvement through sustainable resource management in North Gondar project in Ethiopia;
- (d) USD 5.305 million (grant) for the sector budget support environment 2009-2011 project in Cape Verde; and
- (e) USD 1.7 million (grant) for the SOLTRAIN II – Southern African Solar Thermal Training and Demonstration Initiative project in Lesotho, Mozambique, Namibia, South Africa and Zimbabwe.

## 2.4 Potential support for direct access entities

11. The applicant intends to support direct access entities in meeting the GCF's accreditation standards through the promotion of capacity development at three levels – the individual, organizational and the society as a whole. In this respect, the applicant supports the development and utilization of existing strategies and programmes for capacity development in its partner countries as well as strengthening of local and national experts, as well as direct access entities and their utilization in capacity development measures. Current experiences in this field include:

- (a) Development and support of sector-wide national strategies and/or programmes, including capacity development of the public sector in various fields, such as public finance management (e.g. Water and Environment Sector Programme in Uganda, and the national programme for technical education and vocational training in Burkina Faso);
- (b) Promotion of climate mainstreaming and elaboration of national strategies and plans for climate change (e.g. mainstreaming climate change in local development plans and updating the National Mitigation Action Plan in Burkina Faso; supporting the National Adaptation planning process in Moldova; support to REDD+ Readiness Preparation in Uganda; Strengthening Local and National Capacity for Sustainable Forest Governance in Georgia; and Adaption Learning Programme for Africa);
- (c) Strengthening of national capacities to take into account environmental and social safeguards (e.g. Capacity Development for Monitoring of Hydropower Plant Safety and Dedicating Minimum Environmental Flow for Hydro Power Projects in Bhutan; Development of Educational and Research Capacity in Eastern Africa for the Sustainable Management of Aquatic Ecosystems; support to the Gender Peace and Security Programme of the African Union; contribution to the strategic plan of the Southern African Development Community's Council of Non-Governmental Organizations with focus on poverty reduction and development, environmental law enforcement through the Natural Resource Management and Environmental Crime Network, Eastern Europe); and
- (d) Support to legal reform and inspection panels within the partner countries (e.g. Capacity Development of Royal Audit Authority in Bhutan).

12. In all of its partner countries, the applicant is in close contact with the respective partner government, local authorities and institutions. In consultation, and with due regard of

the national ownership, the specific capacity needs/demands are identified and the respective measures for capacity development jointly planned.

### **III. Stage II accreditation review assessment**

13. 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 accreditation standards of the GCF in accordance with the requirements and gaps identified in decision B.08/03.

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

#### **3.1 Fiduciary standards**

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

15. As per paragraph 13 above, the basic fiduciary standards concerning key administrative and financial capacities is considered to have been met by way of fast-track accreditation. Nevertheless, the AP reviewed the applicant's procurement policies, procedures and practices and confirmed that these are consistent with the GCF basic fiduciary standards regarding procurement as the applicant applies open international competitive bidding practices in procurement activities exceeding EUR 100,000.

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

16. As per paragraph 13 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 (CFT) policies, have been met by way of fast-track accreditation.

17. Regarding AML/CFT, the applicant does not have an institutional AML/CFT policy of its own. As a government agency, it follows the Austrian Penal Code which prohibits Terrorism Financing and Money Laundering, and as Austria is a member of the European Union, the applicant's financial transactions are subject to the European Union Directive 2015/849 on the prevention of the use of the financial system for the purpose of money laundering and terrorism financing. The AP reviewed the AML/CFT policies followed by the applicant as well as related institutional regulations, policies and procedures, and found them to be consistent with the GCF AML/CFT Policy.

18. The applicant has sound "know-your-customer" due diligence procedures to combat money laundering and financing of terrorism. To comply with the Austrian Federal Public Procurement Law, the applicant verifies that the parties involved in the projects it finances have not been convicted of fraud, participation in a criminal organization, terrorist offences or money laundering. Furthermore, when the applicant undertakes projects funded by the European Commission it screens – for any awards above EUR 50,000 – potential clients against the Commission's Early Detection and Exclusion System, which lists economic operators excluded or subject to penalties by the European Commission if they are involved in exclusion situations, which include fraud, corruption, participation in a criminal organization, money laundering and terrorism financing or linkages to terrorist activities. Parties on the Commission's Early Detection and Exclusion System list are excluded from the participation in procurement and grant awards under projects/programmes financed by the applicant. The applicant would apply the same protocols and policies when implementing GCF-funded projects/programmes.

19. The applicant regularly monitors electronic funds transfers to ensure that funds are received from bonafide sources and paid to the intended beneficiaries. To comply with the mandatory Austrian accounting code, it maintains an accounting trail of electronic funds

transfers through constant online monitoring of its bank accounts transactions and scrutiny of bank statements. Examples of electronic funds transfer monitoring reports were provided.

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

20. The applicant has appropriate operational policies and procedures covering all the major aspects of the project cycle including project identification, design, preparation, implementation, closure and final evaluation. Reviews of sample project reports show the applicant's operational policies and procedures are sufficiently aligned with GCF standards and are effectively implemented.

21. The applicant has a project-at-risk system for early identification and addressing of project problems before they become entrenched and compromise attainment of project objectives. Examples of project problems identified and actions taken to address them were provided. The AP assessed the project at-risk-system and found it to be sufficient for the types of activities the applicant intends to undertake and within the criteria it is seeking accreditation for. The AP assessed the applicant's project at-risk-system and found it to be sufficient for the types of activities the applicant intends to undertake and within the criteria it is seeking accreditation for.

22. For the effective implementation of projects/programmes, the applicant uses a methodology commonly used by similar institutions in the European Union. Sample implementation reports provided demonstrate the applicant's capabilities in project planning and continuous oversight of project progress throughout the implementation phase. The applicant also has appropriate procedures to ensure effective implementation of the planned risk mitigation strategies during project implementation, based on financial, economic, political and regulatory risks identified during project implementation. The applicant's monitoring and evaluation function, the monitoring and evaluation policies and procedures and their practical application are well aligned with GCF standards.

23. To comply with GCF requirements, the applicant has put in place appropriate policies and procedures on project closure with provisions for wide dissemination of reports on results achieved and lessons learned. Assessment of project performance at closure is carried out by an independent evaluation unit which reports directly to the head of the agency. To further ensure independence and objectivity of the evaluation function, all evaluations of the projects/programmes financed by the applicant are carried out by independent external consultants. Based on the terms of reference for independent evaluations and sample independent evaluation reports provided, the applicant has demonstrated that its evaluation function follows widely recognized, professional standards and methods.

24. For purposes of transparency, the applicant recently instituted a new information disclosure policy which makes mandatory the publication of project progress monitoring and final evaluation results and reports for all projects where funding by the applicant exceeds EUR 2 million. The applicant has indicated that the information disclosure policy would apply to all GCF-funded projects/programmes irrespective of the project/programme cost level identified in its policy. As the applicant's information disclosure policy has only been recently instituted, the applicant has yet to demonstrate that project progress monitoring reports and evaluation results and reports are disseminated in accordance with its policy.

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

25. As per paragraph 13 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**

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

## 3.2 Environmental and social safeguards

### 3.2.1 Section 6.1: Policy

27. The applicant's environmental and management system (ESMS) comprises its environmental, gender and social impact management (EGSIM) manual. The EGSIM includes an overarching statement of the environmental and social (E&S) objectives and principles which guide the applicant. The E&S standards adhered to by the applicant are consistent with performance standards 1 to 8 of the GCF interim environmental and social safeguards (ESS). According to the EGSIM, the interventions funded by the applicant must be in line with national development policies and strategies of the countries they take place in, as well as with existing local or regional development plans. The EGSIM manual is endorsed by the applicant's management and is available on the applicant's internet for access to all its staff. The EGSIM manual reflects the requirements related to the assessment of cumulative impacts, associated facility impacts, analysis of alternatives, baseline data standards and mitigation hierarchy in projects implemented by it and projects it oversees executed by executing entities.

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

28. The applicant's EGSIM manual describes the applicant's institutional process for the identification and categorization of E&S risks and impacts of projects/programmes; and is consistent with the performance standards 1 to 8 of the GCF interim ESS. The applicant has also developed an EGSIM staff guidance note which provides further information on the delivery of the E&S standards, different modalities, processes, tools and templates relevant for the application of environmental, gender and social standards. The applicant provided a sample of documents as evidence of the application of this process including the E&S risk categorization. The AP found the E&S risk identification and categorization process is consistent with a maximum E&S risk Category B/I-2 for projects/programmes.

### 3.2.3 Section 6.3: Management programme

29. The applicant's EGSIM describes the procedure for the management of E&S risk mitigation measures and action stemming from the E&S risks identified. The EGSIM also describes the roles and responsibilities of the applicant's staff and project proponents. More details are presented in the EGSIM staff guidance note depending on the size, modality and type of projects/programmes. The applicant provided a sample of project documents as evidence of its E&S management. The applicant commits to carry out an external evaluation of the effectiveness of its ESMS for projects financed using GCF resources. The AP found the E&S risk management programme is sufficient to address a maximum E&S risk Category B/I-2 for projects/programmes.

### 3.2.4 Section 6.4: Organizational capacity and competency

30. The applicant provided its institutional organizational structure and related flow chart which identifies the process for and responsibilities of key units, and management personnel for implementing the ESMS, along with their authority and reporting lines. The applicant's thematic advisors on environmental, gender and social issues provide technical support to other staff in appraising projects/programmes against E&S principles and in implementing the EGSIM manual. The applicant provided bio-data of the ESS experts and a sample of their work done as evidence of their competency. Regular trainings are conducted for the applicant's staff on environmental and gender appraisal process. The AP found organizational capacities and competencies to implement the EGSIM are appropriate, including for projects/programmes that are categorized as Category B/I-2 projects/programmes.

### 3.2.5 Section 6.5: Monitoring and review

31. The applicant's EGSIM describes its internal processes to support monitoring and evaluation program that tracks and ensures completion of mitigation and performance



improvement measures. The applicant provided a sample of monitoring and evaluation report. The applicant also provided evidence of the periodic performance reviews on the effectiveness of its ESMS reported to its senior management, and its senior management taking the necessary steps to ensure the intent of the institutions policy is met and that procedures, practices and plans are implemented. The AP found the applicant's monitoring and reporting process sufficient for Category B/I-2 projects/programmes.

#### 3.2.6 **Section 6.6: External communications**

32. The applicant provided information on its external communication system to receive and register external communications from the public. To this end, the applicant provided its manual on the whistleblowing system which describes its internal procedures and competencies to screen and assess issues raised and address issues. The applicant provided a copy of its complaints register, however, indicated that it has not received any E&S related complaints. The applicant's newly developed directive on public disclosure of project information makes mandatory the publication of all E&S assessments and management plans, which is found to be in line with the GCF information disclosure policy. The applicant's EGSIM includes a requirement for project-level grievance mechanism in projects executed by its executing entities that it oversees.

### 3.3 Gender

33. The applicant has provided its gender equality and empowerment of women policy which is found by the AP to be in line with the Gender Policy of the GCF. As per the applicant's gender, social and environmental appraisal manual, all project proposals are subject to a gender appraisal, which examines whether the project makes a relevant contribution to gender equality. The applicant's EGSIM manual also fully reflects the principle of gender equality and empowerment of women. The applicant also provided a sample of project agreements which requires compliance with applicant's EGSIM manual including binding recommendations on gender mainstreaming requirement. The applicant provided its organizational structure and the term of reference for the gender and development unit including brief bio-data of the unit's gender experts as well as the unit's advisor and information on gender mainstreaming training courses undertaken by its staff. The applicant provided a sample of project documents which show non-discriminatory practices in terms of benefits and remuneration for both men and women employees. The applicant has committed to maintain gender disaggregated data on beneficiaries in projects financed using the GCF resources.

## IV. **Conclusions and recommendation**

### 4.1 Conclusions

34. 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 grant award and/or funding allocation mechanisms, and partially meets the specialized fiduciary standard for project management. The applicant has not demonstrated that project progress monitoring reports and evaluation results and reports are disseminated in accordance with its information disclosure policy;
- (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 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 consideration in the context of climate change.

## 4.2 Recommendation on accreditation

35. The AP recommends, for consideration by the Board, applicant APL068 for accreditation as follows:

- (a) **Accreditation type:**
- (i) **Maximum size of an individual project or activity within a programme:** small (including micro<sup>4</sup>);
  - (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
  - (iii) **Maximum environmental and social risk category:** medium risk (Category B/I-2) (including lower risk (Category C/I-3<sup>5</sup>)); 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) have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes:
- (i) Condition to be met within three years following the approval by the Board of the first GCF-funded project/programme to be undertaken by the applicant:
    - 1. Provide evidence in the form of two (2) examples showing that project progress monitoring reports and evaluation results and reports are disseminated in accordance with the applicant's information disclosure policy.

36. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition, as identified in paragraph 35 above, and agrees to the recommendation.

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<sup>4</sup> 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".

<sup>5</sup> 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 XIII: Accreditation assessment of Applicant 069 (APL069)

### I. Introduction

1. Applicant 069 (APL069), the Compañía Española de Financiación del Desarrollo S.A. S.M.E. (COFIDES), is an organization based in Spain that provides cost-effective financial support for viable medium- and long-term private direct investment projects globally. To promote economic and social development of emerging and developing countries, the applicant uses both its own financial resources as well as those of the two state funds it manages. Both funds belong to the Ministry of Economy, Industry and Competitiveness and are channelled through the State Secretariat for Trade, which provides access to the applicant to a global network of the Spanish Commercial and Economic Offices.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 1 August 2015. Accreditation fees were received from the applicant on 12 August 2015, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 9 August 2017 and the applicant was progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** international access;
- (b) **Track:** initially under the normal track, then fast-track under the Directorate-General for International Development and Cooperation of the European Commission (DG DEVCO) following decision B.14.09;
- (c) **Maximum size of an individual project or activity within a programme:** medium;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards;
  - (ii) Specialized fiduciary standard for project management;
  - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
  - (iv) Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees); and
- (e) **Maximum environmental and social risk category:** high risk (Category A/Intermediation 1 (I-1))<sup>3</sup>.

### II. Stage I institutional assessment and completeness check

3. The applicant applied and was initially assessed by the Secretariat during Stage I under the normal track accreditation process. The applicant became eligible for the fast-track

<sup>1</sup> 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”.

<sup>2</sup> Decision B.07/02.

<sup>3</sup> 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”.

accreditation process as a DG DEVCO entity during Stage I. Its application has thereafter been assessed by the Secretariat during Stage I in accordance with the requirements and gaps identified in decisions B.08/03 and B.14/09.

## 2.1 Legal status, registration, permits and licences

4. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. The applicant was established on 26 December 1988 in Madrid and was registered in the companies' registries of Madrid, Spain, volume 27748 of the eighth section, page 164, sheet M60251.

## 2.2 Institutional presence and relevant networks

5. The applicant, as a European development financial institution, is highly committed in various international climate change mitigation and adaptation initiatives in Africa, Central and Latin America, Asia, the Pacific and Europe. The applicant has joined this worldwide effort to fight climate change and along with its European partners, has, for instance, contributed to the funding of the Interact Climate Change Facility, an investment facility that finances renewable energy and energy efficiency projects in the private sector in developing countries and emerging markets.

6. The applicant draws on the Economic and Commercial Offices of the Ministry of Economy, Industry and Competitiveness of Spain, across the world. The applicant operates in various sectors including energy, tourism and leisure, textile, agribusiness, chemical and pharmaceutical, finance and other services while following an exclusion list in the context of its environmental and social policy.

7. In addition, the applicant has closely worked with several international financial organizations such as Corporación Andina de Fomento, the European Investment Bank, the Inter-American Development Bank, as well as European development finance institutions.

8. Through its partnership with the GCF, the applicant envisages to play a catalytic role in the field of climate finance, either by providing its own funding or by contributing to channel resources from other financing partners, donors or international organizations to sound financial and social projects in its partner countries.

## 2.3 Track record

9. The applicant has over 30 years of experience in financing renewable energy projects, energy efficiency projects and adaptation to climate change projects. While the applicant has traditionally been involved in climate change mitigation projects, including renewable energy, energy efficiency and biofuels projects, the applicant intends to actively promote projects that include adaptation measures such as:

- (a) Using scarce water resources more efficiently;
- (b) Adapting building codes to future climate conditions and extreme weather events;
- (c) Building flood defences and raising the levels of dikes;
- (d) Developing drought-tolerant crops;
- (e) Choosing tree species and forestry practices less vulnerable to storms and fires; and
- (f) Setting aside land corridors to help species migrate.

## 2.4 Potential support for direct access entities

10. The applicant has a long track record of engagement with the development of partner countries' national institutions. The applicant has signed several collaboration agreements with multilateral institutions and has arranged staff secondments with them. The applicant identifies country ownership as a key dimension of its basic guiding principles of action.

11. The applicant intends to support direct access entities in meeting GCF standards by being a critical factor in the development of a strong alliance with the potential subnational, national and regional implementing entities and intermediaries. To achieve this goal, the enhancement of capacities of the applicant's potential partners will be a key dimension in defining and undertaking projects/programmes. This could include, amongst other efforts:

- (a) Providing technical assistance;
- (b) Undertaking activities to build institutional capacities; and
- (c) Sharing international best practices, etc.

12. To ensure this requirement and to contribute to making a paradigm shift happen, the applicant intends to include a specific capacity building component in all of its GCF programmes and projects.

## III. Stage II accreditation review assessment

13. 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 accreditation standards of the GCF in accordance with the requirements and gaps identified in decisions B.08/03 and B.14/09.

14. As part of this assessment, the AP undertook a site visit to the applicant's headquarters in Madrid, Spain, consulted the applicant's website and 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

15. As per paragraph 13 above, the basic fiduciary standards concerning key administrative and financial capacities are considered to have been met by way of fast-track accreditation. Nevertheless, the AP reviewed the applicant's procurement policies, procedures and practices and found they were aligned with GCF basic fiduciary standards regarding procurement as the applicant applies open international competitive bidding practices in its procurement activities.

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

16. As per paragraph 13 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 (CFT) policies, are considered to have been met by way of fast-track accreditation.

17. Regarding AML/CFT, the applicant has a well-established policy and procedures for the prevention of money laundering and financing of terrorism, which found by the AP to be consistent with the GCF AML/CFT Policy. An internal manual provides guidance to staff in compiling relevant information on clients and identifying and reporting suspicious transactions. To ensure adherence to international best practices, the applicant's AML/CFT policies and procedures are updated periodically. To ensure proper oversight of the applicant's AML/CFT

practices, an internal control body, supported by a specialized technical unit was set up in 2015. Among other activities, it reviews an annual risk analysis report and provides guidance to the applicant's management and board in minimizing AML/CFT risks.

18. The applicant has a robust system for undertaking "know-your-customer" (KYC) due diligence, including screening of project sponsors against the main sanctions lists such the Office of Foreign Assets Control of the United States Department of the Treasury's list of people and companies suspected or found guilty of violation of money laundering and terrorism financing regulations in the United States of America and other jurisdictions. The applicant also regularly traces and monitors electronic funds transfers to ensure that funds are received from bonafide sources and paid to the intended beneficiaries.

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

19. The applicant has comprehensive operational policies and procedures covering all aspects of the project cycle, notably: project preparation, appraisal, portfolio risk control, monitoring and evaluation and project closure. These policies, procedures and guidelines are laid out in various manuals which are periodically updated, as appropriate, and except for the gap described in paragraph 23 below, are aligned with GCF standards. Sample project reports reviewed by the AP clearly demonstrate compliance with and effective implementation of the applicant's operational policies and procedures, with emphasis on the following:

- (a) Project quality reviews, by the applicant's Risk Division and its Steering Committee comprised of representatives of the applicant's main divisions, are undertaken during the appraisal process;
- (b) All projects are constantly monitored and projects requiring special attention are subjected to constant surveillance and reviewed on a weekly basis; and
- (c) Project closure reports include reporting on results achieved, lessons learned and recommendations for improvement.

20. The applicant provided a number of examples of the project and programme appraisal reports demonstrating its experience in climate change mitigation and adaptation projects, including those in renewable energy, energy-efficiency and biofuels.

21. The applicant has a robust risk assessment and management function carried out by the Risk Division, which is responsible for all financial risk control across the organisation. The risk function has provisions for ensuring effective implementation of the planned risk mitigation strategies based risks identified during project implementation.

22. At the time of application assessment, the applicant did not have in place some key policies and procedures required under the GCF fiduciary standards. However, the following have been developed by the applicant and are now in place:

- (a) A policy on independent evaluation of project results: the terms of reference of the independent evaluation function demonstrate that the function follows impartial, widely recognized, documented and professional standards and methods; and
- (b) An information disclosure policy which includes a provision for publishing monitoring and evaluation results and reports.

23. While the applicant has developed and put in place a policy on independent evaluation of project results and an information disclosure policy as indicated above, effective implementation of these policies have not yet been demonstrated.

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

24. As per paragraph 13 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**

25. The applicant has a proven track record, institutional experience and capacities in on-lending and blending of funds from different international and multilateral funding sources, such as the European Development Finance Institutions, the European Investment Bank and European Financing Partners. Apart from its on-lending and blending operations, the applicant also has a proven track record and capacity to manage projects that use equity and guarantees as investment instruments. The on-lending, blending, equity and guarantees operations are supported by a set of policies and procedures, and sample due diligence reports reviewed by the AP clearly demonstrate compliance with and effective implementation of these policies and procedures. To effectively manage its on-lending, blending, equity and guarantees portfolio, in addition to its own tailored system, the applicant uses the Bloomberg Terminal which offers real-time financial data and sophisticated analytics.

26. The applicant has recently developed an information disclosure policy on the publication of beneficiaries of projects it finances. The applicant provided information on the publication of beneficiaries in a sample of projects it has financed, and the AP has found that it adequately addresses the GCF requirements.

27. The applicant provided sufficient evidence, including approved annual accounts and external annual audits of its financial statements, to show that it has adequate procedures for ensuring that the funds it provides are channelled transparently and used effectively. Copies of documents where advantages to final beneficiaries of projects it finances were provided. Based on the information provided, the AP has found that the applicant has demonstrated its capacity to effectively and transparently channel funds that could be provided by the GCF.

28. The applicant's financial and risk management policies are well-developed and supported by both the independence of the risk management and the internal audit functions. Matters relating to asset management are handled by the Steering Committee and may be elevated to the applicant's board for discussion where necessary. To ensure appropriate segregation of duties, the applicant's operations and treasury functions are organically and functionally independent. The Investment and Portfolio Management Division is in charge of the operational side, while the Economic and Finance Division is responsible for the treasury function including disbursements.

## 3.2 Environmental and social safeguards

### 3.2.1 **Section 6.1: Policy**

29. The applicant provided its environmental and social (E&S) policy, which includes a comprehensive statement of the applicant's overarching E&S objectives and principles guiding the institution. The E&S policy's main objective is to adequately manage the E&S risk of financial transactions as an additional commitment to integrated risk management, both with the shareholders of the applicant as well as the holders of the funds it manages. The applicant's E&S policy and related practice adequately reflect the requirements related to assessment of cumulative impact, associated facility impacts, analysis of alternatives, baseline data standards and mitigation hierarchy in projects implemented by it and projects it oversees executed by executing entities. The applicant's E&S standards adhere to the performance standards of the International Finance Corporation, as well as to obligations of national and international E&S laws of the host country. The E&S policy is found to be in line with the GCF interim environmental and social safeguards (ESS).

30. The E&S policy is endorsed by the applicant's management and is available on the applicant's intranet for access to all its staff, as well as on its website for public access. The applicant's sustainability department alongside with its risk management department are responsible for the execution of and ensuring conformance with the E&S policy.

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

31. The applicant's E&S policy describes its institutional process to identify the E&S risks and impacts of projects, which the AP has found to be consistent with performance standards 1 to 8 of the GCF interim ESS. The applicant provided a sample of project E&S risk screening documents to demonstrate its E&S risk categorization procedure, including identification of the E&S risks and impacts. The E&S risk categorization process is carried out by the head of the applicant's sustainability unit. The E&S risk category is thereafter confirmed by the applicant's risk management unit. The applicant provided a list of past illustrative projects indicating their E&S risk category including the rationale for the identified E&S risks and impacts. The AP found that the E&S risk identification and categorization process is consistent with a various E&S risk levels, including Category A/I-1.

### 3.2.3 **Section 6.3: Management programme**

32. The applicant's E&S policy is complemented by a financing handbook containing an E&S guide for its project managers. This describes the institutional process for managing E&S risk mitigation measures and actions stemming from the E&S risk identification process. The applicant provided a sample of project documents as well as a sample of external audit reports as evidence of its practice on management of E&S mitigation measures in projects financed by the applicant. The AP found the E&S risk management programme is sufficient to address various E&S risk levels, including Category A/I-1.

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

33. The applicant provided its organizational structure including the placement of the sustainability unit with a description of the roles, responsibilities and reporting lines of the unit staff to implement the E&S policy. The applicant provided a sample of the work performed by the unit's technical staff demonstrating their knowledge, skills and experience necessary to ensure implementation of the E&S policy in line with performance standards 1 to 8 of the GCF interim ESS. The applicant also provided information on the ESS and gender related training program undertaken by its staff. The AP found that the applicant's organizational capacities and competencies to implement the E&S policy are appropriate, including for projects/programmes that are categorized as E&S risk Category A/I-1 projects/programmes.

### 3.2.5 **Section 6.5: Monitoring and review**

34. The applicant's E&S Policy together with its E&S guide describe the internal processes on monitoring/supervision to track and ensure completion of mitigation and performance improvement measures. The applicant provided a sample of project documents containing the E&S monitoring plan and results thereof. The applicant's internal control and audit division annually audits the sustainability unit's procedures to confirm that the unit is complying with the institution's requirements on E&S matters. The applicant provided a sample of internal audit reports on the applicant's risk management mapping indicating the applicant's effective performance in managing E&S matters throughout the project cycle. The AP found the applicant's monitoring and reporting process sufficient for E&S risk Category A/I-1 projects/programmes.

### 3.2.6 **Section 6.6: External communications**

35. The applicant's E&S disclosure and public consultation policy is found to be in line with the GCF information disclosure policy, particularly as related to the duration of the E&S information disclosure requirements for E&S risk Categories A/I-1 and B/Intermediation 2. The applicant's E&S policy includes a requirement for project-level grievance mechanism in projects



executed by its executing entities that it oversees. The applicant provided information on its external communication channels which include a website and a general mailbox to allow communication with external stakeholders, including on E&S matters. The applicant indicated that it has not received any complaints related to E&S matters on its projects in the past three years.

### 3.3 Gender

36. The applicant provided its gender policy which is found by the AP to be in line with the Gender Policy of the GCF. The gender policy includes the description of the applicant's procedure and practices to support the implementation of its gender policy. The head of the applicant's sustainability unit, supported by a specialist responsible for the applicant's corporate social responsibility programme, is responsible for the social due diligence involving gender matters in the applicant's projects. Both have the appropriate competency to implement the applicant's gender policy as assessed by the AP on the basis of the curriculum vitae provided, interviews and a review of the training received by them on gender matters. The applicant provided a sample of projects which demonstrate the applicant's experience in linking gender and climate change. The applicant also provided evidence in terms of gender clauses incorporated into its financing contracts with its borrowers as an example of non-discriminatory practices in terms of benefits and remuneration for both men and women beneficiaries.

## IV. Conclusions and recommendation

### 4.1 Conclusions

37. 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, specialized fiduciary standard for grant award and/or funding allocation mechanisms, and specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees, but partially meets the specialized fiduciary standard for project management as it has not demonstrated effective implementation of its policy on independent evaluation of project results and its information disclosure policy;
- (b) The applicant meets the requirements of the interim ESS of the GCF in relation to the high E&S risk (Category A/I-1); 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 consideration in the context of climate change.

### 4.2 Recommendation on accreditation

38. The AP recommends, for consideration by the Board, applicant APL069 for accreditation as follows:

- (a) **Accreditation type:**



- (i) **Maximum size of an individual project or activity within a programme:** medium (including micro<sup>4</sup> and small<sup>5</sup>);
  - (ii) **Fiduciary functions:**
    1. Basic fiduciary standards;
    2. Specialized fiduciary standard for project management;
    3. Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
    4. Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees); and
  - (iii) **Maximum environmental and social risk category:** high risk (Category A/I-1) (including lower risk (Category B/I-2<sup>6</sup> and Category C/I-3<sup>7</sup>); and
  - (b) **Conditions:** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the following condition. The AP will thereafter assess whether the condition has been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes:
    - (i) Condition to be met within three years following the approval by the Board of the first GCF-funded project/programme to be undertaken by the applicant:
      1. Provide evidence in the form of two (2) examples showing that reports on the independent evaluation of project results are disseminated in accordance with the applicant's information disclosure policy.
39. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition, as identified in paragraph 38 above, and agrees to the recommendation.

<sup>4</sup> 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".

<sup>5</sup> 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".

<sup>6</sup> 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".

<sup>7</sup> 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 XIV: Accreditation assessment of Applicant 070 (APL070)

### I. Introduction

1. Applicant 070 (APL070), the Financiera De Desarrollo Territorial S.A. (Findeter) is a national development bank headquartered in Colombia, organized as a credit institution and linked to the Ministry of Finance and Public Credit. The applicant strives to promote alternate routes in the context of sustainable development in several sectors of the Colombian economy, such as public lightning and renewable energy in the infrastructure sectors.
2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 27 January 2015. Accreditation fees were received from the applicant on 20 September 2017, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 28 February 2018 and the applicant was progressed to Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of GCF:
  - (a) **Access modality:** direct access, national; the applicant received a national designated authority or focal point nomination for its accreditation application from Colombia;
  - (b) **Track:** normal track;
  - (c) **Maximum size of an individual project or activity within a programme:** small;<sup>1</sup>
  - (d) **Fiduciary functions:**<sup>2</sup>
    - (i) Basic fiduciary standards;
    - (ii) Specialized fiduciary standard for project management;
    - (iii) Specialized fiduciary standard for grant-award or/and funding allocation mechanisms; and
    - (iv) Specialized fiduciary standard for on-lending and/or blending (for loans and guarantees); and
  - (e) **Maximum environmental and social risk category:** medium risk (Category B/Intermediation 2 (I-2)).<sup>3</sup>

### II. Stage I institutional assessment and completeness check

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

<sup>1</sup> 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”.

<sup>2</sup> Decision B.07/02.

<sup>3</sup> 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 applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. Findeter was registered in 1990 to the Chamber of Commerce of Bogota, Colombia, under number 00413088.

## 2.2 Institutional presence and relevant networks

5. Findeter's expertise is based on supporting technically and financially sustainable development projects by working closely with government agencies and ministries to support secure financial resources to the most needed regions of the country through 22 offices.

6. The applicant has an effective track record in funding, managing and executing projects in both the public and private sector which provide environmental and livelihood positive impacts in sectors that include urban and environmental infrastructures, buildings and housing, information and communication technologies as well as transport. More broadly, the applicant works in the transport, energy, urban infrastructure and housing, water and sanitation, health, education, technology, tourism and environment. The applicant has projects throughout the country, in over 550 municipalities.

## 2.3 Track record

7. The applicant's track record in financing climate change-related projects includes the following, which fall within the GCF small- and micro-size categories:

- (a) USD 3.3 million (loans) for the "Construction of the sludge plant of wastewater treatment plant" project in Piedecuesta, Colombia;
- (b) USD 3.3 million (loans) for the "Mitigation works in the las ladera of the campo alegre for handling surface and underground water" project in Colombia;
- (c) USD 8 million (loans) for the "Construction of the waste water treatment plant and termination of the collection networks of the sewer system in Ciudad Mutis" project in Colombia;
- (d) USD 21.4 million (loans) for the "Mitigation of the threat and risks due to flooding in the Industrial zone of Yumbo" project in Colombia; and
- (e) USD 14.4 million (loans) for the "Construction of the Alexandria Pch, based on the use of water resources from the Nare River- building a small hydroelectric plant 15MW" project in Antioquia, Colombia.

## III. Stage II accreditation review assessment

8. The applicant applied under the normal-track accreditation process. Its application has been assessed against by the Accreditation Panel (AP) during Stage II (Step 1) against the standards of the GCF in accordance with the accreditation requirements.

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

## 3.1 Fiduciary standards

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

10. The applicant's governance structure is based on the requirements of Colombian financial regulations with the Government of Colombia and sub-national governments as its sole owner. The applicant's main governing body is its board of directors which has five directors and five alternates and is appointed at the shareholders meeting. The chairman of the board is an appointee of the Ministry of Finance and currently two of the five directors and three of the alternates are independent. It will be proposed at the 2019 shareholders meeting that three of the directors will be independent, such that simple majority decisions can be taken independently of government. The board meets at least once a month and is effectively an executive board.
11. The Chief Executive Officer (CEO) or president of the applicant is appointed by the board and attends board meetings in a non-voting capacity. The board is supported by a number of oversight committees: audit, risk and asset liability management, internal control and system coordination and SARLAFT (el Sistema de Administracion del Riesgo de Lavado de Activos y de la Financiacion del Terrorismo), the Colombian anti-money laundering (AML) and countering the financing of terrorism (CFT) framework. In addition, there is an ethics committee that reports to the president. Other committees are formed as needed, such as grant committees when required for specific donor projects (see section 3.1.5 below). The applicant provided appropriate documentation to demonstrate the functioning of these committees.
12. The aforementioned oversight bodies are supported by an organization appropriate for the scope and volume of operations managed by the applicant and governed by a comprehensive code of governance. There are six vice presidents reporting to the president. These six vice presidents cover planning, commercial, technical, risk, operations and finance. They apply an integrated management system called SGI which applies the standards and controls required by local financial regulations. This management system addresses risks in a number of regulated areas: operational risk, marketing risk, liquidity risk, credit risk, environmental and social risks and AML/CFT risk. There is regular follow-up and reporting to the board and the regulators and SGI policy also ensures compliance with legal and regulatory requirements as well as continual review of procedures and processes to strengthen and improve execution and control of daily operations.
13. The applicant's planning procedures are thoroughly documented and they have the required organizational resources and technology support for the preparation, monitoring and execution of their corporate strategic plan, which is published on their website. The plan is consistent with Colombia's National Development Plan for 2014 to 2018. There are bi-monthly reviews of progress with follow-up action plans.
14. The applicant prepares its financial statements using the accounting principles defined in the regulations issued by the Financial Superintendence of Colombia. The applicant is in compliance with regulatory requirements and publishes annual financial statements. The accounting information system used by the applicant is appropriate for the volume of transactions operated daily by the applicant.
15. Internal audits are appropriately planned in the annual audit plan that is approved by the applicant's audit committee, made up of three members of the board, the majority of whom are independent as per local regulations. The internal audit is performed by the external audit firm, currently Ernst & Young, under the supervision of the head of internal audit. It is then in turn reviewed and approved by the audit committee. The applicant demonstrated that the internal audit procedures include appropriate communication of findings, development of action plans and appropriate follow-up.
16. The applicant's control framework, developed based on the principles contained in the Committee of Sponsoring Organizations framework, and the resources (including human resources, technological tools and extensive procedure manuals) invested in internal control demonstrate the appropriateness of its internal control system. The applicant provided ample evidence of the control procedures implemented, as well as of its effectiveness. Reasonable

assurance is provided of the capacity of the applicant's internal controls system for timely detection of irregularities and implementation of corrective actions.

17. The applicant's procurement activities are regulated by policies and procedures set out in its code of governance and by the national legal and regulatory provisions applicable to the development of its activities under private law. Its procurement policy establishes the mechanisms that provide reasonable assurance that the vendor selection process is appropriate, that procurement is conducted in a transparent manner and that all suppliers are treated in an equitable manner.

18. The applicant has an internal contracting group that manages the logistics of the procurement process, and has the technical resources available to assess the reasonability of proposed costs for the projects it finances and the goods and services it contracts. The entire procurement process is subject to clearly defined procedural requirements and complies with the procurement regulations applicable to Colombian private-sector entities. The procurement policy establishes appropriate processes for procurement-related complaints and has established procedures to respond to complaints it receives. However, the applicant does not have any policy or procedures established for conducting the oversight of the procurement of the beneficiary organisations and executing entities. This gap identified is reflected in the corresponding condition for accreditation in section 4.2 below.

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

19. The applicant has an ethics committee that reports to the CEO, and whose members are appointed by the CEO. Its main objective is to follow up and adopt measures regarding the application of the code of ethics that defines the conduct expected from its employees, directors and suppliers. The code of ethics is based on international and local standards of best practices in corporate governance and is communicated through both the applicant's intranet and its public website. Every employee agrees to abide by the code of ethics on signing their contract of employment.

20. The applicant has a procedure for mismanagement and other forms of malpractice and has not faced any cases of violation of their code of ethics, fraud or corruption in the last four years. As such, the AP found that the close controls of the applicant are sufficient to detect issues that might arise and that they would be effectively handled as and if they occur.

21. The applicant has policies for prohibited practices, but does not have procedures for coercive, collusive or obstructive practises, abuse or conflict of interest, other than what is covered in their code of ethics. The applicant did not consider the need to establish these procedures in the recent past, as has not faced any of the above-mentioned malpractices in its activities due to the nature of its projects. Likewise, there is no formal mechanism for protecting whistle-blowers, although there is a dedicated telephone line and exclusive email for complaints which only the vice presidency of risks has access to. The applicant has stated its willingness to develop the missing policies during 2019. These gaps will be documented in the corresponding condition for accreditation in section 4.2 below.

22. The applicant's AML/CFT policies and procedures are well developed based on Colombian regulations which are modelled on international standards, such as those issued by the Financial Action Task Force and the Bank for International Settlements. The AP finds that the applicant's policies aimed at preventing money laundering, financing of terrorism and other prohibited practices comply with the GCF basic fiduciary standards, as well as the GCF General Principles on Prohibited Practices<sup>4</sup> and the GCF AML/CFT Policy.<sup>5</sup>

23. The applicant has appropriate procedures for "know-your-customer" due diligence, that include initial information gathering and recording of information in the AML/CFT monitoring

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<sup>4</sup> Decision B.12/31.

<sup>5</sup> Decision B.18/10.

system, known as SARLAFT in Colombia. The required systems and procedures, including appropriate policies for customer record management and reporting of unusual transaction to the national financial surveillance agencies, ensure that there is permanent monitoring of customer's transactions, including both domestic and international wire transfers. The applicant's compliance officer, who reports direct to their board, is responsible for maintaining compliance with SARLAFT regulations. All employees are given regular AML/CFT training.

24. With exception of the gaps identified above, the AP finds that the applicant's policies, procedures and capacity comply with the GCF basic fiduciary standards on key administrative and financial capacities.

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

25. The applicant provided evidence of its track record in implementing projects funded by the Colombian Government, as well as by international development agencies. This track record demonstrates the applicant's capacity to adapt its operating policies and procedures to the specific requirements of funding providers.

26. The applicant's project appraisal and approval guidelines include clearly defined tasks to be completed, including full financial projections and risk assessments as well as recording of information in the credit support systems. The following areas are covered in each project appraisal report: background, technical analysis, impact assessment, tender conditions, scope and costs of studies to be contracted, appraisal of proposals, supervision and monitoring plans. When requested, the applicant provides technical assistance to help with project design and implementation.

27. The applicant has well established and documented processes and procedures that are applied to their project appraisal and execution, covering the full project lifecycle from pre-feasibility studies, through to execution and implementation and subsequent supervision and monitoring. Due diligence follows established guidelines, including required financial, technical, legal and environmental assessments.

28. To demonstrate the project appraisal processes and procedures outlined in the paragraph above, the applicant has provided full appraisal reports on three projects: a multipurpose convention, exhibition and events arena in a regional city; tourism and wellness centre in the north of the country and the relocation and construction of a market place and shopping centre in a town in the centre of the country.

29. In addition, the applicant has provided the environmental and social assessment of a further three projects in public lighting, a cardiovascular health centre and an energy project. These examples provide strong evidence of the applicants experience and capabilities in project appraisal.

30. The applicant's project management policies and procedures include project at-risk management tasks that allow for the identification of early warning signs and effective corrective actions. An operational risk management system is applied to projects that it is an integral part of the applicant's internal control system. All risk assessments analyse the following risks: economic, social and political, operational, financial, regulatory, nature and environment, and technological.

31. The applicant's historical procedures for project supervision during and after implementation require regular follow-up and progress reporting with a number of templates for weekly and monthly auditing reports and a monthly supervision report. In the past this was done by the team that appraised and implemented the project. In early 2018, a monitoring and evaluation unit has been established as a separate team. As this separate monitoring and evaluation function is relatively new, it is only applied to projects funded by international organisations. The intention is to apply it to all projects in the future. Independent evaluation of project results is undertaken on a case by case basis when requested by the project funder, such



as the international organisations. It will be a condition of accreditation that the applicant adopt policies and procedures for the independent evaluation of projects, which is reflected in section 4.2 below.

32. All the project related information is disclosed on the applicant's website in its publicly available sustainability report. The applicant does not have a specific policy in place for the public disclosure of project-related information, but is willing to develop such policy by the third quarter of 2019. This gap identified is reflected in the corresponding condition for accreditation in section 4.2 below.

33. As a financial institution that serves the Colombian Government as a financial partner in the implementation of government programmes, the applicant has developed the required competencies and standard operating procedures to appropriately assess, monitor and evaluate the performance of the implementing and executing entities to whom financial resources are disbursed.

34. With exception of the gaps identified above, the AP finds that the applicant's policies, procedures and capacity comply with the GCF specialized fiduciary standard for on-lending and/or blending for loans and guarantees.

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

35. The applicant has the required policies and procedures to undertake grant award activities aligned with the GCF specialized fiduciary criteria for grant award and/or funding allocation mechanisms. The applicant's grant award competencies were assessed based on the applicant's grant award mechanisms and track record with the grant programmes of various international organizations and local and international government agencies, such as the Inter-American Development Bank, Agence Française de Développement, the European Union, and Japan's grant award fund. The applicant has provided evidence of its capability to implement grant programmes with a number of examples including a solar panel project and a programme financed by the Global Environmental Facility.

36. The applicant does not provide its own grant funding and does not have a general grant evaluation committee. However, committees for awarding grants, which serve an equivalent function to a grant evaluation committee, are established for specific grant programmes as per the requirements of the donors. The members of these committees include the sustainability manager, the head of international banking and the project coordinator. Committee members from the donors would include the heads of technical departments and the programme coordinators. Grants are only awarded on behalf of international entities who provide the grant funds. As such, the applicant acts as manager and executing agent of the grants.

37. The strengths of the applicant's internal controls and internal audit function provide the assurance of appropriate control over grant funds, as well as their disbursement and appropriate use. The applicant does not have a specific procedure for suspension or grant termination. However, every contract contains a termination clause which can be exercised in the event of a beneficiary failing to comply with its obligations.

38. The applicant publishes the procedures for grant awards on its website, but there are no specific policies or guidelines for publishing the results. The corresponding condition is reflected in section 4.2 below. However, depending on the requirements of the donors, the applicant discloses detailed information on its website regarding the results of the grants disbursed. The applicant reports at least twice a year on the execution of a grant programme including budget allocation and project status. Grant programmes are independently evaluated as evidenced by audit reports provided by the applicant including an external audit report commissioned for Agence Française de Développement.



39. While the applicant does not have specific procedures for technical support and transfer of knowledge to beneficiaries, it nevertheless represents one of the main added value services offered to Colombian municipalities. It is the principal reason these municipalities chose to work with the applicant and is consistent with the applicant's corporate mission to be "the strategic partner of the regions that generates welfare to the people". Therefore, the AP considers that the applicant, by addressing the conditions recommended in section 4.2 for the gaps identified, meets the requirements for the specialized fiduciary standard of grant award and/or funding allocation mechanisms.

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

40. The applicant, in response to its role as the Colombian government's financial partner for the implementation of municipal programmes with social impact, has well-developed credit policies, procedures and a technological platform appropriate for the scope and volume of its operations. Specifically, the applicant has demonstrated its capacity to manage different modalities of on-lending operations. Furthermore, the applicant has demonstrated its capacity to establish and manage additional modalities of loan structures, including projects developed with international development agencies, such as the Inter-American Development Bank, Kreditanstalt für Wiederaufbau and Multilateral Investment Guarantee Agency.

41. The applicant provided documentation regarding its credit policies and procedures and examples of the standardized loan origination, evaluation and monitoring formats used to approve and monitor its loan operations. These documents contain the guidelines for loan operations that are required for a Colombian financial institution.

42. Additionally, copies of credit due diligence reports, credit approval documents and loan monitoring reports were provided. The AP's assessment of the documentation confirms the applicant's capacity to meet the GCF specialized fiduciary standard for on-lending and/or blending using loans and guarantees as the financial instruments.

43. The applicant provided information on the specific risk scoring it applies to its credit customers. This score is used to assess, monitor and evaluate the risk exposure of the applicant's loan portfolio. The availability of the appropriate information, the independence of the risk management function and the supervision of the national financial regulators provide assurance of the adequacy of the applicant's risk management system.

44. The applicant provided information regarding its financial management policies and their implementation. It has clear delegations of power and appropriate separation of functions within its treasury unit, and between the business focused units, operational units, risk management units and control units.

45. The applicant also provided copies of the minutes of its risk and asset and liability management committee meetings which validate the effective functioning of this committee, critical for effective management of its banking loan portfolio.

46. The applicant regularly publishes, in accordance with Colombian regulatory requirements, its Risk and Capital Management Report, which provides information of the risk position of the applicant and the mitigating actions taken. The disclosure of this information demonstrates that the applicant has the required tools to manage the financial risks (including liquidity, operational and credit risk) inherent to the operations of financial intermediaries.

47. The AP finds that the applicant's policies, procedures and capacity comply with the GCF specialized fiduciary standard for on-lending and/or blending for loans and guarantees.

## 3.2 Environmental and social safeguards

### 3.2.1 **Section 6.1: Policy**

48. The applicant's environmental and management system (ESMS) is established through its environmental and social risks analysis system (SARAS) which the applicant's board first approved on 23 June 2015, modified on 14 December 2016, and approved the latest version on 26 April 2017. The SARAS has been institutionalized through a handbook and template forms and has been introduced in the organization through training sessions of personnel and through electronic and other means of communication and promoting awareness.

49. The SARAS handbook includes an overarching statement of the environment and social safeguards (ESS) objectives and principles which guide the institution. This is "to manage environmental good practices to generate awareness and promote the efficient use of resources in its activities, in order to ensure compliance with legal requirements, preservation of the environment and the sustainable development." It also commits to "identify and analyze the risks of financing activities that may generate environmental and social impacts, in order to provide greater well-being in regions." The applicant has also identified the national and international standards that it follows, and the SARAS sets up the structures and procedures for implementing the system.

50. For standards, at the national level, the applicant adheres to the Green Protocol, which is an agreement between financial entities and the national government to promote best practices, and the Decree 1075 of 2015 Unique Regulatory Decree of the Environment Sector. The applicant also has adopted the International Finance Corporation (IFC) performance standards although it acknowledges that it has to fully implement those standards.

51. An assessment of the applicant's ESS system that was done by Kreditanstalt für Wiederaufbau identified gaps between the applicant's ESMS and the IFC performance standards, but the applicant has addressed most of those gaps, especially those related to policy and organizational issues. The remaining ones are implementation related and are addressed in subsequent sections below.

52. As evidence of track record, the applicant submitted its 2017 ESMS annual report which provides information on how the policy was implemented that year, on what projects needed to be evaluated, and on improvements needed for a better system.

53. The AP finds that the applicant complies with the GCF interim ESS performance standards 1 to 8 for a maximum E&S risk Category B/I-2 projects/programmes.

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

54. The applicant's SARAS handbook describes in detail its institutional process for identification of environmental and social (E&S) risks and impacts of projects/programmes, which is assessed by the AP and considered consistent with the GCF interim ESS performance standards 1 to 8. Among others, the handbook defines high, medium, and low environmental risks for projects and programmes and identifies approaches for categorizing those risks.

55. Aside from the handbook, the applicant implements its system of identifying and addressing E&S risks through procedures for risk identification and assessment, and several template forms, named the Formulario de Identificación de Riesgos Ambientales y Sociales (FIRAs) to first identify the risks and Formulario de Identificación de Riesgos Ambientales y Sociales (FARAs) to analyze and address those risks. The applicant had also developed a table that categorizes E&S risks according to sectors, such as infrastructure, transportation, energy, urban development, water and sanitation, etc. Climate risks and impacts are incorporated into these tools.

56. In the 2017 ESMS annual report, the applicant noted that most of the projects included in their analysis were categorized with an average risk of 57% while projects classified as low

E&S risk represented 43%. These correspond to E&S risk medium (Category B/I-2) and lower risk (Category C/I-3<sup>6</sup>) categories in the GCF interim ESS.

57. The applicant also submitted a sample of projects, including on energy, water, sewerage, and public health, that it financed in 2017 and their E&S risk categorization.

58. The AP found the applicant's SARAS handbook and system for E&S risks and impacts identification and categorization complies with GCF policies and standards, including requirements for a maximum E&S risk Category B/I-2 projects/programmes.

### 3.2.3 Section 6.3: Management programme

59. The procedures for identifying and assessing E&S risks described in section 3.2.2 above also incorporate the procedure on environmental management of mitigation measures and action stemming from E&S risk identification. Thus, the FIRAs require the listing of the E&S permits and licenses necessary for the project to ensure compliance with environmental and other laws. The FARAs, which provide an analysis of the risks, has a section on commitments and recommendations to mitigate E&S risks.

60. The applicant provided examples of correspondence to clients as evidence of its implementation of the procedure on environmental management of mitigation and measures. Those letters identified the risks of the project and proposed conditions/measures to mitigate the risks.

### 3.2.4 Section 6.4: Organizational capacity and competence

61. The SARAS handbook provides information on who is responsible for implementing the ESMS of the applicant. Among others, it enumerates the roles and responsibilities of those who are involved and the procedures that they will have to follow to implement the system. These include the board of directors, several vice presidents, financial intermediaries, and the clients themselves of the applicants. More specifically, the applicant identified the vice president for risks as its lead person for implementing the ESMS. The detailed terms of reference and the curriculum vitae of this lead person and another member of the ESMS team were provided by the applicant.

62. Finally, the applicant provided information on training sessions conducted (12 sessions for 83 staff) for its personnel implementing the SARAS and also external training sessions (19 people). The training included topics such as risks, materialized environmental risks, the Green Protocol, benefits of SARAS, international development banks, scope of the system, methodology, flow of a project with SARAS, and the roles and responsibilities for implementing the system.

63. The AP found that the applicant's organizational capacities and competencies to implement its ESMS complies with the GCF interim ESS, and are appropriate for projects/programmes that are categorized as a maximum E&S risk Category B/I-2 projects/programmes.

### 3.2.5 Section 6.5: Monitoring and review

64. Taken together, the SARAS handbook and the FIRAS and FARAS template forms provide the basis of a monitoring and evaluation system. The applicant is also implementing a documented monitoring and evaluation system as evidenced by a database of projects being currently monitored. The database contains information, among others, on mitigation actions needed and their status.

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<sup>6</sup> 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".

65. The applicant provided several project documents to illustrate how it monitors and reviews implementation of its ESMS system. It also provided minutes of a meeting of the Committee on Risks headed by the President of the applicant and attended by many of its Vice-Presidents where the agenda of the meeting included a discussion on the ESMS system and its implementation.

66. In addition, to illustrate how monitoring and evaluation is providing opportunities for improving the SARAS, the applicant provided an annual report at the end of 2017 on the implementation of SARAS submitted by the vice president for risks to its senior management. The report identified and analyzed several projects that underwent the ESMS assessment and provided updates on their status. The report also included a specific section on how the system could be improved. Finally, the applicant provided minutes of the risk committee which illustrate how the monitoring and evaluation system works and how senior management guarantees its support to the SARAS and the strengthening of the system.

67. The AP concludes that the applicant complies with the GCF interim ESS on monitoring and review of projects and programmes of up to E&S risk Category B/I-2.

### 3.2.6 Section 6.6 External communication

68. The applicant provided information on its external communication system to receive and register external communications from the public. It provided information on how this could be done through (a) a toll-free national line; (b) virtual forum; (c) social networks (e.g., Facebook and twitter); and (d) an institutional email. It also provided a link to the webpage that contains and describes applicant's external communication system.

69. The applicant provided a letter stating that from 1 July 2015, when the ESMS was first implemented, to 7 March 2017 (when it first applied for accreditation) it has not received any ESMS-related complaint.

70. The AP notes that applicant has no register of external inquiries/complaints received along with responses, for projects and it has no policy to require its executing entities to carry out project-level disclosure and consultations on E&S information with the public in line with the GCF Information Disclosure Policy (IDP).

71. The AP finds that the applicant has a project grievance mechanism as evidenced by a document entitled "Attention to petition rights, complaints and claims" which lay down the procedure. This needs however to be extended to executing entities of the applicant.

72. Overall, the AP finds that the applicant partially complies with the GCF interim ESS on external communication for a maximum E&S risk Category B/I-2 projects/programmes, but this needs to be extended to its executing agencies.

## 3.3 Gender

73. The applicant's does not have a stand-alone gender policy, but it does acknowledge gender-related mandates from the government, through several laws such as the Decree 1649 of 2014 which contains the presidential advisory for the equity of woman and the governance code which mandates gender parity and fairness. These national mandates are equivalent to the GCF gender policy.

74. According to the applicant, in the selection policy and recruitment of qualified and competent personnel, it has established "equality of opportunity, non-discrimination of sex, race, social status, religion, region or other circumstances." Sixty per cent of the managerial positions in the applicant are female and 57% of the total workers are women. It has included in the terms of reference for hiring, the promotion of social inclusion since 2017 and as of May 2018, greater emphasis has been placed on the promotion of gender equity. Evidence of this is provided through the applicant's management report and sustainability report of 2017.

75. To further develop and implement its gender policy, the applicant has hired a qualified gender specialist, whose curriculum vitae was provided and reviewed by the AP, to lead the implementation of the applicant's gender programme. It is also implementing a pilot project to implement the gender policy in all loans and projects executed under the applicant's post-conflict programme. Gender indicators will be incorporated and measured for this programme and the applicant is expected to disseminate the gender policy after its successful completion of the programme by the end of 2018. It should be noted that the applicant is receiving technical assistance from the British embassy and the European Union for capacity building for gender policy implementation.

76. The applicant provided gender relevant data on some of its projects, specifically its post-conflict programme, but acknowledges that work needs to be done to develop and finalize a system to track such data in its projects.

77. The AP finds the applicant, in adhering to national standards, partially complies with the gender policy of the GCF. The applicant also has demonstrated that it has some experience with gender consideration in the context of climate change. The AP recommends, however, that the applicant adopt a gender policy and that would include collection and analysis of gender relevant data in order to meet the gender policy of the GCF.

## IV. Conclusions and recommendation

### 4.1 Conclusions

78. 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, specialized fiduciary standard for project management and specialized fiduciary standard for grant award and/or funding allocation mechanisms. The applicant meets the specialized fiduciary standard for on-lending and/or blending for loans and guarantees. In addition, the applicant provides technical assistance to support project design and implementation. Although the applicant has a policy on prohibited practices in place, the current policy does not include provisions for the handling of coercive, collusive or obstructive practises, abuse or conflict of interest, other than what is covered in their code of ethics. The applicant has a well-developed procurement guidelines, however, at the moment it does not have any policy and/or procedures for overseeing procurement activities of beneficiary institutions and executing entities. Also, the applicant does not have procedures for the disclosure information of project information and results in place, but the applicant has indicated it will establish such procedures in 2019. Furthermore, the independent evaluation of project results is undertaken on a case-by-case basis when requested by the project funder, such as international organisations. However, there is no stand-alone procedure on the evaluation of the project results;
- (b) The applicant partially meets the requirements of the interim ESS of the GCF in relation to the medium E&S risk (Category B/I-2). The applicant needs to address several gaps related to external communication, such as establishing a register of external inquiries and complaints, and a policy requiring the applicant's executing entities to establish project disclosure and project grievance mechanisms;
- (c) The applicant needs to improve its competencies, policies and procedures in order to implement a gender policy consistent with the gender policy of the GCF. It also has to document more systematically its experience with gender consideration in the context of climate change.



## 4.2 Recommendation on accreditation

79. The AP recommends, for consideration by the Board, applicant APL070 for accreditation as follows:

- (a) **Accreditation type:**
  - (i) **Maximum size of an individual project or activity within a programme:** small;
  - (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-3<sup>7</sup>)); 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) Conditions to be met prior to the submission of the first funding proposal to the Board:
    - 1. Provision of evidence by the applicant of the development and adoption of a policy on prohibited practices that is consistent with the GCF General Principles on Prohibited Practices and GCF AML/CFT Policy, and that includes specific procedures to address coercive, collusive, obstructive and abusive practices, and conflicts of interest, other than what is covered in the applicant's code of ethics. This policy should include provisions to protect whistle blowers;
    - 2. Provision of evidence by the applicant of the adoption of a register of external inquiries and complaints received and responses to be applied in GCF-funded projects/programmes;
    - 3. Provision of evidence by the applicant of the adoption of a gender policy which is consistent with the GCF Gender Policy;
    - 4. Provision of evidence by the applicant of the adoption of a policy which requires the applicant's executing entities to carry out project-level disclosure of E&S assessment documents for GCF-funded projects/programmes, consistent with the requirements of the GCF Information Disclosure Policy for E&S risk Category B/I-2 projects/programmes; and

<sup>7</sup> 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".

5. Provision of evidence by the applicant of the adoption of a policy on project-level grievance mechanisms that the applicant will require of its executing entities to establish and implement;
- (ii) Conditions to be met prior to the first disbursement for the first GCF-funded project/programme to be undertaken by the applicant:
  1. Provision of evidence by the applicant of the adoption of a policy, including relevant procedures, for overseeing procurement activities of beneficiary institutions and executing entities;
  2. Provision of evidence by the applicant of the adoption of a policy on the projects and loan beneficiaries information disclosure, including, inter alia:
    - a. Type or nature of information to be disclosed;
    - b. Media or channels through which information will be disclosed, including a dedicated website that would be used for publication and disclosure of the information related to the GCF-funded projects/programmes, including:
      - i. Name, address and nationality (in case of individuals) or place of incorporation (in case of legal entities) of the beneficiary;
      - ii. Brief summary of project and purpose of the funding;
      - iii. Funded amount with details like rate, period, etc.; and
      - iv. Information on intermediate (e.g. annual) and final results of the GCF-funded projects/programmes, such as actual versus planned results and outcomes; adherence to budgets, cost, timelines and timelines within which the award information will be made public; and
  3. Provision of evidence by the applicant of the adoption of a policy and procedures for the independent evaluation of projects/programmes, including the terms of reference for the evaluation body and of a policy on evaluation disclosure; and
- (iii) Condition to be met on an annual basis for two consecutive years starting from the date of the first disbursement by the GCF for the first approved project/programme to be undertaken by the applicant:
  1. Provision of evidence of the publication of the information indicated in paragraph 79(b)(ii)(2) above with regard to three projects and/or programmes undertaken (preferably climate change mitigation or adaptation projects/programmes).

80. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 79 above, and agrees to the recommendation.

### 4.3 Remarks

81. The applicant is already taking steps to meet the conditions identified in paragraph 79(b)(ii)(1) above.



## Annex XV: Accreditation assessment of Applicant 071 (APL071)

### I. Introduction

1. Applicant 071 (APL071), the Fundo Brasileiro para a Biodiversidade (Funbio), is a national entity whose mandate is to provide strategic resources for biodiversity conservation in Brazil. Throughout its 20-year existence, it has managed projects financed with the private sector and through bilateral and multilateral agreements with the Brazilian government, with a focus on areas of biodiversity conservation, land use, forestry and ecosystems.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 11 April 2017. Accreditation fees were received from the applicant on 16 May 2017, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 18 December 2017 and the applicant was progressed to Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the GCF fit-for-purpose approach:

- (a) **Access modality:** direct access, national. The applicant received a national designated authority or focal point nomination for its accreditation application from Brazil;
- (b) **Track:** fast-track under the Global Environment Facility (GEF);
- (c) **Maximum size of an individual project or activity within a programme:** medium;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards;
  - (ii) Specialized fiduciary standard for project management; and
  - (iii) 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]).<sup>3</sup>

### II. Stage I institutional assessment and completeness check

3. The applicant is eligible for, and applied under, the fast-track accreditation process as a GEF 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 licences

<sup>1</sup> 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 GCF, of above USD 50 million and up to and including USD 250 million for an individual project or an activity within a programme”.

<sup>2</sup> Decision B.07/02.

<sup>3</sup> 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”.

4. The applicant provided documents on its establishment and licences to operate, if any and where relevant, as a part of the application. Funbio is registered under the Registry of National Entities (No. 03.537.443/0001-04) and is governed by the Bylaws of a Non-Profit Civil Association in Brazil.

## 2.2 Institutional presence and relevant networks

5. The applicant has a strong national presence. As a GEF Project Agency for the development of strategies that contribute to the implementation of the United Nations Convention on Biological Diversity, the applicant has been a strategic partner for the private sector, different state and federal authorities and organized civil society. Such partnerships make it possible for the private sector entities involved in these projects to make social investments and reduce and mitigate environmental impacts. In the public sphere, such partnerships serve to consolidate conservation policies and enable environmental funding programmes.

6. In order to advance the objectives of GCF, the applicant intends to support Brazil in achieving its nationally determined contribution under the United Nations Framework Convention on Climate Change, aligned with the mission and policies of the GCF. As the nationally determined contribution of Brazil sets ambitious goals for sectors such as land use and forestry, the applicant plans to propose to GCF both mitigation and adaptation projects focusing on these two sectors, building on its expertise and past experience in projects on land-use change, protected areas and forest management.

## 2.3 Track record

7. The applicant has supported national efforts in the field of climate change mitigation and adaptation, with a track record in managing projects of land use and forest management. In the past two decades, the applicant has supported 270 projects from 232 different organizations and supported 311 protected areas totalling 67 million hectares.

8. The applicant's track record in managing climate change-related projects includes the following:

- (a) USD 185.96 million (grants) for the Mechanism for the Conservation of Biodiversity in the State of Rio de Janeiro;
- (b) USD 55.24 million (grants) for the First Phase of the Arpa Amazon Region Protected Areas Programme;
- (c) USD 54.12 million (grants) for the Second Phase of the Arpa Amazon Region Protected Areas Programme;
- (d) USD 20.84 million (grants) for the implementation of the Tropical Forest Conservation Act; and
- (e) USD 3.3 million (grants) for Conservation and Management of Pollinators for Sustainable Agriculture through an Ecosystem Approach of the Pollinators Programme.

## III. Stage II accreditation review assessment

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

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

### 3.1 Fiduciary standards

#### 3.1.1 **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 is 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 4.2.5, anti-money-laundering (AML) and countering the financing of terrorism (CFT) policies, have been met by way of fast-track accreditation.

13. Regarding Item 4.2.5, the applicant's anti-money-laundering and countering the financing of terrorism (AML/CFT) policy is based on both international best practices, such as the Financial Action Task Force Recommendations and the United Nations International Convention for the Suppression of the Financing of Terrorism Treaty (ratified in 1999), and local applicable legislation. This policy complies with the requirements of GCF fiduciary standards as they pertain to AML/CFT. Furthermore, the applicant provided a copy of its Code of Ethics that contains the elements required for compliance with GCF requirements as they pertain to defining and preventing prohibited practices. The applicant's AML/CFT policy recognizes the same international AML/CFT principles and best practices as those referred to in the GCF AML and CFT Policy,<sup>4</sup> including the requirement of effective identification of the ultimate beneficiary of any disbursement of funds. The applicant's AML/CFT policy and procedures provide reasonable assurance of its ability to comply with the AML/CFT requirements of GCF.

14. The applicant provided relevant documentation of its "know-your-customer" procedures, including a copy of a completed due diligence exercise applied to a project executing entity. The "know-your-customer" procedures provide for appropriate assessment of counterparties; however, the applicant noted that the "know-your-customer" procedures presented for the accreditation assessment of the AP are currently being applied only for disbursement of funds received from a specific donor. The AP emphasizes the requirement that the "know-your-customer" procedures presented for the accreditation assessment of the AP be applied to all GCF-funded projects/programmes. As part of its AML/CFT procedures the applicant has implemented a procedure for strict control of funds disbursed to executing entities. Each executing entity is required to open an exclusive bank account for disbursements of funds from the applicant, and this bank account can be accessed by the applicant to verify that no irregular transactions have occurred.

15. The AP notes that the applicant has formally committed to implement improvements in its AML/CFT policy that will provide further assurance of appropriate management of money-laundering and financing of terrorism risks.

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

16. 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**

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<sup>4</sup> Decision B.18/10.

17. The applicant has a well-documented grant policy that lays out the principles followed in all grant award activities. The policy is supplemented by detailed operational procedures to ensure consistency in the grant award process, which, along with comprehensive calls for project proposals, are publicized on the applicant's website and made available to the public through social media channels (e.g. Facebook, Twitter and Instagram) to attract a wide range of applicants for grant awards.

18. The applicant has a robust due diligence system for assessing the eligibility and capabilities of potential grant awardees. The evaluation of grant proposals/applications is undertaken by an independent technical committee comprised of specialists from academia, governments and non-profit organizations who are chosen based on their expertise. Grant award decisions are published on the applicant's website.

19. Implementation of grant-funded projects is monitored on a regular basis, including on-site visits to support grant beneficiaries and disseminate best practices. Reports by multilateral organizations, such as the GEF, clearly show that the applicant has experience and competence in appraising and overseeing implementation of grant-funded projects.

20. The applicant has provided sufficient information, which demonstrates a sound track record of effectiveness and consistency in the implementation of its grant award policies, procedures and process. The AP concludes that these are aligned with GCF standards in all key areas except those outlined in paragraph 21 below.

21. Currently, the applicant does not have a system of providing public access to information on the periodic progress of individual projects as required by GCF to ensure greater transparency in the use of funds by grant recipients. However, the applicant has committed itself to publishing, on its website every semester, progress of projects that would be funded by GCF. In addition, the applicant does not currently record and maintain data on financial irregularities or fraud in its operations. However, it has agreed to develop and implement such a system as required by the GCF specialized fiduciary standard for grant awarding and/or funding allocation mechanisms. Gaps identified are reflected in the corresponding conditions for accreditation in section 4.2 of this document.

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

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

## 3.2 Environmental and social safeguards

### 3.2.1 **Section 6.1: Policy**

23. The applicant adopted its own environmental and social (E&S) and gender safeguards systems when it became a GEF Project Agency in 2015. It adopted the International Financial Corporation (IFC) performance standards 1 to 8 on environmental and social sustainability in December 2017. The revised February 2018 policy provides E&S and gender objectives and principles, refers to relevant national and international laws and obligations, and the IFC performance standards. The 2018 E&S and gender policy is shared with staff via its intranet and is shared with the public via the applicant's website.

24. The operational procedures for environmental and social impact assessment (ESIA) require the assessment of project alternatives and associated facilities. Although not usually an issue for the type of projects funded, the applicant is updating its ESIA procedures to screen for cumulative and supply-chain impacts, to reflect the potential gaps related to the requirements of performance standards 1 and 6.

25. The AP has found that the applicant's E&S and gender policy is in line with GCF requirements and is suitable for the maximum level of E&S and gender risk Category B/I-2 for which the applicant is seeking accreditation.

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

26. The project appraisal manual provides a documented process to identify the E&S and gender risks and impacts as they evolve over the project cycle. Project concepts are screened against eligibility criteria (e.g. organizational mandate) and if eligible, the proponent will develop a full project proposal. The project proposal is subject to an E&S and gender risk assessment screening procedure using the questionnaires provided in the appraisal manual. Based on whether any safeguard is triggered, the project is then categorized by the applicant's E&S and gender policy as having no impact (category C), low impact (category B) or significant impact (category A). The executing entity's capacity to manage E&S and gender risks is also assessed at this time using a capacity assessment tool. The applicant's category C projects (e.g. research and monitoring activities) only require screening and generally do not require further assessment. A partial ESIA is needed for projects that trigger a safeguard (e.g. projects that include small-scale infrastructure). The applicant does not fund category A projects.

27. The applicant provided a list of projects that were categorized retroactively using its E&S and gender policy framework and safeguards system. It also provided an example of a completed screening form. The applicant is currently revising its E&S and gender questionnaires to reflect the 2018 E&S and gender policy. It is also updating its project risk system so that all project risks (i.e. technical, financial, and E&S and gender risks) are shown on one dashboard.

28. The AP has found that the applicant's procedures for the identification of risks and impacts align with the requirements of GCF and are suitable for a maximum E&S risk Category B/I-2. Updating the existing E&S and gender questionnaire to identify all performance standards 1 to 8 impacts under one screening table as planned will streamline the procedure to identify risks and impacts. The gap identified regarding the capacity assessment tool is reflected in the corresponding condition for accreditation in section 4.2.

### 3.2.3 Section 6.3: Management programme

29. The applicant has ESIA procedures and a risk management framework to identify and manage E&S and gender risks over the project cycle. A technical committee formulates an opinion on the project feasibility based on a consolidated risk analysis, integrating the E&S and gender screening results, project category, the legal and financial appraisals, the risk management and mitigation plan, and monitoring plan. The findings are presented to the applicant's board to inform the final project approval. The applicant provided an example of this safeguard assessment procedure to show implementation of the system.

30. For its international programmes, the applicant consolidates all the relevant policies, procedures, tools, management guidelines and management plans into one operational manual. The operational manual then governs all the steps in the project cycle from project design to evaluation. Two sample operational manuals were provided to demonstrate capacity and track record on defining and integrating the environmental and social management requirements. To facilitate GCF project implementation, the applicant indicated that if accredited by GCF, it would develop a GCF-specific operations manual containing all the relevant and most up-to-date E&S policies, standards, procedures, tools and mechanisms.

31. The AP has found that the applicant's 2018 E&S and gender policy and management system meets GCF requirements for Category B/I-2 and C/Intermediation 3 (I-3)<sup>5</sup> projects. The track record for implementing the 2018 E&S and gender policy is now being developed.

### 3.2.4 Section 6.4: Organizational capacity and competency

<sup>5</sup> 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".



32. This applicant has a relatively flat, matrix structure. The organizational chart shows the location and reporting lines of the E&S and gender staff. The environmental safeguards focal point and the social safeguards focal point are in the programme management unit. The gender focal point is in the communications unit and the grievance-mechanism focal point is in the legal unit. The focal points coordinate, implement and oversee their E&S and gender functions across the organization. There is also a GEF Agency unit, which also has staff with E&S and gender functions. The units with E&S and gender functions report to the executive coordinator, who reports to the applicant's board. If accredited, the applicant would establish a GCF unit, similar to that of the GEF Agency unit it operates.

33. The applicant provided the curriculum vitae of eight E&S and gender staff, including some staff serving as thematic focal points (e.g. an indigenous peoples focal point). It also maintains a roster of expert consultants (e.g. a resettlement specialist). The E&S and gender staff have participated in World Bank safeguards training. Senior management has committed to providing additional E&S and gender capacity development in the near future by allocating a training budget for 2019.

34. The AP has found that the applicant has sufficient capacity to implement its GEF E&S and gender safeguards. The applicant is starting to implement its new 2018 IFC E&S and gender policy framework. The development of the operational manual mentioned in section 3.2.3 of this document (which would contain the most up-to-date checklists and GCF-specific policies) and the 2019 E&S and gender training will further enhance the applicant's E&S and gender capacity related to implementing the new 2018 framework. The capacity gap identified is reflected in the corresponding condition for accreditation in section 4.2.

### 3.2.5 Section 6.5: Monitoring and review

35. The applicant provided a copy of its monitoring and evaluation policy. It approves the E&S and gender monitoring plan of its executing entities. The manual for appraisal and project selection provides a template to develop a project-specific monitoring plan, based on the logical framework, identified risks, and project-specific environmental and social management plan (ESMP). Project monitoring comprises routine communications between the applicant's staff and the project staff, biannual progress reports (from executing entity), biannual supervision meetings, and annual site visits. Failure of project staff to report unanticipated events, impacts or risks can lead to project suspension.

36. The applicant has qualified staff to conduct project monitoring. It can also hire external consultants, as needed. It is revising its project-supervision checklists to build the capacity of its executing entities to use the new 2018 IFC framework. The applicant is also developing an online project management system to allow staff to view all project risks (i.e. safeguard and other risks) at a glance. The applicant provided a list of monitoring visits and some sample monitoring reports conducted in the last five years to show its track record with E&S and gender monitoring. This identified tool gap is reflected in the corresponding condition for accreditation in section 4.2 of this document.

37. The AP has found that the E&S and gender monitoring procedures meet GCF requirements for Category B/1-2 projects/programmes. The applicant can only provide a partial track record of monitoring against the 2018 E&S and gender policy framework at this time, as implementation of the 2018 framework has only just started, but this track record is now being developed. The applicant confirmed that GCF-specific monitoring requirements would be outlined in a GCF operations manual.

38. The applicant's new procedures call for independent midterm reviews and final evaluations to assess progress and implementation of mitigation measures and to extract lessons learnt. The human resources department will begin using an online training tool to further disseminate good practices by the end of 2018.

39. The applicant does not have a policy to review the effectiveness of its E&S and gender management system at this time but has committed to developing this system for GCF projects. This identified gap is reflected in the corresponding condition for accreditation in section 4.2 of this document.

#### 3.2.6 **Section 6.6: External communications**

40. The applicant has complied with national requirements for public consultations as follows: the national system does not require consultation for category C projects. The national system also requires that projects that support the creation of protected areas have mandatory public consultations at the local level but not at the national level. As per national regulations, free, prior and informed consultations are required for projects located in or near indigenous peoples' land. Even when public consultations are not required, the Ministry of the Environment of Brazil will coordinate consultation sessions, as a good practice. The applicant provided summaries of consultation inputs to project design and to ESIA reports to show its track record and practice.

41. The applicant's code of ethics requires that project and programme information be fully disclosed for consultation on the applicant's website, but the code does not specify the duration of the disclosure or the language. The applicant confirmed that it would comply with the GCF information disclosure policy (IDP) and the gap is reflected in the corresponding condition for accreditation in section 4.2 of this document. The applicant indicated that the English version of its website is expected to be operational by October 2018.

42. The applicant's code of ethics and grievance-system operational procedures identify the steps to investigate E&S and gender grievances and the communication channels to reach the ethics committee or external law firm. Flow charts were provided to explain the different positions and functions called upon to operate the complaints mechanism. All staff, consultants and service providers are subject to the code and to the grievance procedures. The applicant considers its grievance system fair, confidential, impartial, accessible, efficient, inclusive, clear, easy to understand and transparent while also providing protection from retaliation. The code and procedures are available on the applicant's webpage.

43. The grievance officer manages the grievance mechanism and is tasked to register, assess eligibility, categorize external communications and grievances, and direct any grievance to the correct party for resolution. The terms of reference and curriculum vitae of the grievance officer were provided to demonstrate capacity and competency.

44. The applicant provided a register of inquiries, complaints and resolutions for 2016 and 2017. The applicant has not received any E&S and gender complaint to date. As of 2018, the annual report will publish statistics on all complaints cases. The AP found that the applicant's grievance mechanism aligns with GCF requirements.

### 3.3 Gender

45. The 2017 gender mainstreaming policy and related 2013 operational procedures of the applicant refer to the United Nations Universal Declaration on Human Rights and the United Nations Convention on the Elimination of All Forms of Discrimination against Women. The gender policy rejects any form of gender discrimination or unequal pay for equal work. This policy applies to the applicant, its executing entities and all projects.

46. The applicant has gender tools, procedures and practices. The grant award policy states that the applicant will not sign contracts with institutions that have discriminatory practices. The request for proposal requires executing entities to explain how the proposed project will promote gender mainstreaming. The applicant's institutional assessment tool assesses whether an executing entity or proposed project adequately addresses gender mainstreaming. Project proposals are categorized as having no impact, low impact or significant impacts on gender.



Projects categorized as having low impact require a gender integration analysis; projects having significant impacts require a gender impact evaluation as part of the ESIA.

47. A gender working group is currently elaborating the applicant's gender indicators. The applicant has indicated that any update to the gender indicators would be included in a GCF operations manual. The gap is reflected in the corresponding condition for accreditation in section 4.2 of this document.
48. The applicant provided examples of its gender due-diligence process on two potential executing entities to demonstrate a partial track record.
49. The applicant provided the curriculum vitae of its gender focal point, who is responsible for the coordination, implementation and oversight of the gender policy. The applicant is also building its roster of external gender experts. The applicant has provided an introductory gender training course to its staff and is currently translating the GEF online gender course into Portuguese to strengthen capacity development. The applicant also engages with various gender networks to share gender-related experience (e.g. GEF gender partnerships and the national gender committee).
50. The applicant reports on its gender activities. The gender section of the 2017 annual report highlights projects that have benefited women and men, especially projects supporting poor women farmers in small-scale, low-impact sustainable farming. Several newly designed projects and one new project fully integrate gender considerations in compliance with the gender policy and procedures.
51. Overall, the applicant's gender policy and procedures address the requirements of the GCF Gender Policy. Although the applicant does not have extensive experience with gender integration at this time, it is quickly building its gender capacity, its track record, and also promoting gender balance in all of its activities. This identified capacity gap is reflected in the condition related to implementing the 2019 capacity development plan contained in section 4.2 of this document.

## IV. Conclusions and recommendation

### 4.1 Conclusions

52. 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 but partially meets the specialized fiduciary standard for grant award and/or funding allocation mechanisms. Currently, the applicant does not have a system of providing the public with access to information on the periodic progress of individual projects, and it does not record or maintain data on financial irregularities or fraud in its operations;
  - (b) The applicant partially meets the requirements of the interim environmental and social safeguards of GCF in relation to medium E&S risk (Category B/I-2), with the main gap being that the applicant does not have a policy at this time to review the effectiveness of its E&S and gender management system. The applicant must revise its disclosure policy to comply with the GCF IDP requirement for providing documents in English for the specified duration for Category B/I-2 projects/programmes. The applicant must also update some of its tools and procedures and implement its 2019 E&S and gender capacity development plan; and

- (c) The applicant has demonstrated that it has competencies, policies and procedures to implement its gender policy, which is found to be consistent with the GCF Gender Policy. It is in the process of building its capacity, experience and track record on gender considerations in the context of climate change.

## 4.2 Recommendation on accreditation

53. The AP recommends, for consideration by the Board, applicant APL071 for accreditation as follows:

- (b) **Accreditation type:**
- (i) **Maximum size of an individual project or activity within a programme:** medium (including micro<sup>6</sup> and small<sup>7</sup>);
  - (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
  - (iii) **Maximum environmental and social risk category:** medium risk (Category B/I-2) (including lower risk (Category C/I-3<sup>8</sup>)); and
- (c) **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) Conditions to be met prior to the first disbursement by GCF for the first GCF-funded project/programme to be undertaken by the applicant:
    - 1. Provide evidence in the form of a report showing that the applicant has established a system for compiling and reporting data on financial irregularities or fraud in its operations;
    - 2. Provide evidence of the development of a policy to periodically review the effectiveness of the applicant's E&S and gender management system;
    - 3. Provide evidence that the applicant has updated and approved its information disclosure policy consistent with requirements of the GCF IDP for Category B/I-2 projects/programmes;
    - 4. Provide evidence that the applicant has updated the following tools and procedures to reflect the requirements of the applicant's E&S policy adopted in 2018:

<sup>6</sup> 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 GCF, of up to and including USD 10 million for an individual project or an activity within a programme".

<sup>7</sup> 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 GCF, of above USD 10 million and up to and including USD 50 million for an individual project or an activity within a programme".

<sup>8</sup> 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. Environmental social impact assessment procedures to screen for cumulative and supply-chain impacts;
  - b. E&S and gender questionnaire;
  - c. Project supervision checklist; and
  - d. Gender indicators; and
5. Provide evidence to show that the applicant has implemented its E&S and gender capacity development plan in 2019 (e.g. list of training events and E&S and gender topics; list of participants; or correct use of new tools); and
- (ii) Condition to be met within two (2) years following the approval by the Board of the first GCF-funded project/programme to be undertaken by the applicant:
  1. Provide evidence showing that the applicant provides public access to information on the progress of GCF-funded projects/programmes, including budget utilization, in accordance with its information disclosure policy as updated and approved pursuant to paragraph 53(b)(i)(3) above.
54. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 53 above, and agrees to the recommendation.

### 4.3 Remarks

55. The applicant indicated in section 3.2.3 that it would develop a GCF operations manual, which would include the GCF-relevant policies, standards and procedural updates needed to comply with GCF interim environmental and social safeguards. The applicant may choose to provide the planned GCF operations manual containing all the necessary E&S and gender evidence requested in section 4.2 above to address the conditions of accreditation.

## Annex XVI: Accreditation assessment of Applicant 072 (APL072)

### I. Introduction

1. Applicant 072 (APL072), the LandBank of the Philippines (LandBank), a national public sector entity applying through the direct access modality, is a financial institution wholly owned by the Government of the Philippines. It aims to strike a balance in fulfilling its social mandate of promoting countryside development while remaining financially viable. Over time, the applicant has expended its loan portfolio in favour of its priority sectors, which include fisheries, health care, environment and tourism, among others.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 25 October 2016. Accreditation fees were received from the applicant on 14 July 2017, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 6 April 2018 and the applicant was progressed to Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** direct access, national. The applicant received a national designated authority or focal point nomination for its accreditation application from the Philippines;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or activity within a programme:** medium;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards;
  - (ii) Specialized fiduciary standard for project management;
  - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
  - (iv) Specialized fiduciary standard for on-lending and/or blending (for loans); and
- (e) **Maximum environmental and social risk category:** high risk (Category A/Intermediation 1 (I-1)).<sup>3</sup>

### II. Stage I institutional assessment and completeness check

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

#### 2.1 Legal status, registration, permits and licences

<sup>1</sup> 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”.

<sup>2</sup> Decision B.07/02.

<sup>3</sup> 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”.

4. The applicant provided documents on its establishment and licences to operate, if any and where relevant, as a part of the application. LandBank was established in 1963 under the Republic Act number 3844.

## 2.2 Institutional presence and relevant networks

5. As a bank wholly owned by the Government of the Philippines, the applicant has been working with diverse stakeholders and networks. It has partnered with various financial institutions across the world to enhance its profitable financial operations. Meanwhile, it supports the country's Climate Change Act by developing lending programmes that aim to finance climate change-related projects and initiatives. The applicant is the largest credit institution in rural areas in the Philippines. It also provides training programmes and capacity-building in the areas of agriculture, fishery and forestry at the community level.

6. In order to advance the objectives of GCF, the applicant intends to ensure that its operations are environment and climate friendly, using its own environmental management system. It will continue to deliver in a timely manner financial services and technical support to farmers, fishers and other priority sectors, including delivering innovative products that are consonant with ecological enhancement.

7. In response to the request for proposals for enhancing direct access, the applicant submitted a project concept note on building the resilience of communities in the Philippines to climate change.

## 2.3 Track record

8. The applicant indicates that it conducts its strategic planning every five years to assess its economic, social and environmental performance, utilizing the participatory approach to engage stakeholders in the planning process. In addition, the applicant's operations have incorporated effective environmental management practices, which are guided by its Corporate Environmental Policy.

9. The applicant's track record in financing climate change-related projects includes the following:

- (a) USD 7.5 million (grants and loans) for a community-based forest and mangrove management project;
- (b) USD 10.8 million (loans) for a 10 megawatt (MW) solar power project using polycrystalline silicon photovoltaic technology;
- (c) USD 20.4 million (loans) for a 150 MW wind power project;
- (d) USD 30 million (grants) for an ozone depleting substances phase-out project; and
- (e) USD 71.46 million (loans) for a 305 MW rehabilitation geothermal project.

## III. Stage II accreditation review assessment

10. The applicant applied under the normal-track accreditation process. Its application has been assessed by the Accreditation Panel (AP) during Stage II (Step 1) against the standards of the GCF in accordance with the accreditation requirements.

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

## 3.1 Fiduciary standards

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

12. The applicant has an established organization structure and oversight bodies, which are appropriate for its size and scope of operations. In addition to the active involvement of the applicant's board of directors and senior management in maintaining the high standards of corporate governance, LandBank institutionalized its board committees: audit committee, risk management committee, corporate governance and trust committee. As a state-owned financial institution, it is subject to the oversight of the national government and is supervised by the national financial and audit authorities.

13. The strategic plan and annual budget objectives support and align with the mission of the applicant. The strategic plan contains the description of mid-term and long-term goals, such as: promotion of inclusive growth and quality of life in the countryside; delivery of financial and other support services to municipalities, cities and provinces; finding optimal solutions in delivering financial and other support services to its clienteles, and others. The goals are supported by the set of performance indicators and action plan as well as corporate operating budgets.

14. The applicant maintains a financial and accounting reporting system that includes the required financial statements. As a state-owned regulated financial institution, the applicant prepares its financial and accounting information in accordance with the national standards and guidelines established by the banking regulator, the national Central Bank. The national standards are structured according to the revised International Financial Reporting Standards and International Accounting Standards. The centralized financial management system manages transactions in multiple foreign currencies using its multi-currency accounting feature.

15. As part of its sound corporate governance system, the applicant implemented the risk-based internal audit and reinforced compliance system. The applicant's risk management practice and risk management oversight are done at three levels: board, management and operating support unit. The risk management committee of the applicant's board meets periodically and reviews the applicant's risk management policies and procedures. The risk management committee undertakes evaluation of the applicant's risk management framework and ensures the alignment of risk management policies and procedures with the applicant's strategies, objectives and risk appetite.

16. The applicant's internal audit structure provides assurance of an effective internal control environment, is properly documented and has designated decision-making authorities. The internal audit group performs a risk-based audit approach to all the departments through its methodology manual. The applicant prepares internal audit programmes annually, supported by detailed internal audit plans and final reports. The internal audit group reviews the performance highlights, plans and programmes on an annual basis. A comprehensive quality review of the internal audit group is undertaken by a third-party consultant. Internal audit plans and reports were provided and demonstrate that the internal audit process was conducted effectively.

17. The relevant regulations issued by the country's commission of audit, as well as the Central Bank and national insurance corporation, regulate the applicant's external audit function. The commission of audit is regulated by the constitutional mandate as well as by the state audit code, which includes terms of reference relevant to the work of this organization. The state audit code guarantees the impartiality and independence of the auditing activities of the commission of audit conducted at state-owned financial institutions, such as the applicant.

18. The applicant's board of directors through its audit and compliance committee oversees the internal control framework and promotes the internal control environment required of financial entities. The audit and compliance committee is mandated to provide assistance to the



applicant in fulfilling its oversight responsibilities regarding financial reporting policies, practices and control, and internal and external audit as well as compliance function. The disbursement system ensures adherence to various accounting and auditing guidelines issued by the appropriate regulatory bodies, and institutes internal control and risk assessment and mitigation measures.

19. The applicant's procurement activities are regulated by both well-developed internal regulation and by the national regulations. Its procurement policies establish three separate sets of regulation documents on goods and services, civil works and consulting services. For private sector and government sector borrowers accessing funds from multilateral and bilateral funding institutions the applicant has a practice of creating a programme management office to manage the funds including the safeguards and fiduciary. The programme management office reviews procurement conducted by the beneficiary to ensure that it complies with the funder's procurement guidelines.

20. The established procurement manual contains the procedures, guidelines and methodologies for overseeing, assessing and reviewing the procurement procedures of beneficiary institutions, executing entities, project sponsors or sub-borrowers that receive funds from multilateral and bilateral funding institutions. The procurement rules contained in the procurement manual are consistent with recognized international practices.

21. Recommendation for award of contracts is subject to further approval by the president and chief executive officer and/or the applicant's board of directors, depending on the amount of contract(s) to be awarded. Periodic and regular audits of the procurement process and activities are also conducted by both internal and external auditors of the applicant. Overall, the AP concludes that the applicant has adequate procedures and organizational resources to review the procurement process of beneficiary institutions.

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

22. The applicant's code of conduct is established in its staff regulations and its fair banking practices documentation, which is communicated to all employees and is signed by all employees. These documents establish the standards of conduct that are to be observed when performing activities on behalf of the applicant. In addition to its internal documentation, the applicant complies with the ethical guidelines and requirements established in the national regulations for public sector entities.

23. The function of an ethics committee is undertaken by the applicant's committee on decorum and investigation, employee management committee, integrity management committee, and accountability assessment committee, which have the designated authority to ensure that all the actions undertaken by the applicant's employees while fulfilling their professional duties comply with the applicant's ethical standards defined in its code of conduct and other ethics-related documents, according to the applicable national laws and regulations. The designated authorities prepare incident reports on the basis of the complaint, administrative legal department investigation reports, special audit reports and all other testimonies, documents and evidence submitted to determine the degree of culpability or financial responsibility of the employee(s) cited in the report.

24. The applicant has well-established policies and guidelines, which indicate zero tolerance related to fraud, financial mismanagement and other forms of malpractice, including mandatory financial disclosures of possible, actual, perceived or apparent conflicts of interest by identified parties, as appropriate. These regulating policies include the code of conduct for the applicant's employees, guidelines on conflict of interest, guidelines prohibiting solicitation and acceptance of gifts and donations, rules on administrative disciplinary cases, anti-bribery, anti-graft and corruption policy. The indicated policies also describe sanction measures for parties that do not disclose such conflicts on a proactive basis where a conflict of interest is identified.



25. The framework for the investigation function is based on appropriate internal regulations and the national banking regulations that have been established by the Central Bank. The applicant's investigation function is performed by the administrative legal department, while client-related and employee-related transactions are handled by the applicant's separate litigation department.

26. To ensure a more judicious evaluation and disposition of reports and complaints against the applicant's officers and employees the separate accountability assessment committee was created and reconstituted. The applicant's internal guidance covers the handling of disciplinary cases that includes investigating fraud and corruption within the organization. Furthermore, the applicant has an established whistle-blower policy and displays a complaints centre link on its website.

27. The applicant has an anti-money-laundering (AML) and countering the financing of terrorism (CFT) programme that is appropriate to the type of financial transactions it executes as part of its regular operations. The applicant's AML/CFT policies and procedures are developed based on the requirements of the national banking authorities. In compliance with the national Anti-money Laundering Act of 2001, the applicant created the AML committee in order to institute an effective dissemination of information on money laundering activities. The AML manual embodies the applicant's comprehensive and risk-based operating procedures geared toward the promotion of high ethical and professional standards and prevention of the bank being used, intentionally or unintentionally, for money laundering and terrorism financing activities.

28. Moreover, in order to comply with national regulations regarding AML/CFT, the applicant has appropriate "know-your-customer" due diligence processes, which incorporate the following critical aspects: procedures for customer acceptance and due diligence, documentary requirements for opening an account, customer risk rating guidelines, guidelines for the monitoring of transactions.

29. Furthermore, the applicant has developed and implemented a web-based remittance system used for processing electronic transfer/wiring of funds. The system is capable of generating reports that are used by the applicant to regularly monitor and review remittance transactions. All the applicant's transactions, including outward and inward remittances, are captured in the electronic anti-money-laundering system. The system is being utilized by the applicant to monitor, detect and identify covered transactions, alerts and possible suspicious transactions.

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

30. The project appraisal and approval process is regulated by the applicant's credit approval procedures that are applied in conducting due diligence of potential clients starting from market investment opportunity identification to assessment of the project in accordance with the various criteria, including risk assessment criteria and economic, technical and environmental requirements.

31. As per the applicant's credit approval guidelines, the credit process includes the origination, evaluation, negotiation, and approval as well as guidelines on the alignment of credit procedures with beneficiary loan requirements. The applicant has demonstrated the ability to examine and incorporate technical, financial, economic and legal aspects as well as possible environmental, social and climate change aspects, and relevant assessments thereof, into the project proposal at the appraisal stage by providing its project credit bulletins and the relevant project documentation examples. The applicant's credit manual also provides guidelines for the quality review of loans for projects, from credit account initiation, to proposal and ultimately preparation to credit approval and execution.

32. The applicant has a well-developed system for the project oversight and control process. The applicant prepares an operating policy guideline, such as a project operational manual, for

every programme or project it implements. The operational manual covers the implementation plan and budgeting and reporting guidelines. In some of the programmes, the oversight function is also performed by the corresponding government department, such as the Department of Energy.

33. The applicant has a well-established monitoring system in place, in the context of its credit delivery services to its loan beneficiaries. The applicant's credit approval procedures regulate the provision of credit support control systems and other practices necessary to manage outstanding risk assets.

34. In addition to the existing systems and in order to fully meet the requirements of the GCF specialized fiduciary standard for project management regarding monitoring and evaluation (M&E) procedures, the applicant has developed draft M&E procedures for GCF-funded projects/programmes. The draft M&E policy contains the standardized templates for the monitoring plans and reports and is found by the AP to be in full compliance with the M&E requirements under the GCF specialized fiduciary standard for project management. However, the policy has not yet been approved by the applicant's board. This gap is reflected by the corresponding condition for accreditation in section 4.2 below.

35. The applicant indicates that currently there is no specific policy for the disclosure of project M&E information due to the confidentiality agreements with the applicant's loan beneficiaries. However, as part of the new M&E policy, there are procedures for the publication of M&E reports, and there is a commitment from the applicant that such reports could be published as per GCF requirements for the GCF funded projects/programmes. This gap is reflected in the corresponding condition for accreditation in section 4.2 below.

36. The applicant's project assessment and management procedures are well documented in its loan policy, credit policy and loan recovery policy. As a financial institution, the applicant's project assessment and management procedures are contained within the credit approval process, which includes appropriate financial, "know-your-customer" and technical analysis guidelines.

37. The applicant's credit manual and procedures ensure that appropriate oversight is exercised and that project risks are appropriately managed. The applicant has established a credit risk engine system that conducts intensive client profiling and generates clients' internal risk rating. The account officer evaluates each loan account and conducts credit risk rating using the risk asset acceptance criteria, including capacity, capital, collateral and other characteristics of the potential loan recipient.

38. The loan recovery procedures, as well as standardized procedures for the loan repayment oversight, regulate the risk identification and mitigation process. The examples available in the supporting documentation provide evidence regarding identification and management of the risks and problems.

39. Overall, the applicant has an established track record and experience in project management, with expertise in assessing project and loan beneficiary viability and monitoring project performance during the development and implementation stages. In the areas where gaps are identified, the applicant has created appropriate procedures, the implementation of which has yet to be demonstrated.

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

40. The applicant has demonstrated that relevant policies, established procedures, and sound track record in managing the grant award programmes are already in place. Both the documented policies and the practical evidence provided demonstrate an application of well-developed procedures for grant evaluation and award, and appropriate eligibility criteria as well as effective monitoring and evaluation of grant award programmes.

41. The applicant's grant award procedures were developed on the basis of the legal agreements with the corresponding donor institution for a particular grant award programme. The grant award procedures that were applied to date and provided to the AP include the clear delegation of decision authority, the establishment of appropriate grant awarding and evaluation committees, mechanisms to ensure the appropriate use of funds as well as mechanisms for the recovery of funds that are misused. The records of the work of the grant evaluation committees were provided.
42. Overall, the AP finds that the grant award policies and procedures used to develop grant award activities satisfy the requirements of the GCF specialized fiduciary standard for grant awarding and/or funding allocation mechanisms.
43. Moreover, the AP took into consideration the indicated intention of the applicant to create a separate grant evaluation committee as well as a separate set of procedures for consideration and selection of the grant proposals submitted, solely for the programmes or projects funded by the GCF. The AP welcomes the applicant's efforts in this regard and recommends the applicant to finalize the grant evaluation procedure for GCF funded projects/programmes as soon as possible.
44. The strengths of the applicant's internal controls and internal audit function, as well as the corresponding grant agreements, provide the assurance of appropriate control over grant funds and their disbursement and appropriate use. The applicant performs audits of budget utilization and expenditures made by the grantees on a regular basis.
45. The applicant's track record in awarding grants includes grant programmes funded by its country's government and those funded by international development agencies. The applicant has demonstrated its capacity to effectively serve as the executing entity for government-designed grant programmes as well as the executing entity for international development agency-designed grant programmes.
46. In addition to the grant award programmes in which the applicant serves as an executing entity, as part of its corporate social responsibility programmes, the applicant has implemented and executed grant award programmes directed towards education and capacity-building. These programmes are executed following specific grant award procedures, including the use of clear guidelines for the selection of grant awardees, appropriate control over the good use of funds and appropriate results publication procedures.
47. The applicant has published extensive information on its grant award programmes, including information on the results of grant programmes in accordance with the corresponding administrative orders established by the national government.

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

48. The applicant holds the highest national rating among local banks, together with one other bank in the Philippines, on capital adequacy, assets, management capability, earnings, liquidity and sensitivity. The applicant has also been cited by the national Central Bank as an "Outstanding Lending Bank". These ratings indicated a sound financial stability and creditworthiness as well as advanced financial management practices.
49. National legislation granted the applicant expanded commercial banking powers or a universal banking license with a social mission to spur countryside development. The applicant has the mandate to provide lending for agricultural, industrial, home-building and home-financing projects and other productive enterprises as well as lending to farmers' cooperatives and associations to facilitate production, marketing of crops and acquisition of essential commodities.
50. The applicant also provided sufficient evidence of its experience and capacity as an executing entity for credit programmes funded by the multilateral financial institutions, supported by project related documents.

51. The applicant provided documentation regarding its loan policy, credit manual and loan recovery policy. These documents contain the guidelines for loan operations that are required in a government-owned financial entity, such as the applicant. Furthermore, copies of clients' due diligence reports, credit approval documents and loan monitoring reports were provided for assessment by the AP. In accordance with its credit policies, the applicant has implemented extensive due diligence credit analysis for the potential projects and clients, including risk rating tools and well-defined credit assessment and loan approval and implementation mechanisms.
52. The applicant has a well-developed risk management framework supported by the credit risk engine system. The applicant provided information on the specific risk assessment framework it adopts to assess, monitor and evaluate the risk exposures of the investments. The applicant's risk management oversight function is rendered through various committees, such as the risk management committee, the audit committee, the asset and liability committee and the investment and loan committee. The risk management group is independent from risk taking units and performs the oversight function for all major risk areas, such as credit, market and liquidity, operational and other bank-wide risks and oversees risk management implementation, monitoring and control.
53. The applicant has a well-developed investment policy and strategy guideline to ensure that the investment portfolio is managed to optimize its portfolio yield over the long term in a manner that is consistent with the regulatory requirements, liquidity needs, asset/liability management strategies, and safety of principal. The policy guidelines set out investment principles, investment instruments as well as the investment and risk control processes. Investments are conducted in accordance with the principles of professional asset management. The applicant manages its assets based on the mandate laid down by its board of directors.
54. The applicant's credit policy, as well as corresponding risk assessment and acceptance criteria, contain the procedures for evaluating the intermediary lending portfolio, the implementation of which was supported by reports on the assessment of intermediaries (e.g. credit facilities). The applicant's credit policy, supported by risk assessment procedures, ensure funds are channelled transparently through intermediaries.
55. The applicant has a well-established financial management system. The applicant provided extensive information regarding its financial management policies and their implementation, which include the applicant's strategy map, as well as corresponding directives that regulate the preparation of the applicant's budget for the specific units, departments and sectors.
56. The applicant has clear delegations of power and appropriate separation of functions within its treasury unit, and between the business-focused units, operational units, risk management units and control units. The treasury and investment banking sector is mandated with handling overall supervision of treasury operations and financial resource management while operational sector is tasked with providing the applicant with the operational support, including accounting services.
57. Although the applicant provided evidence on the publication of information related to the results of the local development and investment project developed in cooperation with the World Bank, the applicant has yet to establish a formal policy for providing information to the public regarding its decisions concerning on-lending operations and project results funded by GCF resources. This policy gap is reflected in the corresponding condition for accreditation in section 4.2 below.

## 3.2 Environmental and social safeguards

### 3.2.1 Section 6.1: Policy

58. The applicant's environmental and social management system (ESMS) comprises its Corporate Environmental Policy and its formal environmental and social (E&S) policy for its lending operations, formalized in Administrative Order N26, Series of 2018 – Environmental and Social Safeguards Policy Relative to Credit Delivery (A.O. 26 series of 2018). The first version, known as Credit Policy Issuance (CPI), was adopted by the applicant's board in 2004. The CPI policy was later enhanced in 2009, known as the "Revised Environmental Policy Relative to Credit Delivery". To consider social risks of applicant-financed projects, another policy enhancement, the "Enhanced Environmental and Social Safeguards Policy Relative to Credit Delivery" was added to the CPI policy in 2017. The enhancement follows the global best practice of the Equator Principles to facilitate approval of the applicant's projects financed through overseas development agencies. The CPI policy (2017) was approved by the applicant's board of directors in November 2017 and requires the assessment of environmental, climate change and social risks as well as how the impacts and benefits of projects financed by the applicant will be identified, assessed, mitigated, monitored, and reported. This CPI policy (2017) summarizes all the national E&S laws and regulations that the applicant abides by in its investments. It also states the national E&S laws and regulations and corresponding environmental permitting requirements. Aforementioned A.O. 26 series of 2018 that effectively enhances and supersedes the latest CPI policy was implemented beginning June 2018.

59. The applicant's A.O. 26 series of 2018 is aligned with performance standards 1 to 8 of the GCF interim Environmental and Social Safeguards (ESS), as is evident from the detailed checklists for E&S assessment contained in the annex of the applicant's policy. The applicant also adheres to and implements the ESS of partner agencies (e.g. the World Bank, Japanese International Cooperation Agency, etc.). An ESS framework is developed and implemented for each of the applicant's programmes supported by the World Bank and Japanese International Cooperation Agency ESS framework. The applicant has agreed to apply the following elements in GCF-financed projects/programmes that the applicant itself will execute in its projects as well as those undertaken by executing entities that the applicant will oversee and manage: assessment of cumulative impacts, assessment of associated facility impacts, analysis of alternatives, baseline data standards and mitigation hierarchy. The A.O. 26 series of 2018 is available to all the applicant's staff. The AP found the applicant's ESMS, comprising the A.O. 26 series of 2018, to be sufficient to meet GCF requirements for projects/programmes with a maximum E&S risk of Category A/I-1.

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

60. The A.O. 26 series of 2018 describes the applicant's process for the identification of E&S risks and impacts consistent with performance standards 1 to 8 of the GCF interim ESS.

61. The applicant currently does not have policies and practices relating to audit conducted by external experts on the effectiveness of its E&S institutional programme. The applicant has agreed that once accredited, it intends to establish the external audit practice for its ESMS in 2018 following operationalization of the recently approved A.O. 26 series of 2018. Nevertheless, the applicant provided a review by the International Finance Corporation (IFC) of the applicant's ESMS including the capacity for implementation. Additionally, the Kreditanstalt für Wiederaufbau (KfW) also conducted an appraisal of the applicant's ESMS to determine the level of compliance with KfW requirements. The applicant has taken on board the recommendations made by both the IFC and KfW in improving its ESMS.



62. The applicant provided a sample of three projects in E&S risk Category A/I-1, B/Intermediation 2 (I-2)<sup>4</sup> and C/Intermediation 3 (I-3),<sup>5</sup> as evidence of its track record of applying this process in conformity with performance standards 1 to 8. The applicant also provided an illustrative list of projects and descriptions from the past three years for the E&S risk category equivalent to the GCF E&S risk Category A/I-1, B/I-2 and C/I-3. The account officers (AOs) of the lending unit handling the projects are responsible for determining the project categorization. The AOs have the required qualifications and experience to categorise the projects. The E&S risk identification and categorization process is found by the AP to meet GCF requirements for E&S risk Category A/I-1 projects/programmes.

### 3.2.3 Section 6.3: Management programme

63. The applicant's A.O. 26 series of 2018 describes its institutional process for managing mitigation measures and actions stemming from the E&S risk identification process, distinguishing between different categories of risk. The AOs ensure the compliance of the account/project with applicable environmental and social laws and regulations until such time that its loan is fully paid. The management of the ESS is handled by the applicant's environmental programme and management department (EPMD). The results of a project's assessment are documented in an environmental report of the client's application package, which provides in detail the impact of the project on the environment, the activities to be undertaken for risk mitigation, the risk rating as well as the environmental benefits, such as eligibility of projects for inclusion under the Clean Development Mechanism and assessment of the project's compliance with environmental laws and regulations. Likewise, incorporated in the loan documents (i.e. Credit Line Agreement) is the provision on compliance to applicable environmental laws and regulations required during the operation of the project as attested by an Environmental Compliance Certificate.

64. The applicant provided a sample of project documents in E&S risk categories equivalent to GCF interim ESS E&S risk Categories A/I-1, B/I-2 and C/I-3, as evidence of a track record in managing E&S risk and impact mitigation measures; these comprise the construction of a road and operation of toll plazas and a municipal waste management facility as well as construction of a school, respectively. The E&S risk management function is found by the AP to meet GCF requirements for E&S risk Category A/I-1 projects/programmes.

### 3.2.4 Section 6.4: Organizational capacity and competency

65. The applicant provided its institution's overall organizational structure, which includes the agricultural development and lending sector, which includes the EPMD. The EPMD is dedicated to managing climate change and environment-related projects manned by ten programme officers. The A.O. 26 series of 2018 provides the overview of the process for coordination of work and sharing of information between the investment, legal and credit offices. The A.O. 26 series of 2018 shows the workflow chart for implementation of the policy with respect to the applicant's operations. The EPMD team develops, manages and provides

<sup>4</sup> 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".

<sup>5</sup> 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".

management tools and information on various environmental policies and lending projects/programmes of the applicant.

66. The applicant provided their curriculum vitae and samples of the work of the key technical staff showing they have adequate capacity with direct responsibility for the project/programme performance and have the knowledge, skills and experience necessary to understand and ensure implementation of performance standards 1 to 8 of the GCF interim ESS. The applicant provided sample modules and programmes of the training conducted for the applicant's E&S and other relevant staff. The AP found that the applicant's organizational capacities and competencies are appropriate to implement its ESMS, including for projects/programmes that are categorized as E&S risk Category A/I-1.

### 3.2.5 **Section 6.5: Monitoring and review**

67. The applicant's A.O. 26 series of 2018 provides its internal processes, along with clearly defined roles/responsibilities and timelines, to support a monitoring/supervision programme that tracks and ensures completion of mitigation and performance improvement measures. As stipulated in the A.O. 26 series of 2018, the AOs shall monitor compliance of the project with the applicable environmental laws and regulations until such time that its loan is fully paid. The EPMD conducts and documents an environmental audit for projects that are documented through the environmental and social performance and monitoring report. The applicant provided a sample of project monitoring and evaluation reports developed by the EPMD in E&S risk category equivalent to GCF interim ESS E&S risk Categories A/I-1, B/I-2 and C/I-3 as evidence of its track record in managing mitigation measures in projects, comprising construction of a road and operation of toll plazas and a municipal waste management facility as well as the construction of a school, respectively.

68. The applicant provided evidence of sharing the environmental and social performance and monitoring report with its senior management; in addition, lessons learned were incorporated as is evident from the several updates of its CPI policy. The applicant's CPI has undergone several updates since 2004, influenced by the evaluation of its ESMS performed by the IFC and KfW, as noted in section 3.2.2 above. The AP found the applicant's monitoring and reporting process sufficient for E&S risk Category A/I-1 projects/programmes.

### 3.2.6 **Section 6.6: External communications**

69. The applicant provided the link to its website to receive and register external communications. Additionally, it has several other channels such as the telephone hotline, social message service/text access, e-mail, and social media, for receiving complaints and grievances. The applicant provided its register of the complaints database as evidence of its complaint handling procedure.

70. While the applicant provided evidence of its practice on E&S information disclosure and public consultation in line with the GCF Information Disclosure Policy (IDP), this practice has not been codified into any of the applicant's policies. The applicant has agreed to establish and adopt a policy on the requirement for E&S information disclosure and a public consultation process in projects it would finance with GCF resources, in line with the GCF IDP, particularly for disclosing E&S assessment documents for E&S risk Category A/I-1 and B/I-2 with respective durations of 120 days and 30 days as well as satisfying the language requirements. This gap is reflected by the corresponding condition for accreditation in section 4.2 below.

71. While the applicant provided evidence of its practice requiring its executing entities to have a grievance redress mechanism in projects that the applicant oversees, this practice has not been codified in any of the applicant's policies. The applicant has agreed to establish and adopt a policy requiring the establishment of grievance redress mechanisms in its own projects and projects implemented by its executing entities, financed with GCF resources. This gap is reflected by the corresponding condition for accreditation in section 4.2 below.



### 3.3 Gender

72. The applicant provided its draft gender and development (GAD) policy statement and its strategic action plan, which was drafted with the help of an external expert. The GAD policy states that promoting gender and development are an important pillar to achieve inclusive growth and improvement of quality of life and to contribute to building an equitable and sustainable economy for women and men, regardless of socio-economic status, who should have the same rights and opportunities to access finance and assets, establish and lead business, participate in decision-making processes affecting their lives and have equal and safe access to public services. The GAD policy adheres to the national laws and regulations governing gender and equality while also integrating international standards in this area. As part of the implementation of the policy, the applicant has developed a strategy to integrate gender considerations systematically across the applicant's agriculture and development lending portfolio.

73. The applicant stated that the initial focus for rolling out the policy will be to align its current operations with the Magna Carta of Women, under which all government agencies are required to include GAD in their annual plans and budgets. The National Economic and Development Authority in coordination with the Philippine Commission on Women, developed Harmonized Gender Development Guidelines for Project Development, Implementation, Monitoring and Evaluation (second edition, December 2010). The Harmonized GAD guidelines align with the national Plan for Gender-Responsive Development and the Framework Plan for Women<sup>6</sup> as well as various international agreements signed by the Philippine government. The GAD guidelines recognize the following: equality between women and men is a key women's human right; participation in development is crucial to the empowerment of women and men; gender equality means promoting the equal participation of women as agents of economic, social, and political change; and achieving equality between women and men may involve the introduction of specific measures designed to eliminate prevailing gender inequalities.

74. The applicant indicated that the final GAD Policy, as approved by management, and including a strategy action plan, would be available by the end of September 2018. The AP finds the applicant's draft GAD policy in line with the GCF Gender Policy. The applicant indicated that it is developing the final GAD Policy to be aligned with GCF requirements, which will be submitted for approval by the applicant's management. A generic terms of reference was provided by the applicant for the recruitment of a gender expert (consultant) to help the applicant with implementing and integrating its GAD Policy in GCF-financed projects/programmes.

## IV. Conclusions and recommendation

### 4.1 Conclusions

75. 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, 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. The applicant has to provide the approved policy on monitoring and evaluation for GCF-funded projects, including the provisions for publication of the monitoring and evaluation reports, as well as establish

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<sup>6</sup> Refer to <<http://library.pcw.gov.ph/sites/default/files/framework-plan-women.pdf>>.

a formal policy for providing information to the public regarding its decisions on on-lending and/or blending operations;

- (b) The applicant partially meets the requirements of the interim GCF ESS in relation to the high E&S risk (Category A/I-1). Only two gaps exist in the applicant's ESMS: one is related to the lack of a policy on disclosure of E&S information in line with the GCF IDP, and the other is related to the lack of a policy on the requirement for the applicant's executing entities to include a grievance redress mechanism in their projects. The AP has indicated earlier that the applicant does this in practice, but lacks a policy codifying the practice; and
- (c) The applicant has demonstrated that its draft gender policy and procedure (which are yet to be formally approved by its management) are consistent with the gender policy of GCF, and has demonstrated that it has experience with gender considerations in the context of climate change. However, it lacks the capacity to implement its gender policy.

## 4.2 Recommendation on accreditation

76. The AP recommends, for consideration by the Board, applicant APL072 for accreditation as follows:

- (a) **Accreditation type:**
  - (i) **Maximum size of an individual project or activity within a programme:** medium (including micro<sup>7</sup> and small<sup>8</sup>);
  - (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);
  - (iii) **Maximum environmental and social risk category:** high risk (Category A/I-1) (including lower risk (Category B/I-2 and Category C/I-3); 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) Conditions to be met prior to the submission of the first funding proposal to the Board:
    - 1. Provision by the applicant of the monitoring and evaluation policy for GCF-funded projects/programmes that has been adopted by the applicant's board, including the standardized templates for monitoring

<sup>7</sup> 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".

<sup>8</sup> 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".

- plans and reports, as well as the procedure on public disclosure of monitoring and evaluation reports;
2. Establishment by the applicant of a policy for providing information to the public regarding the applicant's decisions concerning on-lending and/or blending operations and results of the on-lending and blending operations. The policy should cover, inter alia:
    - a. Type or content of information to be provided;
    - b. Media/channels through which information will be provided;
    - c. Timelines within which the award information will be made public; and
    - d. Results of the projects funded under the on-lending and blending mechanism;
  3. Provision of evidence from the applicant of the adoption of a policy on information disclosure of E&S assessment documents for projects financed with GCF resources, consistent with the requirements of the GCF IDP for Category A/I-1 projects/programmes;
  4. Provision of evidence from the applicant of the establishment of its policy on project-level grievance mechanisms to be established by executing entities; and
  5. Provision of evidence from the applicant of the approval of a gender policy and procedures consistent with the gender policy of the GCF, and the curriculum vitae of a gender expert responsible for implementing the gender policy; and
- (ii) Condition to be met on an annual basis for three consecutive years starting from the date of the first disbursement by GCF for the first approved project/programme to be undertaken by the applicant:
1. Provision of evidence from the applicant on the publication of monitoring and evaluation reports in accordance with the applicant's procedure on the public disclosure of monitoring and evaluation reports.
77. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 76 above, and agrees to the recommendation.

### 4.3 Remarks

78. The applicant may wish to consider applying the grant evaluation policy it has already developed to GCF-funded projects/programmes that include a grant award mechanism.

## Annex XVII: Accreditation assessment of Applicant 073 (APL073)

### I. Introduction

1. Applicant 073 (APL073), the Protected Areas Conservation Trust (PACT), is a national entity that was established by the Government of Belize to encourage and promote, for the benefit and enjoyment of the present and future generations of the people of Belize, the provision, protection, conservation and enhancement of the natural and cultural resources of Belize. It is a statutory authority of the country, applying through the direct access modality. The applicant is entrusted by the Government to effectively manage Belize's National Protected Areas System (NPAS) through strategic partnerships and high-impact investments.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 17 May 2017. Accreditation fees were received from the applicant on 19 June 2017, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 29 June 2018 and the applicant was progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of GCF:

- (a) **Access modality:** direct access, national. The applicant received a national designated authority or focal point nomination for its accreditation application from Belize;
- (b) **Track:** fast-track under the Adaptation Fund (AF);
- (c) **Maximum size of an individual project or activity within a programme:** micro;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards;
  - (ii) Specialized fiduciary standard for project management; and
  - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
- (e) **Maximum environmental and social risk category:** minimal to no risk (Category C/Intermediation 3 (I-3)).<sup>3</sup>

### II. Stage I institutional assessment and completeness check

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

#### 2.1 Legal status, registration, permits and licences

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<sup>1</sup> As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "micro" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by GCF, of up to and including USD 10 million for an individual project or an activity within a programme".

<sup>2</sup> Decision B.07/02.

<sup>3</sup> 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".

4. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. The applicant provided its founding legal document, the Protected Areas Conservation Trust Act, dated 1 June 1995.

## 2.2 Institutional presence and relevant networks

5. PACT is Belize's national conservation trust. Revenues for the trust are primarily derived from a conservation fee of USD 3.75 paid by overnight visitors, a fifteen per cent commission from the cruise ship passenger head tax, fiduciary services, and interest earned on its term deposits. PACT redistributes the revenue throughout the NPAS by providing funding for projects that support conservation and promote environmentally sound approaches to manage Belize's natural and cultural resources.

6. In the twenty years since it was established, PACT has been accredited as a national implementing entity to the AF, as well as granted a fiduciary role for organizations such as the Belize Nature Conservation Fund, the Global Environment Facility, the Meso-American Reef Fund and the World Bank.

7. In order to advance the objectives of GCF, the applicant intends to play a key role in coordination, at the national level, of collaboration between public and private sector partners in order to mobilize resources to address growing climate-related vulnerability factors through the implementation of, among other developmental plans and strategies, the climate mitigation and adaptation objectives outlined in Belize's National Climate Change Policy and Plan; the sustainable development goals of the National Development Framework of Belize: Horizon 2030; the conservation priorities of the National Protected Areas System Policy and System Plan 2015; and the investment priorities of the National Climate Resilience Investment Plan 2013.

8. The applicant intends to work closely with the national designated authority (NDA) of Belize in identifying and developing investment priorities for GCF funding, and establishing funding priorities for the NPAS. Preliminary assessments done by PACT show there is a need for investments in biodiversity and ecosystem protection, financial sustainability of the NPAS, and building socioeconomic opportunities for the most vulnerable groups/communities in Belize. In line with its own priorities, PACT will engage the NDA during its process of developing national priorities for climate change investments in Belize.

## 2.3 Track record

9. To date, PACT has invested over USD 16.5 million dollars in the management of protected areas in Belize through the awarding of grants. The applicant partners with international and regional donors to provide fiduciary and grant management services under specific management arrangements. Climate-related projects financed by PACT include grants that range from USD 5,000 to USD 200,000, with an average project/programme duration from four months to three years.

10. The applicant has experience in climate-related activities in such areas as institutional and regulatory systems development; land use/forestry; awareness strengthening and climate risk reduction; climate information/early warning systems; energy generation and access; infrastructure and built environment; ecosystem and ecosystem services; health and well-being; food and water security; and enhanced livelihoods. Representative examples of the applicant's projects include:

- (a) USD 162,585 (grants) for a project prioritizing conservation and addressing climate change in the Rio Bravo Conservation Management Area;

- (b) USD 358,108 (grants) for a project on strengthening protected areas management through enhanced coordination, financial sustainability and climate change adaptation; and
- (c) USD 102,250 (grants) for a project on Enhancing the Climate Resilience of Monkey River Village, Belize.

### III. Stage II accreditation review assessment

- 11. The applicant is eligible for, and applied under, the fast-track accreditation process as an AF entity. Its application has been assessed by the Accreditation Panel (AP) during Stage II (Step 1) against the accreditation standards of GCF in accordance with the requirements and gaps identified in decision B.08/03.
- 12. As part of this assessment, the AP consulted the applicant's website to complement the information provided in the application.

#### 3.1 Fiduciary standards

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

- 13. As per paragraph 11 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

- 14. As per paragraph 11 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]), have been met by way of fast-track accreditation.
- 15. Regarding item 4.2.4, the applicant has a structure for investigating cases of misconduct by its staff. To ensure independence of the investigation function, primary responsibility for overseeing the function lies with the finance and audit committee of the applicant's board of directors while the actual investigation of cases of misconduct is carried out by either internal audit or external parties contracted for this purpose. All investigations are carried out on the basis of terms of reference which outline the purpose, authority and accountability of the function, and are posted on the applicant's website. The terms of reference are supplemented by guidelines for processing cases, including procedures for handling complaints received by the function and managing cases before, during and after the investigation process. The applicant has provisions for reporting cases investigated. However, no cases of misconduct have been reported or investigated in the past three years. The AP finds that the applicant's investigation function meets the GCF basic fiduciary standards.
- 16. Regarding item 4.2.5, the applicant's policy for preventing money laundering, the financing of terrorism and other prohibited practices is included in its anti-fraud policy. In addition, the applicant uses its risk management policy and risk register to identify associated risks and appropriate measures to mitigate money laundering and the financing of terrorism. The applicant has documented "know-your-customer" due diligence procedures which it uses to assess the institutional capacity of potential grantees and the appropriateness of their systems to ensure transparency and accountability in financial management prior to approving project financing. As part of the due diligence process, the applicant ensures that organizations seeking grant financing have attained certification from the country's financial intelligence unit which plays a major role in combating money laundering and financing of terrorism. The applicant monitors electronic funds transfers using mechanisms put in place by the Central Bank of Belize. Where funds transfers by the applicant involve foreign currency, approval for foreign exchange



is sought from the Ministry of Finance. This serves as an added precaution against use of the funds for money laundering or financing of terrorism.

17. In addition to AML/CFT, the applicant's anti-fraud policy covers other prohibited practices such as coercion, collusion, obstruction, abuse (theft, misappropriation and/or misuse of property), conflict of interest and retaliation against whistle-blowers. The AP finds that the applicant's policies aimed at preventing money laundering, the financing of terrorism and other prohibited practices comply with the GCF basic fiduciary standards, as well as the GCF General Principles on Prohibited Practices<sup>4</sup> and the GCF AML/CFT Policy.<sup>5</sup>

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

18. As per paragraph 11 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**

19. The applicant has well-established policies and procedures based on transparent grant award eligibility criteria and evaluation, and proven experience and a track record in supporting conservation projects/programmes in protected areas, mainly through grant award financing. Its well-developed grant award system is guided by a recently revised operational manual that describes all stages of the grant award process. To further improve its grant award system, the applicant is in the process of putting in place a new structure for evaluating proposals for grant funding. An internal screening committee and an external technical expert group will be responsible for the review of grant applications and recommending grant award decisions to the applicant's board of directors.

20. To ensure that a wide range of potential recipients are aware of the grant opportunities, grant notices/calls for proposals are published in an annual funding notice, posted on the applicant's website and further disseminated through both social and print media and direct distribution to stakeholder organizations. The grant award notices/call for proposals are comprehensive and include information on specific eligibility requirements and the process to be followed in the evaluation of applications and selection of grant recipients.

21. The entity has a documented due diligence framework for assessing the eligibility and capabilities of potential grant recipients. It has also provided sufficient information, including periodic project implementation status reports, which show it has a sound monitoring and evaluation system in place. As part of the monitoring and evaluation process the applicant's staff undertake on-site visits to monitor project progress, support the beneficiaries, disseminate best practices and establish/maintain good relations with the beneficiary entities.

22. The applicant has an adequate system for providing access to the public to information on the periodic progress of grant-funded projects. The links to several publications where such information is available were provided.

23. The applicant's established relationships with several agencies, such as the AF, the Global Environment Facility, the Meso-American Reef Fund and the World Bank, confirm the applicant's experience and capabilities in managing a grant award system, including appraisal and monitoring implementation of grant-funded projects.

24. The applicant has also demonstrated that it has adequate provisions and checks/procedures for:

- (a) Ensuring that grants are not awarded retrospectively for activities already started or completed at the time of the application;

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<sup>4</sup> Decision B.12/31.

<sup>5</sup> Decision B.18/10.



- (b) Suspension or termination of grant awards in the event of the beneficiaries failing to comply with their obligations;
- (c) Periodic independent reviews/audit of its grant award activities; and
- (d) Recovery of funds disbursed to grantees, in respect of expenditures which are unauthorized or fall outside the scope of the approved grant funded activities.

25. The AP concludes that the applicant's grant award policies and procedures are effectively implemented throughout the grant award process and that these policies and procedures are sufficiently aligned with the GCF specialized fiduciary standard for grant award and/or funding allocation mechanisms.

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

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

## 3.2 Environmental and social safeguards

### 3.2.1 **Section 6.1: Policy**

27. Although an environmental and social (E&S) policy is not required for E&S risk Category C/I-3, the applicant has an approved environmental and social management framework (ESMF), dated December 2017. The ESMF defines the roles and responsibilities regarding the E&S policy and excludes projects with activities that degrade natural habitats. In addition to the ESMF, the applicant has an operations manual developed in 2018 for its new conservation investment programme, which integrates the ESMF requirements. It also includes an updated screening protocol to address E&S matters in the project cycle.

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

28. The 2017 ESMF, the 2018 operations manual and screening protocol guide the applicant's E&S and gender risk identification and project categorization process over the project cycle. The manual provides screening checklists. The applicant also provided a new checklist to screen and categorize against the International Finance Corporation (IFC) performance standards 1 to 8 on environmental and social sustainability. This new checklist will be used in conjunction with the other screening tools already used by the applicant. The conservation programme officer will conduct the E&S and gender screening and categorization. Typically, if a safeguard is triggered, the applicant will ask the grantee to downscale the activity to maintain an IFC Category C designation and/or the applicant will be asked to seek clearance from the Ministry of the Environment before the applicant proceeds with its project appraisal and approval process. The applicant will also assess a grantee's capacity to implement the ESMF using its capacity assessment tool. A screening report is prepared to summarize the findings and the stakeholder consultations, and to make a recommendation to the internal screening committee and the board to approve, revise, or reject the proposed project/grantee. The applicant provided a copy of the scoring form used to review the application package, showing institutional capacity to do this work.

29. The applicant's ESMF refers to category A projects as those having minimal or no E&S risk, category B as medium E&S risk and category C as high E&S risk. This is in reverse order to the GCF E&S risk categorization system. The applicant has agreed to follow the GCF categorization sequence for any GCF-funded projects/programmes, with Category C/I-3 being a project/programme with minimal to no E&S risks and potential impacts.

30. The applicant provided a list of projects that it categorized retrospectively using the new 2017 ESMF, showing projects that fall under the maximum GCF E&S risk Category C/1-3. It is possible, given the sensitive locations of projects (i.e. in protected areas and possibly in close

proximity to indigenous peoples), that some very small-scale infrastructure projects or components therein may fall in the E&S risk Category B/I-2.

31. The AP finds that the applicant's procedures and new checklist to identify risks and impacts align with the GCF interim environmental and social safeguards (ESS) for performance standards 1 to 8, and are sufficient to address the risks of Category C/I-3 projects/programmes. Entities accredited for Category C must be able to confirm that their GCF projects remain in Category C during implementation. The applicant is developing a capacity development plan (see section 3.2.4, below), which the AP recommends should include strengthening the capacity to screen and categorize projects using the new E&S and gender checklist/procedure.

### 3.2.3 **Section 6.3: Management programme**

32. According to the ESMF and the 2018 operations manual, the applicant must conduct an E&S and gender risk assessment and a field-planning mission on project proposals predicted to have minor impacts. The applicant and the grantee will review and confirm the mitigation plan, monitoring procedures, data sharing requirements and reporting schedule, which will be stipulated in a partnership agreement. The assessment findings, including the results of public consultation, are summarized in the final draft of the project proposal.

33. The applicant provided an example of an E&S and gender risk assessment, showing that E&S and gender risks were reviewed and mitigation measures were identified. Implementation of the ESMF is just starting as part of implementing the new 2018 conservation investment strategy. The applicant has started to build its related track record.

34. Category C applicants are not required to have a documented institutional process to manage mitigation measures and actions stemming from the E&S and gender risk identification process. By having the core documents listed above, the applicant surpasses the requirements of Category C/I-3 under this item.

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

35. The applicant provided an organizational chart showing the E&S and gender functions and reporting lines. The conservation investment department, comprising a manager, a monitoring officer and two conservation programme officers, manages the implementation of the ESMF and ensures that E&S and gender issues are adequately addressed during the project cycle. The conservation programme officer conducts the E&S and gender technical reviews, including the screening, project categorization and compliance monitoring. The terms of reference and curriculum vitae of the chief conservation programme officer were provided.

36. The E&S and gender staff have participated in E&S and gender training webinars and forums provided by the AF and the World Bank. The applicant is currently developing an E&S and gender capacity development plan to strengthen the organizational capacity to conduct E&S and gender screening, categorization and monitoring in line with the GCF interim ESS. The applicant expects to adopt its capacity development plan by December 2018 for implementation in 2019. The capacity gap identified is reflected in the corresponding condition for accreditation (see section 4.2 below).

### 3.2.5 **Section 6.5: Monitoring and review**

37. The applicant's ESMF, the 2018 monitoring and evaluation framework, and the 2018 operations manual indicate that the grantee will monitor and review E&S and gender risks, as well as the implementation and effectiveness of mitigation measures at each reporting period. The conservation programme officer is responsible for the project-level E&S and gender monitoring, whereas the monitoring officer will collate all the information at institutional level for reporting to senior management.

38. The applicant provided sample project monitoring reports to show a track record for its E&S and gender monitoring in the past, as well as the sample reports monitored against planned

activities, and some E&S and gender mitigation measures. The new ESMF explicitly requires grantees to report on the implementation of E&S and gender mitigation measures. One example from a new project was provided to show that E&S and gender risks and mitigation measures are now monitored more fully and in compliance with the new core documents.

39. The ESMF requires that E&S and gender monitoring and evaluation be integrated into the external mid-term and terminal evaluations. The first institutional monitoring and evaluation report is expected after April 2019. There are also provisions to review the effectiveness of the ESMF; the first ESMF review is expected in 2021, after gaining implementation experience.

40. The ESMF and 2018 documents provide an adequate framework to monitor in line with the GCF requirement for Category C/I-3 projects/programmes. The AP considers that the E&S and gender monitoring form should be revised to facilitate the tracking of E&S and gender risks and mitigation measures against the GCF interim ESS. The procedural gap identified is reflected by the corresponding condition for accreditation (see section 4.2 below).

### 3.2.6 Section 6.6: External communications

41. The grantee must document how the local community was consulted and involved during project design and implementation. Project information is to be disclosed in two phases: draft document phase to seek input; and final document phase to inform local communities on E&S and gender measures. E&S and gender information is to be disclosed in English and in the local language, and at both the entity and local levels. The applicant uses its annual reports, website and social media accounts (e.g. Twitter, Facebook, YouTube and Instagram) to engage with the public and to disclose E&S and gender information.

42. The ESMF briefly outlines the procedures to receive, register and handle external communications and complaints related to E&S matters. The ESMF requires that grantees develop a project-specific grievance mechanism in collaboration with the affected community, but it does not mention that the applicant will need to review the adequacy of the executing entity's grievance mechanism.

43. The applicant indicated that it has not received any local-level E&S and gender complaints to date. The applicant's communications desk has managed the grievance procedure in the past, but with the recent organizational restructuring, there is no longer a designated communications desk, because the communications function is considered a cross-functional responsibility. The conservation investment department is now responsible for disclosing E&S and gender information and for managing the E&S and gender enquiries and grievance mechanism.

44. The applicant indicated that it will comply with the GCF E&S-related requirements for public consultation, information disclosure and grievance redress mechanisms. The applicant indicated that it could integrate the requirement to review the adequacy of the project-level grievance mechanism into the project monitoring and evaluation function. The procedural gap identified is reflected by the corresponding condition for accreditation in section 4.2 below.

## 3.3 Gender

45. The applicant indicated that it complies with the 2013 national gender policy, which endorses gender equality and equity, and equal benefits for women and men. The applicant adopted its own gender policy in December 2017, with principles focused on good governance, gender equity and equality, accountability and information sharing.

46. Gender considerations are integrated into core documents. The operations manual requires investments to be screened and monitored for gender impacts. The code of ethics requires compliance with all policies. The employee handbook addresses non-discrimination,

equal opportunity and protection against workplace harassment. Project proposals are screened to ensure fair employment practices, with the applicant issuing a no-objection letter before the grantee can sign contracts with consultants and suppliers. The monitoring and evaluation framework provides a tool to assess whether men and women receive equal remuneration and equal benefits. The communications strategy is being updated to integrate a requirement for gender-sensitive communications.

47. The applicant provided three project examples to show how women and men benefitted from its climate change projects (e.g. a project on alternative economic livelihoods for women and men in coastal areas).

48. The applicant's gender policy and procedures are aligned with the requirements of the GCF Gender Policy. However, the applicant indicated that staff have not received any gender training, although its independent expert panel can provide some gender expertise. The applicant also noted that there are few national gender experts. There is no gender focal point, because the applicant considers implementing the gender policy to be a cross-functional role and not a specific position. Gender-mainstreaming capacity is still weak and it should be strengthened within the capacity development plan mentioned in section 3.2.4 of this document. The gap identified is reflected in the corresponding condition for accreditation in section 4.2 below.

## IV. Conclusions and recommendation

### 4.1 Conclusions

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

- (a) The applicant meets the requirements of the GCF basic fiduciary standards, the specialized fiduciary standard for project management and the specialized fiduciary standard for grant award and/or funding allocation mechanisms;
- (b) The applicant partially meets the requirements of the interim ESS of GCF in relation to the minimal to no E&S risk (Category C/I-3), the main issue being some capacity gaps (including gaps regarding tools) related to screening, categorizing and monitoring of projects using the GCF interim E&S standards; and
- (c) The applicant's gender policy and procedures are consistent with the requirements of the GCF Gender Policy, but the main gap is that gender mainstreaming capacity and experience needs to be strengthened.

### 4.2 Recommendation on accreditation

50. The AP recommends, for consideration by the Board, applicant APL073 for accreditation as follows:

- (a) **Accreditation type:**
  - (i) **Maximum size of an individual project or activity within a programme:** micro;
  - (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
- (iii) **Maximum environmental and social risk category:** minimal to no risk (Category C/I-3); 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) Conditions prior to the first disbursement by GCF for the first GCF-funded project/programme to be undertaken by the applicant:
    1. Provide a copy of the applicant's approved E&S and gender capacity development plan for 2019 that shows capacity development for E&S and gender screening, categorization and monitoring in line with GCF interim ESS, and gender mainstreaming in line with the GCF Gender Policy. The applicant can provide evidence of training events; training materials; and screening, categorization and monitoring reports to address this condition; and
    2. Provide evidence by the applicant to show the following updates to the applicant's procedures and tools:
      - a. E&S and gender monitoring form;
      - b. Gender-sensitive communications strategy; and
      - c. Monitoring and evaluation procedure that requires the applicant to review the adequacy of the executing entity's grievance redress mechanism during monitoring and evaluation of a project/programme.

51. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 50 above, and agrees to the recommendation.

### 4.3 Remarks

52. The applicant may consider seeking an upgrade to E&S risk Category B/Intermediation 2 (I-2),<sup>6</sup> once it has strengthened its capacity and built its track record in implementing the 2017 ESMF and the new core documents that support the ESMF.

53. The applicant may choose to develop a GCF operations manual, which could include the GCF-relevant policies, standards and procedural updates to address the conditions of accreditation identified in section 4.2 above.

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<sup>6</sup> 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".

## Annex XVIII: Accreditation assessment of Applicant 074 (APL074)

### I. Introduction

1. Applicant 074 (APL074), the BNP Paribas S.A. (BNP Paribas), is an international entity based in France that operates globally, and that provides and carries out investment services and banking transactions globally through various financial instruments. The applicant has committed to take steps to support the transition to a low-carbon economy and has funded sustainable development and climate projects with a focus on renewable energy. In 2015, it has committed to double its financing in the renewable energy sector; stop direct and indirect financing for thermal coal mining and coal-fired power generation projects, as well as include an energy diversification requirement for coal mining and coal-fired power generation companies; strengthen carbon risk management policies; and support companies and countries in making a safe transition to more sustainable energy use. In 2017, the applicant's position was further strengthened with commitments to stop financing coal mines and coal-fired power plant projects, companies significantly involved in unconventional oil and gas (including shale gas and tar sands), as well as tobacco companies.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 14 April 2017. Accreditation fees were received from the applicant on 14 July 2017, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 30 April 2018 and the applicant was progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of GCF:

- (a) **Access modality:** international access;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or activity within a programme:** large;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards; and
  - (ii) Specialized fiduciary standard for on-lending and/or blending (for loans and guarantees); and
- (e) **Maximum environmental and social risk category:** high risk (Category A/Intermediation 1 (I-1)).<sup>3</sup>

### II. Stage I institutional assessment and completeness check

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

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

<sup>2</sup> Decision B.07/02.

<sup>3</sup> 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".



## 2.1 Legal status, registration, permits and licences

4. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. BNP was founded on 26 May 1966 and has been licensed to conduct banking operations under the French Monetary and Financial Code, Book V, Section 1.

## 2.2 Institutional presence and relevant networks

5. The applicant aims to be the reference among European banks with a global reach and a contributor to responsible and sustainable global development. The applicant serves millions of individuals, small and medium-sized enterprises and large corporate clients, and it has a presence in 73 countries worldwide. With its commitment to support the transition to a low-carbon economy, the applicant has dedicated EUR 15 billion by 2020 in financing for renewable energy and reinforcing carbon risk management policies.

6. In addition, the applicant collaborates with government agencies, civil society organizations, national and international private sector organizations, including providers of innovative technologies and multilateral institutions, to encourage private sector investment in sustainable development projects in emerging countries and to foster a multiplier effect in the construction of the low-carbon economy.

7. In order to advance the objectives of GCF, the applicant intends to first align its lending policy to contribute to the achievement of the global temperature target set by the Paris Agreement. It also intends to continue leveraging its partnerships and involving more diverse players to direct financial investments to projects that address climate change and sustainable economic development, particularly, to direct such financing to developing countries and vulnerable populations. For example, the applicant has a collaborative partnership with United Nations Environment which aims to raise development capital, with a target of capital funding amounting to USD 10 billion by 2025, to drive sustainable economic growth in developing countries. The aim of this fund is to support smallholder projects related to renewable energy access, agroforestry, water access and sustainable agriculture, among other sustainable activities.

## 2.3 Track record

8. The applicant has a track record in financing renewable energy generation, energy access, transport, infrastructure and public health projects globally by deploying concessional loans and guarantees. The applicant's track record in financing sustainable development and climate change-related projects in these sectors include:

- (a) USD 1.07 billion (EUR 867 million) (loans) for Norther, a 370 MW capacity offshore wind farm in the Belgian North Sea;
- (b) USD 95 million financing facility for the Tropical Landscape Finance Facility in Indonesia to finance the development of a sustainable natural rubber plantation and help regenerate a land area; and
- (c) BNP Paribas acted as sole Financial Advisor in connection to a Solar Power Project in relation to a BRL 477 million (approx. USD 142.25 million) 20-year financing from Banco do Nordeste do Brasil – BNB, the development bank for the Northeast region of Brazil.

## 2.4 Potential support to direct access entities



9. BNP Paribas participates in numerous sustainability initiatives, such as the United Nations Global Compact, the Institutional Investors Group on Climate Change and the United Nations Women's Empowerment Principles, which would allow the applicant to collaborate with other actors within financing communities and promote their accreditation to GCF. In addition, the applicant, having sustainability officers based in regions around the world, intends to strengthen the capacity of potential subnational, national and regional entities in their accreditation to GCF by serving as an entry point for potential entities to discuss accreditation, sharing its experience with the accreditation process and demonstrating the benefits of joint financing with GCF.

### III. Stage II accreditation review assessment

10. The applicant applied under the normal-track accreditation process. Its application has been assessed by the Accreditation Panel (AP) during Stage II (Step 1) against the standards of GCF in accordance with the accreditation requirements.

11. As part of this assessment, the AP consulted the applicant's website and third-party websites to complement the information provided in the application. The AP also undertook a site visit to one of the applicant's main global offices in order to ensure access to all necessary information for assessing the applicant during the Stage II (Step 1) accreditation review.

#### 3.1 Fiduciary standards

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

12. The applicant has an organizational and corporate governance and oversight structure that is appropriate for the size and scope of its activities. Reporting to the applicant's board are four board-level committees: financial statements committee (CdC); remuneration committee (CR); internal control, risk management and compliance committee (CCIRC); and corporate governance, ethics, nominations and corporate social responsibility (CSR) committee (CGEN). The duties of an audit committee are fulfilled by the CdC and CCIRC, which also hold specific joint meetings. There are 14 directors on the board, all of whom serve on one or more of the subcommittees. Nine of the board members are independent, according to the provisions of the Afep-Medef code, and two are selected by employees of the applicant. The applicant's board members serve for terms of three years. Each of the four subcommittees has either four or five members drawn from the board of directors and the majority on each subcommittee are independent. The mission statements of the board and its subcommittees are published annually in the registration document and annual financial report, together with the resumés and terms of appointment of board members, attendance records and other corporate governance details.

13. The applicant's board is supported by an executive committee composed of 19 executives. This committee is headed by the Chief Executive Officer and is comprised of the heads and operating officers of the various units that make up the applicant across all functions and geographies where it operates.

14. There is a formal process for setting company objectives, strategy and business plans. The current business development plan for 2017 to 2020 is publicly available and was presented at an investor day in March 2017. This plan presents the strategic vision of each unit that makes up the applicant, with both qualitative and quantitative goals. With clear delineation of responsibilities among management and teams, objectives are monitored and measured to ensure targets are met in the timeframe specified.

15. The consolidated financial statements of the applicant are prepared in accordance with the International Financial Reporting Standards, as adopted for use in the European Union. The

audit and reports are prepared by three external auditors: Deloitte, PricewaterhouseCoopers and Mazars. The financial statements together with the detailed notes are published in the registration document and annual financial report, and provide a complete picture of the finances and performance of the applicant and its various business units. Management information systems are adequate to monitor the ongoing financial performance of the applicant.

16. As a commercial bank that is regulated in all the markets in which it operates, as well as by the United States banking regulators, the European Central Bank and the French banking regulator, the applicant has the legal and operational capacity to make and receive international payments in relation to operations with GCF. The applicant also has the resources, systems and procedures to ensure appropriate financial reporting on funds received from GCF. In this respect, the applicant has a long and successful track record of working with international financial institutions such as the European Investment Bank (EIB), African Development Bank, International Finance Corporation (IFC) and European Bank for Reconstruction and Development.

17. The role of an audit committee is performed by the two committees, CdC and CCIRC (see paragraph 12 above) that address matters relating to the internal and external audits and the risk policies and risk management measures, including as they relate to potential financial impacts. These two committees also monitor the efficiency of internal controls and risk management systems, the global strategy concerning risks, the independence of the statutory auditors' audits, and compliance. The majority of the members of both committees are independent and they have clear requirements as to membership, duties, authority and accountability. These committees meet regularly, up to 12 times per year, and attendance is generally 100 per cent.

18. The applicant has a very strong and experienced internal audit function, called Inspection Generale (IG). They have a staff over 1,300 people with an end-of-2018 target of 1,400 people with teams in each of the 21 hubs that make up the operating units of the applicant. The Head of IG reports directly to the Chief Executive Officer to ensure independence of the function. The Head of IG informs the Chief Execution Officer, as well as the Board, of his mission through the CCIRC. The Head of IG attends the CCIRC, which proceeds with the hearing of the IG, excluding the presence of the applicant's executive management. The IG function follows the charter of the Institute of Internal Auditors and prepares its reports in English for submission to its three principal regulators in the United States, the European Union and France.

19. Internal audit or IG perform three types of assignments: assurance assignments that are scheduled in the annual audit plan, special assignments that respond to unforeseen events and other interventions requiring the involvement of IG. The annual audit plan is communicated to the European Central Bank, the French Supervisor, Autorité de Contrôle Prudentiel et de Résolution, as well as the United States banking regulators regarding the audit plan pertaining to the applicant's activities in North America, in respect of how often audits should be performed on the various areas of the applicant, with typical timeframes of 18, 24, 36 or up to 60 months. In 2017, IG performed nearly 1,000 assignments, which take on average about eight weeks and a team of three to 11 people. The reports produced by IG rate the auditees as satisfactory, generally satisfactory, marginally satisfactory or unsatisfactory. Findings and recommendations are discussed and agreed with the management of the auditee, and then documented for continual monitoring and follow-up until all recommendations are implemented.

20. IG management publishes a 300-page manual called "How to?" that explains the entire IG process, including the audit charter, how the audits are planned and implemented, how the audit performance is assessed and improved, and how the governance of IG is handled. The European Central Bank regularly visits and reviews the work of IG. In addition, the external

audit firm, Ernst & Young (who are not one of the three statutory auditors of the applicant), also reviews the standards and provide continuous monitoring of the function.

21. The annual financial statements, notes and auditors' opinion prepared by one of the three independent external auditors referred to in paragraph 15 above is published each year in the registration document and annual financial report, a 550-page document that is publicly available and provides a comprehensive picture of the history, corporate governance, internal controls, and operations of the applicant. It also contains information concerning economic, social, civic and environmental responsibilities, risk and capital adequacy reports, and the complete audited financial statements.

22. The external auditors report on observations with respect to accounting systems, internal financial controls, and administration and management of the applicant. Audits and management progress reports are reviewed by the financial statements committee, CdC, at least once a year. The applicant exhibits all the necessary provisions and arrangements to ensure that an annual audit opinion on the financial resources deployed under GCF operations can be issued by an external auditor and made public.

23. The applicant has well-documented and effective internal controls based on the Committee of Sponsoring Organizations of the Treadway Commission framework, which is subject to French law regarding the procedures and information that is included in the internal control report. Internal control is the direct responsibility of the Chief Executive Officer supported by the executive committee and under the oversight of the board of directors. Internal control covers all of the nine functions of the applicant, tax, legal, compliance, finance and development, information technologies and processes, IG, brand communications and quality, human resources, and risk management. The internal control system is organized under three lines of defence. The first line is IG, which provides periodic checks and control. Following IG, providing continuous control, are second-level integrated (such as compliance, legal and risk) and non-integrated (such as applicant tax and applicant finance) defences. The last line of defence includes the operational entities that make up the applicant. The internal control report is published annually in the registration and annual financial report.

24. The applicant has well-established procurement policies, which the AP has reviewed and found to be appropriate for its activities. There is an applicant procurement function with most procurement being decentralized and handled by dedicated procurement teams in every part of the world where the applicant operates. The applicant's procurement staff use an online tool to manage procurement and ensure compliance with applicant policies and procedures. Extensive information on potential bidders is captured on the system and progress is blocked if key data is not provided. An official risk report on procurement is prepared twice a year for the European regulator. Suppliers and vendors are required to sign a CSR charter confirming their compliance with established CSR standards. There is a mediation process that may be used by the applicant's suppliers in the event of complaints, which stems from a charter signed by the applicant in 2010 with the Ministry of Finance of France. The goal is to solve disputes with an amicable agreement and through a confidential process.

25. The applicant is committed to implementing a procurement oversight function for beneficiaries of funding under projects/programmes supported by GCF where the applicant would be the recipient. This is reflected in the corresponding condition for accreditation in section 4.2 below.

26. With the exception of the items identified above to be addressed as accreditation conditions, the AP finds that the applicant's policies, procedures and capacity comply with the GCF basic fiduciary standards on key administrative and financial capacities.

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

27. The applicant has in place a code of conduct that defines the ethical standards to be upheld, listing the parties required to adhere to the standards. This code of conduct provides

the mission and values of the organization and the rules of conduct in respect of customers, financial security, market integrity, professional ethics, respect for colleagues, applicant protection, and involvement with society. The code also provides a guide for how it should be upheld in practice, including how staff should make decisions and provisions for whistle-blowing, which state that no employee will be punished, dismissed or be subjected to discriminatory treatment, directly or indirectly, for whistle-blowing in line with best practice and in good faith.

28. An addendum to the code of conduct addresses corruption. It includes basic anti-corruption principles and prohibited behaviours with examples that illustrate the following areas: gifts and invitations; facilitation and other cash payments; data confidentiality; donations to non-profit organizations and political parties; conflicts of interests; and customer, credit and litigation risks. The code of conduct is provided to all new employees and reinforced through regular and mandatory e-learning training and annual performance appraisals. It includes the rules on anti-money laundering (AML) and countering of the financing terrorism (CFT) that all staff are required to know and apply. In this regard, the compliance team within internal controls continuously monitors developments to ensure adherence to international standards such as those of the Financial Actions Task Force as well as local standards in the markets where they operate. Therefore, the AP finds that the applicant's policies aimed at preventing money laundering, financing of terrorism and other prohibited practices comply with the GCF basic fiduciary standards as well as the GCF General Principles on Prohibited Practices<sup>4</sup> and the GCF AML/CFT Policy.<sup>5</sup>

29. The applicant has a wide-reaching procedure for "know-your-customer" as well as "know-your-intermediary" and "know-your-supplier" due diligence. The "know-your-customer" due diligence includes a scoring grid, and customers are given an overall rating of low, medium or high risk. The ratings are assessed at four levels, depending on the risks involved: by the relationship manager, the business team, the compliance team, and, for the larger exposures, the Client Acceptance Committee. If there is a difference of opinion between the risk and business teams, decisions can be escalated to the executive committee or, ultimately, the board, but this rarely happens as "know-your-customer" is a collaborative process between the relationship and the risk teams. All staff are given mandatory "know-your-customer", AML and CFT training and IG does spot checks of the function. IG is also responsible for independent and objective investigations of allegations of fraud and corrupt practices.

30. The AP finds that the applicant's policies, procedures and capacity comply with the GCF basic fiduciary standards on transparency and accountability.

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

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

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

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

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

33. The applicant is applying for on-lending, but not for blending operations (e.g. use of grants blended with other financial instruments) with GCF, for loans and guarantees.

34. The applicant's on-lending operations are supported by a set of well-developed policies, procedures and guidelines that are aligned with GCF standards as to financial management and credit risk policies. The implementation of on-lending GCF financing is supported by the track

<sup>4</sup> Decision B.12/31.

<sup>5</sup> Decision B.18/10.

record of the funds provided by multilateral institutions for co-financed projects and programmes.

35. The applicant has a well-developed risk management strategy and procedures supported by the methodological tools for defining the risk appetite for investments in specific sectors worldwide. The applicant's liquidity risk is managed under a global liquidity policy that is approved by the applicant's asset and liability management committee. The policy is based on management principles designed to apply both in normal conditions and in a liquidity crisis. The applicant's liquidity position is assessed on the basis of internal indicators and regulatory ratios.

36. The credit risk management policy sets out the guidelines, principles and approach for credit risk management for the applicant with a framework to identify, assess, measure, monitor and control credit risks in a timely and effective manner. The applicant's designated market risk applicant monitors the risks on account of interest rate, liquidity, currency and equity price in the trading books.

37. The applicant provided comprehensive information regarding its financial management policies and its implementation of the policies. The AP found the applicant's financial management function is aligned with the GCF specialized fiduciary standard for on-lending and/or blending for loans and guarantees. The applicant's global credit policy contains a description of the credit appraisal standards, due diligence process and requirements for potential beneficiaries, and possible restrictions imposed and corresponding authorities with respect to managing the various financial products of the applicant. Examples of loan agreements for on-lending programmes with the EIB were presented for review by the AP during the site visit given their confidential nature.

38. The applicant has a robust risk management practice that enables it to book, manage and mitigate risks in its businesses. The applicant has a comprehensive risk management framework that covers all three types of risks: credit, market and operational risks. The risk management function is led by the Head of applicant risk management, who is a member of the executive committee of the organization.

39. The applicant provided portfolio reports containing information on the on-lending operations with the EIB, detailing the beneficiaries, amounts and allocations. The report on the EIB facility for small and medium-sized enterprises and mid-caps showed loans to 668 companies totalling EUR 361 million. EUR 279 million was for small and medium enterprises, defined as less than 250 employees, and EUR 82 million was for mid-cap companies.

40. The applicant borrows from multilaterals and other financial institutions, bond markets, and various lines of credit and then on-lends to projects and borrowers in the markets in which it operates, including many emerging markets in Africa, Asia and Latin America. The applicant has a solid track record of working with multilateral institutions such as the EIB, the African Development Bank, IFC and the European Bank for Reconstruction and Development on projects for which these institutions provided lines of credit to the applicant. With regard to GCF-funded projects the applicant plans to on-lend the GCF financing to activities that meet GCF criteria.

41. The long-term debt of the applicant is rated A+ by Fitch Ratings with a stable outlook; Aa3 by Moody's also with a stable outlook; and A by Standard & Poor's with a positive outlook.

42. The AP finds that the applicant's policies, procedures and capacity comply with the GCF specialized fiduciary standard for on-lending and/or blending for loans and guarantees.

## 3.2 Environmental and social safeguards

### 3.2.1 Section 6.1: Policy



43. The applicant's environmental and social management system (ESMS) is embedded in several of the following documents cited as the basis of its institutional corporate social responsibility (CSR) function:
- (a) The applicant's charter governing missions and the organization of the applicant's corporate level environmental and social (E&S) responsibility function;
  - (b) The applicant's "Environmental responsibility: combating climate change", which is part of its 2017 registration document; and
  - (c) The applicant's "CSR policies – Public", containing nine CSR policies on sensitive sectors (i.e., agriculture, mining, coal-fired power generation, nuclear power, palm oil, wood pulp, defence, unconventional oil and gas and tobacco). These CSR sector policies are validated by the applicant's executive committee and are designed to prevent the applicant from doing business with companies with unacceptable practices, and to promote good industry practices. The CSR policies are an integral part of the due diligence performed by the applicant on companies and projects it does business with.
44. The E&S standards that the applicant adheres to in project-related transactions (e.g. financing and advisory) are reflected in the Equator Principles III (EP).<sup>6</sup> The E&S standards adhered by the applicant are referred to in the EP under the two separate parts of the IFC Sustainability Framework: the IFC Performance Standards 1 to 8 and the World Bank Group Environmental, Health and Safety Guidelines. These standards are consistent with the performance standards 1 to 8 of the GCF interim environmental and social safeguards (ESS). The applicant also adheres to the national standards of the host country in which it finances a project.
45. The applicant's CSR Department is in charge of defining E&S policies and of ensuring the implementation of these policies. The Operational Risk Control Department of the applicant's Risk Function is responsible for controlling the application of all the applicant's policies, including those regarding E&S matters. The applicant's CSR policies can be found on its external website. For internal use, policies are stored and available via the applicant's intranet platform. The AP found the applicant's ESMS, comprising its CSR policies, to be sufficient to meet the GCF requirements for a maximum E&S risk Category A/I-1 projects/programmes.

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

46. The applicant provided its EP application procedure for its corporate and institutional banking (CIB) activities. The document describes the process for identifying E&S risks and impacts, including the E&S risk categorization, the scope of the procedure, and who is responsible for implementing the procedure, and it refers to tools used to implement the procedure. For a project in a non-designated EP country, the assessment process evaluates compliance with the relevant host country laws, regulations, and permits, as well as the IFC Performance Standards and the World Bank Group Environmental, Health, and Safety Guidelines (both general and industry specific). The applicant's E&S categorization is first done by its business line followed by an analyst in the project financing team. This is reviewed by the applicant's CSR CIB team and validated by it.
47. The applicant uses its Sustainability Assessment Tool (SAT), an E&S risk categorization expert system licensed from PricewaterhouseCoopers and customized for the applicant. The SAT allows the applicant to determine the project risks and associated impacts, distinguishing between E&S risk Category A, B or C in a manner found by the AP to be consistent with the performance standards 1 to 8 of the GCF interim ESS. The applicant provided multiple examples of the application of its SAT and their illustrative categories, including those for a hydropower project in Brazil assessed in 2015 as Category A, a wind farm in Ireland assessed in 2014 as Category B, a 150 MW solar photovoltaic facility in the United States of America assessed in

<sup>6</sup> Available at <[http://equator-principles.com/wp-content/uploads/2017/03/equator\\_principles\\_III.pdf](http://equator-principles.com/wp-content/uploads/2017/03/equator_principles_III.pdf)>.

2014 as Category B, and a school construction project in the Netherlands assessed in 2013 in Category C. The E&S risk identification and categorization process is found by the AP to meet GCF requirements for a maximum E&S risk Category A/I-1 projects/programmes.

### 3.2.3 **Section 6.3: Management programme**

48. The applicant provided the following two documents, which describe the operational processes on how individual projects/programmes mitigation actions will be documented, tracked and applied under the EP application procedure for CIB activities and the EP-specific application procedure for export finance activities. Both of these documents are consistent with performance standards 1 to 8 of the GCF interim ESS. The applicant's nine sector policies contain further details on the E&S evaluation criteria for a specific sector, such as applicable standards and good industry practices as well as the criteria to be used in certain cases where the applicant will not provide any financial product or services when a project or the associated facilities are located, for example, in the United Nations Educational, Scientific and Cultural Organization World Heritage Sites or in wetlands on the Ramsar list, among others. Details on the E&S evaluation criteria for disclosure requirements are also included.

49. The applicant provided samples of three project documents for copper mining projects in Mongolia and Turkey, respectively, and a steel mill in Brazil, demonstrating its track record in managing E&S risk mitigation measures and other actions identified, which the AP found to be consistent with performance standards 1 to 8 of the GCF interim ESS.

50. Related to an audit of the management effectiveness of the applicant's ESMS, the applicant provided evidence of the external auditor's report providing a "reasonable assurance" certificate on the data and procedures for the application of the applicant's E&S policies. The E&S risk management function is found by the AP to meet GCF requirements for a maximum E&S risk Category A/I-1 projects/programmes.

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

51. The applicant provided details of its CSR organization network with three layers of CSR experts within the its institution: CSR managers, CSR officers and CSR experts. The applicant provided a document that describes the job profiles and responsibilities, including the skills requirements of key E&S personnel in implementing the applicant's EP procedure. The role of CSR officers is to implement the CSR strategy on a day-to-day basis, lead the different stakeholders in their divisions, act as information conduits (upward, downward and cross-entity) and support CSR managers.

52. The CIB CSR team is comprised of 10 E&S specialists. These individuals work with the divisions, business lines, networks, functions and subsidiaries in order to facilitate implementation of the CSR policy. The CSR Committee meets quarterly and is chaired by the Head of the function. In 2016, this network was enlarged by both the number of people and also geographically with the creation of dedicated teams in new countries. In total, nearly 130 people in the applicant's staff spend all or a majority of their time on CSR matters. The staff can also call upon the expertise of nearly 300 contributors on specific topics, such as direct environmental impacts, microfinance and finance and investment policies.

53. The entity has provided details on the training it provides to its staff on CSR. Within this document, one of the line items is "CSR Academy - IFC/World Bank Training on Environmental and Social Risk Management". The training is specifically targeted to investment staff and business development officers, and it is designed to provide attendees with an understanding of the EP III basics and the IFC Sustainability Framework<sup>7</sup> to manage environmental and social risks and impacts. The AP found that the applicant's organizational capacities and competencies

<sup>7</sup> Available at <[http://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/policies-standards/sustainability+framework](http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/sustainability+framework)>.



to implement its ESPF are appropriate, including for projects/programmes that are categorized as a maximum of Category A/I-I.

### 3.2.5 Section 6.5: Monitoring and review

54. The applicant's "Equator Principles Application Procedure for CIB Activity" describes the monitoring and supervision process on how to systematically track the completion of E&S risk mitigation and performance improvement measures, including roles and responsibilities. Projects under the applicant's EP application scope are subject to an independent review (as per EP Principle 7) performed by an independent E&S consultant mandated on behalf on the lenders. This due diligence is conducted prior to the financial close for all Category A projects and as appropriate for Category B projects, as detailed in the EP official text.

55. Similarly, independent consultants are mandated on behalf of the lenders to conduct independent monitoring (e.g. regular reports are produced and usually accompanied by site visits) as per EP Principle 9. While the EP uses the word "monitoring", it is interchangeable with the word "audit" to qualify this work. The consultant's mandate is to ensure that the project is built and operated in line with applicable standards and to monitor progress on the EP Action Plan when there is one.

56. The overall responsibility for monitoring and review is by the applicant's analyst, who is part of the business line covering the transaction. These reports are reviewed by the front officers in charge of the transactions and by the CSR team when specific issues are identified. The applicant's staff are trained professionals, who are assisted by a dedicated team of E&S experts within the organization. The applicant also engages the services of an external E&S consultancy firm to assist in this process. The applicant is willing to conduct E&S monitoring for all category A and B projects that would be financed with GCF resources.

57. The applicant provided examples of three E&S monitoring reports comprising a coal bed methane project in China (June 2015), a copper mining project in Mongolia, and a hydropower project in Brazil. The AP found the applicant's monitoring and reporting process sufficient for a maximum E&S risk Category A/I-1 and B/I-2 projects/programmes.

### 3.2.6 Section 6.6: External communications

58. The applicant provided a copy of its code of conduct, which states that it is committed to listening and seeking to address concerns raised by stakeholders. The code of conduct also provides a dedicated contact point within the applicant's organization for each category of external stakeholder through which they can express their concerns.

59. The applicant provided a link to the home page of its publicly available website that serves as its primary external communication channel to receive and register external communications from the public. The applicant made available to the AP its register of external communications on E&S inquiries/complaints, responses and statuses. The applicant will use a similar registration system for projects financed with GCF resources.

60. The applicant indicated that it does not publicly disclose project-specific information as part of its internal decision-making process. For projects subject to the EP, the applicant's project developers disclose information to affected communities in line with applicable laws and regulations of the host country(ies), as required by Equator Principle 5 and IFC Performance Standard 1 on "Stakeholder Engagement". However, the disclosure of E&S assessment documents by the project developers is limited to publishing just the E&S summary of the project.

61. The applicant also provided its EP Implementation reports for the years 2014, 2015, 2016 and 2017, pursuant to Principle 10 of EP III, which states that "the EP financing institutions will report publicly, at least annually, on transactions that have reached financial close and on its EP implementation processes and experience, considering appropriate confidentiality considerations". This reporting is in line with the minimum reporting

requirements detailed in Annex B of the EP, however, it is not fully in line with the requirement of the GCF Information Disclosure Policy (IDP). The applicant is therefore willing to establish and adopt information disclosure and public consultation on E&S assessments in line with the GCF IDP. The identified gap is reflected in the corresponding condition for accreditation in section 4.2 below.

62. One of the principles of the EP requires the applicant to require the development and implementation of an effective grievance mechanism at the project level. The applicant provided an example of a copper mining project in Turkey that included an established and operational project-level grievance redress mechanism.

63. With the exception of the aforementioned gap, the AP found the applicant's monitoring and reporting process sufficient for a maximum E&S risk Category A/I-1 projects/programmes.

### 3.3 Gender

64. The applicant provided its Social and Environmental Responsibility Strategy (February 2017) to address the requirements of the GCF Gender Policy in accreditation. However, this document is not in line with the requirements of the GCF Gender Policy. The document focuses mostly on the applicant's internal employee relationships and not on the requirements for mainstreaming gender in projects that the applicant would finance using GCF resources.

65. The applicant also referred to its June 2016 code of conduct, which reminds all its employees to reject all forms of discrimination, bullying or harassment against employees and customers on factors such as race, colour, religion, gender and sexual orientation. This code of conduct is applied to all entities and countries where the applicant has operations. A mandatory training concerning the code of conduct for all employees with no exception was launched in June 2016. The training includes specific examples on gender discrimination and racism.

66. In March 2018, the applicant intensified its commitment to women's rights and gender equality by joining the HeForShe Thematic Champions initiative<sup>8</sup> launched by the United Nations in 2014. In this 3-year partnership with United Nations Women, the applicant will focus on two key aspects:

- (a) Increasing diversity in certain business lines traditionally made up of mostly women or men; and
- (b) Supporting women entrepreneurs in Africa and India who are creating and developing renewable energy solutions.

67. The applicant provided multiple documents with policies that demonstrate its rejection of discrimination towards its employees. However, these policies do not constitute evidence that projects to which the entity lends have non-discriminatory practices in terms of benefits and remuneration for both men and women employees. The applicant has agreed that its projects financed with GCF resources would include the requirement on non-discriminatory practices in terms of benefits and remuneration for both men and women employees. The identified gap is reflected in the corresponding condition for accreditation in section 4.2 below.

68. The applicant provided examples of projects that specifically target women, such as a sustainable charcoal business in Kenya, a biogas project in India, and microfinance loans to deliver green solutions in the form of solar appliances and cookstoves. The same examples provided by the applicant serve as project examples demonstrating how women and men have benefitted from climate change projects.

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<sup>8</sup> Available at <<http://www.heforshe.org/en/thematic>>.

69. The AP found that the applicant does not have a gender policy in line with the GCF Gender Policy requirements. The applicant provided the curriculum vitae of the Global Head of Diversity and Inclusion and of the Manager of its human resources CSR function as evidence of the applicant's qualifications and experience on gender. The applicant has indicated that once accredited, for the purpose of projects/programmes financed with GCF resources, it is willing to establish and adapt its gender policy, procedures and competency so that it is consistent with the GCF Gender Policy. The identified gap is reflected in the corresponding condition for accreditation in section 4.2 below.

## IV. Conclusions and recommendation

### 4.1 Conclusions

70. 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 and meets the specialized fiduciary standard for on-lending and/or blending for loans and guarantees. Although the applicant has well-established procurement policies for its suppliers and vendors, it still needs to implement the procurement oversight function for beneficiaries of funding under projects/programmes supported by GCF funds where the applicant would be the intermediary;
  - (b) The applicant partially meets the requirements of the interim ESS of GCF in relation to the high E&S risk (Category A/I-1). The applicant's ESMS has two gaps: one on the absence of a register for E&S external communications and complaints, and the other on the lack of a policy on E&S information disclosure in line with the GCF IDP requirements; and
  - (c) The applicant does not have policies and procedures in line with the GCF Gender Policy. However, the applicant has sufficient competency and experience with gender consideration in the context of climate change, consistent with the GCF Gender Policy and as evidenced from the qualifications and experience of its key diversity and inclusion managers.

### 4.2 Recommendation on accreditation

71. The AP recommends, for consideration by the Board, applicant APL074 for accreditation as follows:

- (a) **Accreditation type:**
  - (i) **Maximum size of an individual project or activity within a programme:** large (including micro,<sup>9</sup> small<sup>10</sup> and medium<sup>11</sup>);
  - (ii) **Fiduciary functions:**

<sup>9</sup> 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".

<sup>10</sup> 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".

<sup>11</sup> 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 USD 50 million and up to and including USD 250 million for an individual project or an activity within a programme".

1. Basic fiduciary standards; and
  2. Specialized fiduciary standard for on-lending and/or blending (for loans and guarantees); and
- (iii) **Maximum environmental and social risk category:** high risk (Category A/I-1) (including lower risk (Category B/Intermediation 2 (I-2)<sup>12</sup> and Category C/Intermediation 3 (I-3)<sup>13</sup>); 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) Conditions to be met prior to the submission of the first funding proposal to the Board:
    1. Provision of evidence by the applicant of the adoption of guidelines and methodologies for overseeing, assessing and reviewing the procurement procedures of beneficiary institutions for projects/programmes financed with GCF resources;
    2. Provision of evidence by the applicant of the adoption of a policy on information disclosure of E&S assessment documents for projects/programmes financed with GCF resources, consistent with the requirements of the GCF IDP for E&S risk Categories A/I-1 and B/I-2 projects/programmes; and
    3. Provision of evidence by the applicant on the adoption of a gender policy and procedures consistent with the GCF Gender Policy, and the curriculum vitae of gender expert(s) responsible for implementing the gender policy for projects/programmes financed with GCF resources.
72. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 71 above, and agrees to the recommendation.

<sup>12</sup> 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”.

<sup>13</sup> 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 XIX: Accreditation assessment of Applicant 075 (APL075)

### I. Introduction

1. Applicant 075 (APL075), the Consortium of International Agricultural Research Centres, now called CGIAR, is an international entity headquartered in France that operates global. The applicant acts as the international development research centre of a consortium of countries, donor agencies and other entities that seeks to increase the social, economic and nutritional well-being of peoples in developing countries through the promotion of agroforestry systems to achieve better land use without detriment of their environments.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 27 June 2015. Accreditation fees were received from the applicant on 21 July 2015, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 11 December 2017 and the applicant was progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** international access;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or activity within a programme:** small;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards;
  - (ii) Specialized fiduciary standard for project management; and
  - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
- (e) **Maximum environmental and social risk category:** minimal to no risk (Category C/Intermediation 3 (I-3)).<sup>3</sup>

### II. Stage I institutional assessment and completeness check

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

4. The accreditation application has been reviewed in Stage I taking into consideration that CGIAR, as the entity seeking accreditation, is required to demonstrate its systems, policies and procedures, as well as its track record of implementing such systems in order to manage, oversee and supervise projects/programmes and related activities in accordance with the role and responsibilities of an accredited entity, as identified in the accreditation master agreement. If accredited to the GCF, CGIAR would enter into the accreditation master agreement, and other organizations as part of the consortium would be leveraged through inter-organization

<sup>1</sup> 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".

<sup>2</sup> Decision B.07/02.

<sup>3</sup> 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".

agreements between CGIAR and the other entities within the consortium, which could be executing entities for CGIAR.

## 2.1 Legal status, registration, permits and licences

5. The applicant provided documents on its establishment and licenses to operate, where relevant, as a part of the application. The applicant was established as an independent international organization under international law in 1971 as an informal network of private and public sector entities from the south and north through the Treaty that established the Consortium, “Agreement Establishing Consortium of International Agricultural Research Centre as an International Organization,” now called CGIAR.

## 2.2 Institutional presence and relevant networks

6. As a global partnership that unites organizations engaged in research for a food secure future, the applicant is highly committed in various international climate change mitigation and adaptation initiatives. CGIAR’s fifteen partner centres are located across multiple countries, most being in developing countries, and each focusing in a specific area. The partner centres would operate as executing entities for CGIAR, as the implementing entity, if accredited.

7. The applicant supports rapid learning, readiness for and implementation of agricultural practices that enable climate change adaptation and mitigation (“CSA solutions”) at large scales in emerging and least developed countries across Latin America, Africa, Asia and the Pacific. CSA solutions aim at productivity increases, enhanced adaptation and contributions to mitigation. Activities will aim to reduce gender and social inequality.

8. In order to advance the objectives of the GCF, the applicant intends to focus on its research-based best-practices in climate change mitigation and adaptation and undertake projects/programmes in the following areas with the GCF:

- (a) Mitigation: land use/forestry (REDD+) and agriculture; and
- (b) Adaptation: enhancing livelihoods, health, wellbeing and food and water security, Ecosystem and ecosystem services, Institutional and regulatory systems, climate information/early warning systems and awareness strengthening and climate risk reduction.

## 2.3 Track record

9. The applicant has been working with governments, partner organizations, local and international civil society organizations, and local communities across the developing world and has successfully implemented research-based programmes and projects through its partner centres.

10. The applicant’s track record in financing climate change-related projects includes the following, which fall under the GCF micro and small size categories:

- (a) USD 33.1 million (grant) for the CSISA - Cereal System Initiative South Asia Phase II 2012/3-2016 project in Bangladesh, India, Nepal and Pakistan;
- (b) USD 21.6 million (grant) for SIMLESA – Sustainable intensification of maize-legume cropping system for food security in eastern and south Africa – Phase II 2011-2015 project in Ethiopia, Kenya, Malawi, Ethiopia, Tanzania, Rwanda, Uganda and Botswana;
- (c) USD 18.6 million (grant) for DTMA - Cereal System Initiative South Asia (CSISA) Phase II 2012-2015 project in Bangladesh, India, Nepal and Pakistan;



- (d) USD 18.6 million (grant) for AfSIS, a globally integrated African Soil Information Service project for 2008 to 2013 in Kenya, Tanzania, Malawi, Mali and Nigeria; and
- (e) Circa USD 10 million (grant) for the PABRA-Pan African Research Alliance 2009–2018 project.

## 2.4 Potential support for direct access entities

- 11. The applicant intends to support direct access entities in meeting the GCF's accreditation standards through a two-tiered approach. First, CGIAR aims to enhance the capacity of research partners to generate knowledge. Once that knowledge is produced, CGIAR then works to enhance the capacity of decision-makers to demand and use that knowledge effectively.
- 12. Furthermore, CGIAR facilitation of various multi-stakeholder platforms will provide direct institutional strengthening with regards to adaptation and mitigation capacity, including access to climate finance via for example the GCF in individual countries, and at regional and higher levels via collaboration with partners such as the New Partnership for Africa's Development and Association of Southeast Asian Nations.
- 13. As part of CGIAR Programmes' Phase II that started on 1 January 2017, CGIAR seeks to continue to enable national partners and beneficiaries and contribute to enhanced capacity for innovation in partner development organizations by raising awareness of and prepare for innovative climate funds at multiple levels, such as the GCF. To support direct access entities in meeting GCF standards, particularly strengthening their financial and project management capacities, CGIAR will contract a recognized capacity development service provider to outsource this component of capacity development in its target countries.

## III. Stage II accreditation review assessment

- 14. The applicant applied under the normal-track accreditation process. Its application has been assessed by the Accreditation Panel (AP) during Stage II (Step 1) against the standards of the GCF in accordance with the accreditation requirements.
- 15. As part of this assessment, the AP consulted the applicant's website and third-party websites to complement the information provided in the application.

## 3.1 Fiduciary standards

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

- 16. The CGIAR system includes the applicant itself, donors, the trustee, the system management organization and research centres.
- 17. The applicant's current governance structure was formally adopted in June 2016 and is the result of ongoing improvements agreed upon between the relevant stakeholders.<sup>4</sup> The main governance bodies are the system council (whose members are representatives of donors and of developing countries); the system management board (whose members are appointed by general assembly of centres) and the system management office, which is responsible for

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<sup>4</sup> The following clarification is provided regarding governance bodies referred to throughout this recommendation. As per CGIAR, the following terms are used interchangeably: (a) System Organization and Consortium; (b) System Management Board and Consortium Board; and (c) Centres shall be construed as meaning the Member Centres. Refer to

<<https://cgspace.cgiar.org/bitstream/handle/10947/4370/Charter%20CGIAR%20Organization.pdf?sequence=8>>.



executive and operational management. The applicant's governance structure is enhanced by the establishment of independent advisory bodies which include the board audit and risk committee, the independent evaluation unit and the independent science committee.

18. The applicant has a mature strategic planning methodology guided by the input of the system council and the system management board. The applicant's well-defined strategic objectives, which are published in its strategy and results framework document, serve as the basis for development of research programmes through which the strategy is implemented.<sup>5</sup> Proposals for research programmes are presented by the research centres that are part of the applicant's system, reviewed by the independent science committee, and presented by the system management board to the supervisory council for strategic approval.

19. The applicant has historically prepared its financial statements using its internal accounting guidelines, which are based on the International Financial Reporting Standards (IFRS), however, due to historical limitations of IFRS standards as applicable for not-for-profit entities the applicant had implemented additional accounting guidelines that are not contained in IFRS. However, the applicant, aware of the advantages of full IFRS compliance (e.g., adopting of IFRS and meeting the requirements to provide two years of information for comparative purposes), published in November 2017 a financial guidance document that establishes the requirement for full IFRS compliance for the fiscal year beginning in 2017.

20. The separation of duties and responsibilities in the applicant's payment and disbursements system is well defined. Responsibilities for review, approval and execution of disbursements are appropriately segregated among several authorities. Furthermore, the applicant provided copy of the report prepared by internal audit of an internal control compliance review that evidences regular independent oversight over key control processes.

21. The audit and risk committee (ARC) is a standing committee of the system management board. The terms of reference of this committee are publicly available<sup>6</sup> and demonstrate that the ARC's functions are appropriate for effective and independent functioning of this committee. The ARC has five members: one independent member and four members that are affiliated with the research centres that are part of the applicant's system. The system council has established the assurance oversight committee ("AOC")<sup>7</sup>, as a standing committee, the main function of the AOC is to provide the system council with assurance of the effectiveness and independence of the internal and external audit functions. The AOC has five members, two of which are members of the system council and three independent members.

22. Drawing upon the risk management principles contained in ISO 31000 and Committee of Sponsoring Organizations' revised framework, the applicant developed its current risk management policy<sup>8</sup> which was approved by the system council in September 2017. The audit and risk committee exercises, with the support of the internal audit function, regular oversight of risk issues. Furthermore, the independent instances such as the external audit and the independent evaluation unit, provide further assurance regarding risk management and effective oversight.

23. The applicant's procurement guidelines contain the required elements to ensure that procurement activities are undertaken in accordance with best practices.<sup>9</sup> The procurement guidelines provide specific guidance on ethical issues, procurement planning tasks, role of the procurement committee, procurement methods, types of contracts, required documentation,

<sup>5</sup> <https://cgspace.cgiar.org/bitstream/handle/10947/3865/CGIAR%20Strategy%20and%20Results%20Framework.pdf>.

<sup>6</sup> [https://www.cgiar.org/wp/wp-content/uploads/2018/03/SMB-ARC\\_TOR\\_approved27Mar2018.pdf](https://www.cgiar.org/wp/wp-content/uploads/2018/03/SMB-ARC_TOR_approved27Mar2018.pdf).

<sup>7</sup> The Assurance and Oversight Committee was recently formed and is still in the process of being fully established. Refer to <https://www.cgiar.org/how-we-work/governance/system-council/system-council-standing-committees/>.

<sup>8</sup> <https://www.cgiar.org/wp/wp-content/uploads/2018/01/Risk-Management-Framework-APPROVED.pdf>.

<sup>9</sup> <https://cgspace.cgiar.org/bitstream/handle/10947/4485/CGIAR%20Financial%20Guidelines%20Series%206.pdf?sequence=1>.

and procurement control, audit and accountability assessment. The applicant provided copies of procurement audit and evaluation reports that provide reasonable assurance of effective application of the procurement guidelines. The beneficiaries of grant funds disbursed by the applicant are the research centres that are part of the CGIAR System and apply procurement policies that are consistent with the applicant's and further the applicant exercises oversight of the research centres.

24. The AP finds that the applicant's policies, procedures and capacity comply with the GCF basic fiduciary standards on key administrative and financial capacities.

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

25. The applicant's code of ethics is contained within its personnel policy manual, in the section titled staff code of conduct. This policy defines the expected behaviours of staff members based on the organizational core values and the responsibility of managers and supervisors to set an example of observance of ethical standards, clearly communicate the ethical requirements to all staff members, monitor the observance of the code of conduct and ensure that any perceived or real breach of the ethical standards is resolved in a timely manner. Furthermore, the applicant provided documentation of the ethical behaviour requirements that are included in contracts signed with external consultants.

26. The staff code of conduct provides clear guidelines pertaining to situations that may give rise to conflicts of interest, and further defines the obligation of staff members to avoid situations of conflict of interest, and if a potential conflict of interest exists the staff member must disclose such situation.

27. All members of the system management board, its standing committees and its working groups adhere to the framework for declarations of interest.<sup>10</sup> This framework provides guidance regarding the situations that may be perceived or constitute a conflict of interest and establishes the requirement to provide an annual declaration of conflict of interest and disclosure previous to the discussion of any agenda point that may give rise to a conflict of interest. Furthermore, this framework establishes that if a situation of conflict arises, the risk of such a conflict shall be evaluated, and if necessary, an action plan to resolve the conflict of interest is agreed upon with the chair of the system management board.

28. The applicant, as part of the CGIAR System, is "responsible for the day-to-day operations of the system management organization, and for providing support to the system management board and the system council."<sup>11</sup> This responsibility includes ensuring that reasonable independent assurance is given to donors regarding the effective use of financial resources invested in the research programmes across the entire system.<sup>12</sup> The applicant provided copies of two internal audit assessment reports of the risk management policies and procedures at both the system and the applicant level. The recommendations of these reports are in the process of implementation within the context of the new corporate governance structure adopted, by the applicant, in 2016. In addition to the responsibilities assumed by the applicant, each of the research centres, that are part of the system, provide an annual internal control assurance letter and the donors retain the authority to request independent assurance reviews.

29. The applicant is developing an investigations procedure to be applied consistently throughout the system. This procedure will provide clear guidance for reporting, investigating and reaching final resolution of events. Currently, events that require investigation are managed

<sup>10</sup> [https://www.cgiar.org/wp/wp-content/uploads/2018/08/CGIAR-Framework-Declarations-of-Interest-APPROVED\\_v9Mar2017.pdf](https://www.cgiar.org/wp/wp-content/uploads/2018/08/CGIAR-Framework-Declarations-of-Interest-APPROVED_v9Mar2017.pdf).

<sup>11</sup> <https://www.cgiar.org/how-we-work/governance/system-organization/>.

<sup>12</sup> For purposes of this assessment the applicant's System is defined as per Article 2 of its Framework document. Refer to <[library.cgiar.org/bitstream/handle/10947/4371/CGIAR%20System%20Framework%20-%20WEB.pdf?sequence=1](http://library.cgiar.org/bitstream/handle/10947/4371/CGIAR%20System%20Framework%20-%20WEB.pdf?sequence=1)>.

by the internal audit unit and the ethics webpage<sup>13</sup> can be used to report incidents. This webpage includes instructions on how to report misconduct, how the information is treated, whistle-blower protection (if name of reporting party is included) and both a dedicated email for reporting misconduct as well as an online submission form. The investigations procedure currently under development by the applicant will further enhance its current investigations function, which the AP has found already sufficient to comply with the required GCF fiduciary standard.

30. The applicant enters into financial agreements with the agricultural research centres that are part of the CGIAR System. These agreements contain provisions pertaining to prohibited practices, anti-money laundering (AML) and countering the financing of terrorism (CFT) that the recipient centres must both comply with and provide assurance that downstream research programme participants also comply. Furthermore, evidence was provided of the AML and CFT policies developed by the research centres, including due-diligence formats and guidelines.

31. The provisions of the financial agreements, as well as the AML/CFT policies and procedures implemented by the research centres, provide reasonable assurance of an effective AML/CFT framework and appropriate measures to address prohibited practices issues. However, to fully comply with the GCF's basic fiduciary standards, the GCF General Principles on Prohibited Practices<sup>14</sup> and the GCF AML/CFT Policy,<sup>15</sup> it is required that the applicant develop an AML/CFT policy. The gap identified is reflected in the corresponding condition of accreditation in section 4.2 below.

32. Given that important governance and risk management improvements are of recent implementation, it is not possible to assess the impact of these improvements and the attainment of the stated objectives. Therefore, an annual summary of the implementation status and impact of these improvements (focused specifically on risk management aspects) is also recommended as a condition for accreditation in section 4.2 below.

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

33. The applicant's project identification, formulation and appraisal activities are framed within the context of its strategic planning documents, including the CGIAR strategy and results framework for 2016 to 2030<sup>16</sup> and the 2017 to 2022 CGIAR research programme portfolio final guidance for full proposals.<sup>17</sup> The detailed guidance provided by the strategy documents and the applicant's focus on five to six-year research programme frame the entire project identification, formulation and appraisal process. The research programmes define the areas that the applicant will dedicate resources to and all projects are evaluated and approved in terms of their contribution to research programme goals. The applicant has demonstrated that it has the capacity to appropriately identify and formulate research programmes. And select projects that contribute to the programme goals.

34. The project assessment process is enhanced by the participation of the independent science and partnership council (ISPC). The ISPC reviews the proposals, for both programmes and projects, against the criteria established in the proposal guidance document. The review deliverables of the mentioned independent council are a final review report, which includes recommendations for programme improvements, and a proposal rating. The system management office (SMO) evaluates the managerial and operational aspects of the proposal, to further enhance the available decision-making information. Based on the technical and

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<sup>13</sup> <https://www.cgiar.org/how-we-work/accountability/ethics/>.

<sup>14</sup> Decision B.12/31.

<sup>15</sup> Decision B.18/10.

<sup>16</sup> <https://cgspace.cgiar.org/bitstream/handle/10947/3865/CGIAR%20Strategy%20and%20Results%20Framework.pdf>.

<sup>17</sup> [https://cgspace.cgiar.org/bitstream/handle/10947/4127/CGIAR-2ndCall-GuidanceFullProposals\\_19Dec2015.pdf?](https://cgspace.cgiar.org/bitstream/handle/10947/4127/CGIAR-2ndCall-GuidanceFullProposals_19Dec2015.pdf?)

managerial reviews the system management board evaluates the programme proposal and forwards it to CGIAR's system council for approval of funding.

35. The applicant's governance structure is reflected in the assignment of project implementation responsibilities, which are shared between the CGIAR system organization and the lead research centre. The CGIAR system organization assumes the role of programme coordinator and in this role is responsible for implementation oversight of the entire portfolio of programmes, and the lead research centre assumes the role of implementing entity. In the context of GCF, CGIAR as the applicant would be the implementing entity, and any other entities within the consortium, including the research centres, would be executing entities.

36. The documented oversight functions of the system council and of the system management board provide further assurance of appropriate programme and project management.

37. The applicant has a defined strategy of information disclosure that provides transparency to the management of its research programmes and public availability of the agricultural scientific information generated by these programmes. Specifically: the applicant and system research centres publish a research programme portfolio report and programme specific reports, and the applicant's open access and data management policy establishes that the research information generated is to be considered a public good.

38. The applicant's organizational changes, formalized with the 2016 adoption of the system framework, enhance the applicant's ability to coordinate CGIAR System's research activities; and enhance project monitoring and evaluation mechanisms. Project and programme monitoring and evaluation is undertaken both at the research centre level and at the applicant's level. The applicant publishes monitoring and evaluation information and reports through its website. The information publicly available includes, but is not limited to, research programme steering committee meeting reports, independent evaluation agreement unit<sup>18</sup> reports, programme management responses to evaluation report recommendations (including information on the status of implementation of evaluation recommendations).

39. The structured manner in which the applicant develops, implements and monitors its research programmes provide the basis for effective project at risk management mechanisms. As part of the programme proposals a detailed risk matrix is developed, and specific risk metrics are established. These metrics are regularly monitored, and corrective action can be implemented in a timely manner. The applicant provided information on internal audit reports and management actions that demonstrate the applicant's capacity to identify and resolve programme and project risk issues. The governance structure implemented in 2016, and the adoption of the risk management framework, adopted in 2017, can be expected to enhance the applicant's risk management competencies as further experience is gained.

40. The AP concludes that the applicant's policies and procedures for project management are sufficiently aligned with the GCF specialized fiduciary standard for project management.

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

41. The CGIAR System funds its research activities with donor funds that are managed by the applicant and disbursed as grants to the research centres. The applicant's grant award system is assessed in the context of its organizational arrangement detailed in sections 3.1.1 and 3.1.2 above. Specifically, the following frames this assessment:

- (a) Both the member research centres and approved research programme portfolio eligible to receive grant awards are defined, prior to the grant award process, by the decisions of the system participants; and

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<sup>18</sup> <http://iea.cgiar.org/>.

- (b) The applicant is responsible, according to its charter, for “... providing the trustee the information needed for the trustee to carry out its responsibilities, including instructions for transfer of funds”<sup>19</sup> to CGIAR research centres.”
42. It is important to note that the CGIAR System makes calls for proposals every five to six years when the portfolio of research programmes is defined. The calls for proposals are always complemented with a publicly available call guidance document.
43. The applicant’s grant award eligibility and award criteria are based on defined guidelines and independent evaluation instances. The CGIAR research programmes grant award proposals are evaluated following the procedures described in section 3.1.3 above. The portfolio level grant proposals include information on the implementing partners that will participate, and receive grants, during programme implementation. These implementing partners are recognized as eligible to receive grant awards as part of the approval of the research programme grant.
44. The applicant discloses, on its website, all final grant proposals, proposal evaluation reports, information regarding the research programmes to be financed with the grant funds, and annual financial information regarding disbursements and use of grant funds. Furthermore, all grant related decisions taken by the system council and the system management board are publicly available.
45. The board of trustees of the research centre that serves as lead for a research programme appoints an independent steering committee (ISC) which provides assurance of independent and effective programme oversight. Once appointed the ISC is accountable to the board of trustees. The terms of reference of the climate change, agriculture and food security (CCAFS) research programme were provided for the AP’s assessment. The AP assesses that the terms of reference clearly define the role of the ISC, and comprehensively set out the main responsibilities, including those for setting overall programmatic priorities, advise on annual business plan, approve the annual activities plans and budgets, and to provide independent oversight of the research programme.
46. The research programme lead centre, the participating centres and the participating partners are all subject to the required due-diligence processes regarding their technical and managerial capacity to undertake the programme activities assigned. The relationships between the parties are regulated by project participation agreements that provide the applicant with recourse to terminate further disbursements, as well as for the recovery of funds used for non-authorized purposes. The applicant provided information on recent programme audit and external evaluations that are being performed for the CCAFS programme (when available the reports of these evaluations will be published on the applicant’s website).
47. The applicant publishes the results and outcomes of its research programmes on its website (through programme specific webpages) and on the websites of the research centres. Furthermore, the applicant has established the strategic importance of considering its research information a public good and has implemented, across the system, its open access and data management policy and its guidelines on intellectual asset management. Additionally, the applicant has implemented procedures to monitor and evaluate the impact of its research programmes and also discloses the impact assessment reports, measured in terms of the attainment of established system level objectives and intermediate development outcomes.
48. The applicant has implemented important changes in its governance and risk management structure, aimed at enhancing the transparency in the use of grant funds and improving the assurance instances that oversee the management of financial resources across the system. Additional transparency is provided with the annual publication, on its website, of research programme workplans (including budgets) and annual progress reports. The

<sup>19</sup> <https://cgspace.cgiar.org/bitstream/handle/10947/4370/Charter%20CGIAR%20Organization.pdf?sequence=8>.



substantial amount of assurance reports and financial information publicly available on the applicant's website demonstrates its capacity to adequately manage grant funds, and that appropriate controls are in place to detect and correct irregularities.

49. The list of contributors to the CGIAR trust fund demonstrate that the CGIAR system is in good standing with multi-lateral, bi-lateral, national and private donors. Furthermore, the applicant indicated that it expects an expenditure (including a public expenditure) review of the funds overseen by the CGIAR management office.

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

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

## 3.2 Environmental and social safeguards

### 3.2.1 **Section 6.1: Policy**

51. The applicant applied for the environmental and social (E&S) risk Category C/I-3 and thus is not required to have an E&S policy. Nevertheless, the AP reviewed applicant's SRF 2016 to 2030 and found that the SRF sufficiently defines the applicant's mission, vision, aspirations and strategic actions to deliver on its mission. The applicant focuses on four key crosscutting themes that are critical to attaining its goals and targets:

- (a) mitigating and adapting to climate change risks and shocks;
- (b) ensuring gender and youth equity and inclusion;
- (c) strengthening the policy and institution enabling environment; and
- (d) developing the capacity of national partners and beneficiaries.

52. The AP found the applicant's SRF to be sufficient to meet the GCF requirements for a maximum E&S risk Category C/I-3 projects/programmes.

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

53. As the nature and core of the applicant's business model as described above is committed to mobilizing agriculture research, a formal procedure to guide staff in identifying the E&S risks and impacts of projects/programmes as they evolve over the project lifecycle, in line with the GCF interim ESS, is not required. Nevertheless, the applicant's SRF describes the process of selecting and screening projects that is seen to be consistent with the performance standards 1 to 8. The SRF is implemented across the applicant's various centres and research programmes.

54. The applicant provided its portfolio-level risk catalogues for its research programme on climate change, agriculture and food security, where risks to the research programme are identified and assessed according to low, medium and high risk. The applicant has stated that it intends to use the GCF resources to focus on its research-based best-practices in climate change mitigation and adaptation and undertake projects/programmes with GCF in areas identified in paragraph 8.

55. The applicant's E&S risk identification and categorization process is found by the AP to meet GCF requirements for a maximum E&S risk Category C/I-3 projects/programmes.

### 3.2.3 **Section 6.3: Management programme**

56. The applicant provided examples of its risk catalogues at its portfolio-level research programmes on climate change, agriculture and food security, where the follow-up actions on mitigating the risks are identified in the catalogue. The risks are assessed on an annual basis and discussed by the respective programmes' science panels twice a year. The applicant provided examples of its research projects comprising i) a global baseline for changing farming

practices by putting farmers at the centre of climate information services; and ii) gender and climate change and enabling people to reach their full potential in adapting agriculture to climate change. The E&S risk management function is found by the AP to meet GCF requirements for a maximum E&S risk Category C/I-3 projects/programmes.

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

57. The applicant provided its institutional organizational chart showing the designated staff members appropriately located within the organization who are knowledgeable about performance standards 1 to 8 of the GCF interim environmental and social safeguards and are able to properly categorize potential funding proposals through a screening process. The applicant's directors, flagship leaders and regional programme leaders are responsible for implementing the organization's SRF. They usually visit and review projects once every year, led by the respective programme directors. The CCAFS programme management committee assists in implementing the CGIAR research programme on CCAFS. The AP found that the applicant's organizational capacities and competencies to implement its SRF are appropriate, including for projects/programmes that are categorized as a maximum E&S risk Category C/I-3 projects/programmes.

### 3.2.5 **Section 6.5: Monitoring and review**

58. The applicant's research programmes use a planning and reporting system for all projects. The system sets targets according to the SRF, and reporting is done on an annual basis. The research programmes are progressively adopting a results-based management approach and set clear targets with ten-year indicators. The applicant provided an example of the research programme titled "Climate Change, Agriculture and Food Security" that adopted the results-based management approach since its inception in 2011. The approach facilitates learning and course correction and has led to multiple positive outcomes after four years of implementation. Furthermore, the SRF sets out a procedure for the applicant's centres and research programmes to hold themselves accountable via an accountability framework, results-based management at the programme- and system-levels. The AP reviewed 2017 Annual Reports for CCAFS monitoring reports and found that they provide sufficient evidence on the applicant's monitoring and review system. Overall, the AP found the applicant's monitoring and reporting process sufficient for a maximum E&S risk Category C/I-3 projects/programmes.

### 3.2.6 **Section 6.6: External communications**

59. The applicant has several external communications channels for receiving and registering external communications from the public comprising general email address, contacts page on website, which provides general address and access to staff contacts and comments area on website news blog. It also uses various social media channels including Facebook, Twitter, LinkedIn, etc.

60. The applicant's SMO utilizes a series of working procedures to screen and assess communications. Issues reported through the ethics reporting framework are routed to internal legal counsel who serves in the dual capacity in this regard as ethics officer and legal counsel. The staff complement of the system organization involved into external communications includes three internationally qualified senior legal counsel, financially qualified people, a certified fraud examiner and a certified internal auditor.

61. The applicant indicated that no formal complaints about the system organization have been received in the past two years from external communication channels. The applicant periodically receives unsolicited general enquires and these are replied to on a timely basis. A formal record of such enquiries, which typically seek information about the organization, is not currently kept. The AP found the applicant's external communications system sufficient for a maximum E&S risk Category C/I-3 projects/programmes.



### 3.3 Gender

62. The applicant's CCAFS gender strategy, which was adopted in February 2012, outlines its policies and procedures for mainstreaming gender issues in its research operations. The gender strategy is intended to strengthen CCAFS' development impact through the integration of gender issues into research in keeping with commitments in the applicant's SRF to ensure that rural women benefit from its contribution to poverty reduction, enhanced environmental resilience, improved food security, human health and nutrition.

63. CCAFS approaches gender primarily as a cross-cutting theme within the context of its broader objective of achieving positive impact on social inclusion for the rural poor. Gender analysis is therefore applied broadly to deepen the relevance of other research themes, while research on gender is undertaken selectively to address a few questions that represent important risks or opportunities for the CCAFS programme. CCAFS employs strategies and approaches that enhance women's active participation in CCAFS-related research, capacity building opportunities, policy engagement activities and events at local, national, regional and international levels.

64. Following a number of reviews on gender in CGIAR that were undertaken in the past, the applicant's independent evaluation arrangement commissioned an evaluation of gender in CGIAR which was carried out as two separate evaluations on gender in CGIAR research and on gender at the CGIAR workplace, which were both finalized in 2017 with positive outcomes.

65. The applicant provided a sample of its research projects that specifically target women among programme/project beneficiaries which include gender household survey gathering gender-disaggregated data on agricultural activities, decision-making, weather information, risk-perception and values from rural households; and gender and institutional aspects of climate-smart agricultural practices. The applicant also provided a sample of its research papers that provide evidence of linking gender and climate change. The AP found the applicant's gender strategy to be in line with the GCF gender policy and sufficient to meet the GCF requirements on gender. The applicant provided sufficient evidence of track record to demonstrate its experience with gender and climate change.

## IV. Conclusions and recommendation

### 4.1 Conclusions

66. 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, meets the requirements of the specialized fiduciary standard for project management, and meets the requirements of the specialized fiduciary standard for grant award and/or funding allocation mechanisms. To fully meet the GCF basic fiduciary standards the AP recommends that the applicant develop a stand-alone policy addressing to AML, CFT and prohibited practices. The AP also recommends that the applicant provide an independent attestation of the progress made in the implementation of its Risk Management Framework adopted in September 2017;
- (b) The applicant meets the requirements of the interim ESS of the GCF in relation to the minimal to no E&S risk (Category C/I-3); 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 consideration in the context of climate change.

## 4.2 Recommendation on accreditation

67. The AP recommends, for consideration by the Board, applicant APL075 for accreditation as follows:

- (a) **Accreditation type:**
  - (i) **Maximum size of an individual project or activity within a programme:** small (including micro<sup>20</sup>);
  - (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
  - (iii) **Maximum environmental and social risk category:** minimal to no risk (Category C/I-3); 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 to be met prior to the signature of the accreditation master agreement for completion of Stage III of the accreditation process:
    - 1. Develop a Policy for AML/CFT and prohibited practices consistent with the GCF basic fiduciary standards, GCF AML/CFT Policy and the GCF General Principles on Prohibited Practices; and
  - (ii) Condition to be met on an annual basis for three consecutive years, starting from the end of the calendar year 2018:
    - 1. Provide a summary of the implementation milestones and impact of the financial risks management improvements undertaken based on its governance structure adopted in 2016.

68. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 67 above, and agrees to the recommendation.

<sup>20</sup> 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”.

## Annex XX: Accreditation assessment of Applicant 076 (APL076)

### I. Introduction

1. Applicant 076 (APL076), the Inter-American Investment Corporation (IDC Invest, formerly IIC), is an international entity headquartered in the United States of America, the private sector arm of the Inter-American Development Bank Group (IDBG). The applicant was established in 1986 and began operations in 1989 with the mission of promoting the economic development of its regional developing member countries, which are located in Latin America and the Caribbean (LAC). In January 2016, the IDBG consolidated its private sector operations within IDB Invest as a separate entity to better serve the region, clients and partners, and to maximize its development impact. The applicant mainly focuses on infrastructure, energy, transport, water, agribusiness, financial institutions, microfinance, manufacturing, tourism, telecommunication and technology.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 24 October 2017. Accreditation fees were received from the applicant on 18 December 2017, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 26 July 2018 and the applicant was progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** international access;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or activity within a programme:** large;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards;
  - (ii) Specialized fiduciary standard for project management;
  - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
  - (iv) Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees);
- (e) **Maximum environmental and social risk category:** high risk (Category A/Intermediation 1 (I-1)).<sup>3</sup>

### II. Stage I institutional assessment and completeness check

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

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

<sup>2</sup> Decision B.07/02.

<sup>3</sup> 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”.

## 2.1 Legal status, registration, permits and licences

4. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. The applicant provided the Agreement Establishing the Inter-American Investment Corporation and Resolution AG-9/15 and CII/AG-2/15, which indicated that the applicant was established in 1986 as an international organization part of the IDBG.

5. On 30 March 2015, the boards of governors of the applicant and the Inter-American Development Bank (IDB) approved the transfer to the applicant of all operational and administrative functions associated with the IDB's private sector and non-sovereign guaranteed (NSG) activities. On 1 January 2016, the IDBG NSG Reform became effective. The applicant and the IDB have entered into service-level agreements whereby the applicant provides certain services to the IDB and the IDB provides certain services to the applicant. Specifically, the applicant provides loan origination, credit risk evaluation and monitoring and other loan administration services for the IDB NSG operations, as well as for the IDB's legacy portfolio operations pursuant to a service-level agreement.

## 2.2 Institutional presence and relevant networks

6. The applicant encourages the establishment, expansion, and modernization of private enterprises and makes loans, guarantees and equity investments where sufficient private capital is not otherwise available on adequate terms in the market. This comparative advantage supplements the activities of the IDBG and allows the applicant to be a catalyst for attracting various resources in the form of additional financing, technology, and know-how through co-financing and syndication in order to maximize developmental impact.

7. The applicant, as part of its mission, partners with the private sector in countries in LAC to bolster competitiveness and growth while ensuring sustainability. It provides financial products and advisory services to large corporates, financial intermediaries, micro, small and medium enterprises, and partially or wholly-owned state enterprises. The applicant works closely with the private sector to help overcome core challenges to growth, to refine business strategies, and embrace new technologies to improve productivity.

8. In order to advance the GCF objectives, the applicant, if accredited, aims to address key sectors with high relevance for low-emission, climate-resilient and inclusive development highlighted by countries in LAC in their Nationally Determined Contributions. It also intends to offer its experience, institutional know-how and networks to mobilize private sector resources at scale towards high-impact projects and programmes contributing to accelerating the transition of countries in LAC to low-emission, climate-resilient and inclusive development pathways. Particularly, the applicant will engage the private sector in delivering and investing in climate resilience and adaptation.

9. The applicant plans to strategically use GCF concessional resources to tackle financial and non-financial barriers holding back private investments in low-emission and climate resilience activities in countries in LAC. For example, the applicant intends to create markets to generate new opportunities for private investors and financiers in LAC by helping establish or strengthen regulatory and policy frameworks, achieving demonstration effects, promoting competition, and building capacity, knowledge and skills. It also intends to innovate to address market failures by pioneering new or improved technologies, financial instruments or business models.

10. The applicant also takes climate change and gender inclusion as its key priorities and intends to implement gender equality across sectors and champion it at the highest levels of the IDBG's administration. It intends to promote financial inclusion to reach underserved and

under-banked beneficiaries and market segments (e.g., small and medium enterprises, women) by increasing access to appropriate financial services and skills.

## 2.3 Track record

11. The applicant has experience in attracting, managing and implementing international concessional climate resources from both multilateral and bilateral donors. The applicant's track record in financing climate change-related projects includes:
  - (a) USD 450 million (loans) for the public-private partnership project of Lima Metro Line 2 and Line 4 in Peru;
  - (b) USD 300 million (loans) for the Klabin-Puma Forest Resource Management Project in Brazil;
  - (c) USD 673 million (loans) for Reventazon Hydroelectric Power Project in Costa Rica;
  - (d) MXN 450 million (equity) for the Capital Indigo Private Debt fund; and
  - (e) Loans and guarantees provided for a financing mechanism for small scale photovoltaic solar projects to increase the grid capacity for renewable energy in a country in LAC.

## 2.4 Potential support to direct access entities

12. The applicant has stated that it intends to raise awareness of the private sector in countries in LAC by informing them of climate finance opportunities and development presented by the GCF. In addition, the applicant intends to strengthen capacities of private banks and financial institutions by supporting them to gain strategic access to and use of climate finance resources for implementation of climate mitigation and/or adaptation interventions. The applicant is also identifying opportunities where direct access entities may act as executing entities for projects the applicant would undertake.
13. The applicant also intends to coordinate with its public-sector counterpart, the IDB, in supporting governments, National Designated Authorities and/or regional entities with information to help inform decision making process for selection of the entities for accreditation to GCF with maximum potential on delivering strong project pipeline, and share knowledge of the engagement with the Private Sector Facility in the GCF.

## III. Stage II accreditation review assessment

14. The applicant applied under the normal-track accreditation process. Its application has been assessed by the Accreditation Panel (AP) during Stage II (Step 1) against the standards of the GCF in accordance with the accreditation requirements.
15. As part of this assessment, the AP consulted the applicant's website and third-party websites to complement the information provided in the application.

## 3.1 Fiduciary standards

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

16. The applicant has a well-defined organizational structure appropriate for the scope and nature of its operations. The organization is led by its board of governors, that meets annually, and is composed of representatives of the member countries. The board of directors is the highest executive authority and is composed by 14 members appointed for three-year terms

and who represent the member countries. The minutes and documents of the applicant's board meetings are available on the applicant's website. The board has established the executive management team, which is led by a chief executive officer, who is supported by the following officers: chief investment officer, strategy officer, general counsel and risk and finance officer. Additionally, the applicant has established the following independent oversight instances: at the board level, the audit committee and at the organizational level, the independent investigation and consultation mechanism and the office of evaluation and oversight.

17. The applicant's strategic plan is developed in the context of the IDBG strategic plan. The IDBG has established its corporate results framework for the 2016 to 2019 period. The corporate results framework establishes the results that the IDBG aims to attain in the planning period, and the applicant develops its strategic plan based on the expected contribution to the attainment IDBG goals and objectives. The applicant has appropriate internal planning mechanisms, as well as tools for appropriate monitoring of progress made towards attaining strategic objectives. Finally, the IDBG, and thus the applicant, measure the development impact of their activities with a defined methodology, which produces an annual development effectiveness report (publicly available) as a final result.

18. The applicant prepares its financial statements under the Generally Accepted Accounting Principles. The applicant has a strong technological base that supports its financial management and accounting, including recognized software solutions for financial and risk management, including systems for financial reporting, credit risk management, credit and investment portfolio administration, treasury operations, human resources and travel expenses.

19. The separation of duties and responsibilities in the applicant's payment and disbursements system is well defined. Responsibilities for review, approval and execution of disbursements are appropriately segregated among several authorities. Furthermore, the applicant provided evidence of appropriate internal control and internal audit assurance over payments and disbursements.

20. The audit committee is a standing committee of the applicant's board of directors. The terms of reference were provided by the applicant and demonstrate that the committee's functions are appropriate for effective and independent functioning. The committee's terms of reference establish that it will be composed of three to five members, and independence of members is a critical aspect for appointment. The functions of the committee include oversight of the internal audit, the internal control system, review of financial statements and oversight of the independent assessment of the internal audit function. The applicant's internal audit assurance services are provided by the IDBG's office of the executive auditor.

21. The applicant has a mature internal control framework documented in its operational risk management framework which establishes requirements for internal control assessments, incident data collection, risk metrics and corrective action plans. The applicant's operational risk model is based on assigned responsibilities and accountabilities of business units personnel, risk management units and independent assurance units, such as the internal audit unit.

22. The applicant's procurement guidelines contain the required elements to ensure that procurement activities are undertaken in accordance with best practices. The procurement guidelines provide specific guidance on ethical issues, procurement planning tasks, role of the selection committee, procurement methods, types of contracts, required documentation, and procurement control, audit and accountability assessment. The applicant provided assurance that procurement audit and evaluation engagement are undertaken by the internal audit unit. Finally, the applicant stated that its Procurement Policy applies to all on-lending, investment and technical assistance operations; procurement by the beneficiaries of these operations are covered by the applicant's procurement requirements.



23. The AP finds that the applicant's policies, procedures and capacity fully comply with the GCF basic fiduciary standards on key administrative and financial capacities.

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

24. The applicant's code of ethics and professional conduct (IIC Code) was updated in 2016 to achieve closer alignment with the ethical values of the IDBG. The IIC Code establishes standards of ethical conduct that are applicable to all personnel and consultants that work with the applicant. The core values incorporated in the IIC Code are integrity, loyalty, equity, inclusion, impartiality and discretion. In addition, the IIC Code addresses the following workplace issues such as fair treatment, harassment, discrimination, abuse of authority and accountability. The applicant has an established grievance mechanism for issues concerning ethical behaviour that includes procedural guidelines for conflict resolution and conflict resolution system. Finally, the applicant also provided its procedures for the code of ethics dated January 2018.

25. The applicant's code of ethics and professional conduct contains a section on conflicts of interest, including a sub-section that pertains to the applicant's declaration of interests programme. The management of conflict of interests and their resolution is the responsibility of the IDBG's office of ethics, this office is responsible for establishing disclosure requirements, as well as the manner in which conflicts of interest are disclosed and resolved. The code of ethics is effectively communicated to all relevant parties and training exercises of ethical issues are regularly developed (including the issue of reporting incidents of prohibited practices).

26. As part of the IDBG, the applicant has adopted the group policy of zero-tolerance regarding prohibited practices, both internally and in the projects in which it participates. The applicant's procurement policies, anti-fraud and corruption guidelines, code of ethics and anti-money laundering practices demonstrate the organizational culture of zero tolerance to prohibited practices. The applicant's integrity framework contains clear guidelines pertaining to fraud, corruption and collusive and obstructive practices. The applicant, adopting the IDBG policies, has mechanisms in place to investigate and discipline those engaged in prohibited practices. The applicant demonstrates its commitment to avoiding prohibited practices, as a core value, by its membership in the international financial institutions anti-corruption task force and as a party to the agreement for the mutual recognition of debarment decisions.

27. From an operational standpoint the applicant has implemented appropriate procedures to ensure effective internal control over the transactions it executes. Its operational risk management framework (ISO 31000 standard) establishes guidelines for operational risk identification, impact, mitigation, monitoring and reporting. Additionally, the independence and appropriate planning and execution of internal audits provide further assurance of effective internal control.

28. The IDBG's office of ethics is responsible for the investigations process of incidents of violations of the code of ethics as well as of allegations of malpractice. The undertaking of investigations is enhanced by the activities of the IDBG's office of institutional integrity, which also has the authority to undertake investigations. The IDBG's procedures for investigations define clear guidelines for the undertaking of investigations and for their resolution, including:

- (a) A defined sanctions policy;
- (b) A defined whistle-blower policy (further codified in the applicant's staff handbook); and
- (c) Appropriate channels to report incidents (including a dedicated webpage with instructions explaining what and how to report incidents).

29. The applicant's Integrity Framework and Integrity Due-Diligence Guidance documents provide an appropriate definition of prohibited practices, as well as required guidance for the prevention of prohibited practices, which is found by the AP to be aligned with the GCF basic

fiduciary standards, the GCF General Principles on Prohibited Practices<sup>4</sup> and the GCF Anti-money Laundering (AML) and Countering the Financing of Terrorism (CFT) Policy.<sup>5</sup> The applicant's Integrity Framework includes critical elements, such as identification of ultimate beneficiaries, consultation of international specially designated persons, evaluation of cross-border ownership structures and Financial Action Task Force peer reviews to determine jurisdictional risk and specific guidance pertaining to the assessment of AML/CFT controls implemented by the applicant's financial institution counterparties (due to the enhanced exposure to AML/CFT risk faced by financial institutions). The applicant's Integrity Framework and AML/CFT guidance documents, enhanced by the oversight of the IDBG's Office of Institutional Integrity, provide the elements for an appropriate AML/CFT framework.

30. The applicant has provided evidence of appropriate "know-your-customer" due diligence procedures in the form of policy documentation, including its due diligence guidelines, due-diligence checklist and a sample due-diligence report. In terms of managing disbursements via wire transfers the applicant has established a mechanism, in collaboration with a leading financial institution, to issue wire transfer instructions, receive timely information regarding execution of instructions and post reconciliation of amounts transferred. This mechanism established provides reasonable assurance of the applicant's ability to effectively control its wire transfer transactions.

31. The AP finds that the applicant's policies, procedures and capacity fully comply with the GCF basic fiduciary standards on transparency and accountability.

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

32. The applicant has a well-established project development policy framework, including strategies, procedures and guidelines that are consistently applied to the project and programs identification and design, project appraisal and approval, as well as monitoring during the implementation phase and evaluation.

33. The project identification takes place within dialogue between the applicant and the country corresponding governmental office and is based on the countries sectorial strategies to enhance private sector participation in support of government development goals.

34. The project approval procedures are contained in the applicant operations manual. The applicant's board is the ultimate authority in project approval. Prior to its board's approval the project is validated by the chief of the development effectiveness division. Each of the applicant's transactions go through several layers of quality review and appraisal, such as review by the credit and investments committees. The information received from the client is verified by the applicant's designated project team or external consultants. As part of the approval process, all projects undergo an ex-ante assessment on the rationale and overarching development objective for the project, expected development and additionality of the impact to the identified baseline scenario of the IDBG-managed trust funds' investments. To evidence its track record in implementing the operational manual, the applicant provided business plans, operating policies and manuals, assessments of environmental and social safeguards (ESS) and project monitoring reports.

35. Project assessment is undertaken through the electronic database tool named development effectiveness learning, tracking and assessment tool, which contains a specific scoring results matrix stating the project's development objective and expected outcomes and outputs. The tool includes the evaluation checklist that validates the quality of the analysis performed and ensures that the results of the projects financed will be properly measured and documented. The checklist includes a series of questions to ensure a consistent project logic,

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<sup>4</sup> Decision B.12/31.

<sup>5</sup> Decision B.18/10.

quality of the results matrix, as well as adequate monitoring and evaluation plans and proper economic and financial analysis.

36. With regard to the implementation phase, the oversight process of the project where the applicant provides the direct financing would include regularly monitoring, by the applicant, of the implementation, e.g. construction of the project until it reached commercial operation, and receiving, analysing and storing periodic reports on the construction in the electronic database. The applicant prepares the detailed project implementation plans and reports, examples of which were provided to the AP.

37. The applicant's monitoring procedure is contained in the operations manual. The project's results matrix is updated to assess the project's performance against the targets set at approval. Each outcome and output is monitored through specific, measurable, achievable, realistic and time-bound indicators and includes a baseline value and a target to be achieved, as well as a defined source of data or a clear data collection plan. The portfolio management division which is independent from the project origination and investment will gather the information required to update electronic scoring tool and results matrix.

38. The applicant's transactions' supervision is carried out by its portfolio management division, with the assistance and oversight of relevant business units and committees, such as the credit risk division and development effectiveness division. Once the first transaction of the applicant is cleared and passes first disbursement, the project enters into the supervision or monitoring stage.

39. The applicant's evaluation procedures are established on the basis of a newly introduced development effectiveness framework to support the applicant's goal of achieving high development impact and long-term sustainability. Every project has an ex-post evaluation plan aligned with the evaluation good practice standards and in accordance with the office of evaluation and oversight's expanded supervision report guidelines. The evaluation of the projects is based on an assessment of the relevance, effectiveness, efficiency and sustainability of the projects in achieving their development goals, including the information on the greenhouse gas emissions avoided as a result of increased supply of renewable energy.

40. The monitoring and evaluation reports are disclosed at the applicant's website in accordance with its information disclosure procedure. The published reports contain the economic, financial (including audited financial statements), technical, environmental information on the projects, as well as information on handling complaints and legal cases associated with the implemented projects.

41. The project-at-risk function is impeded into the projects supervision process and is performed by the portfolio management division, which is responsible for monitoring the applicant's debt portfolio, including funds provided directly by the applicant, loans from the commercial banks and third-party funds. The applicant has a risk rating system supported by the corresponding manual that ensures that the projects exhibiting significant stress are actively monitored by management and risk ratings are assessed appropriately and timely.

42. In accordance with the risk rating system the applicant's portfolio management division prepares the radar and watchlist projects where the signs of financial distress are developing, or material breach of contractual provisions may have taken place or are expected to take place but has not yet resulted in financial impairment for the organization.

43. The applicant has vast experience in proving project finance and development of the projects to the broad scope of clients, ranging from corporate financing to banks to project financing for energy projects in the LAC region. The applicant has expertise in project identification, preparation and appraisal and implementation of the projects. As of June 2017, approvals for private sector activities of the project portfolio of the IDBG, to which the applicant belongs, amounted at USD 11.6 billion, including projects in infrastructure, financial institutions, agribusiness, and manufacturing sectors and others.

44. The AP finds that the applicant's policies, procedures and capacity fully comply with the GCF specialized fiduciary standard for project management.

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

45. The applicant works mostly with for-profit private sector entities that do not manage grants because it's not part of their core business. Therefore, most of the grant funds that the applicant provides are "in-kind" grants through project advisory services and technical cooperation. Since the IDBG private sector consolidation in January 2016, all of the projects beneficiaries funded by donor funds have been awarded technical assistance under the grant funding. The applicant confirmed to the AP that GCF grant resources will be explicitly limited to advisory services and technical assistance.

46. The advisory services team functions as a specialized business unit dedicated to providing value-added technical and/or financial advisory services to the applicant's clients and target markets.

47. In accordance with its operating policy, the applicant can offer three types of technical and/or financial advisory services:

- (a) Operational support to generate "better projects", e.g., activities supporting the preparation, execution or evaluation of an investment operation;
- (b) Client support to build a "better pipeline", e.g., products for outreach, dissemination, testing innovative approaches, capacity building and training; and
- (c) Research and dissemination to create "better markets", e.g., products and services help deepen the applicant's and clients' knowledge or capacity on a given topic relevant to the applicant goals and strategies.

48. Processing grants for technical and/or financial advisory services projects follows a two-staged approval process that share a similar rationale as the process for approval of investment projects yet simplified. The first stage involves the preparation of a technical and/or financial advisory services project abstract with basic information on the proposed activity and its objectives, and compliance with eligibility requirements and with donor requirements. The second stage, once a funding source has been determined, involves the preparation of a detailed technical and/or financial advisory services project document, for quality review clearance, to be followed by final approval.

49. For advisory services or technical assistance project proposal a separate template is used indicating the execution mechanisms and structure of the grant resources and institution that will serve as an executing agency. The quality review committee performs a grant evaluation for in-kind technical assistance following an established evaluating matrix that serves as the terms of reference for such committee and prepares the quality review checklists for the technical assistance and advisory services proposals using the specific template for this review. The committees' review ensures soundness of the proposal as a whole, including the proposed execution structure, client beneficiaries, parties involved, as well as specific areas of interest.

50. All the advisory services and technical assistance project proposals comply to the criteria of the applicant's operating policy, environmental and social sustainability policy, framework to prevent and combat fraud and corruption, the disclosure of information policy and other policies, regulations and mandates approved from time to time by the applicant's board of governors and the board of executive directors of the corporation. After the quality review clearance, the project would gain approval from the applicable authority depending on the operation.

51. Each advisory service and technical assistance project proposal includes a procurement plan, and in the case of recipient-executed projects it should indicate whether the executing agency will be able to procure goods and services with a procurement revision defined as ex-ante or ex-post.

52. The designated project team leader is responsible for supervision of activities, reporting on the progress of the activities and outputs identified in their results matrices and budgets at least once per year. At the end of the project, the project team leader will also be responsible for producing a project completion report. Grants and co-financing management unit of the IDBG is responsible for coordinating all activities related to grant award procedures, allocations, and monitoring in accordance with the agreement for servicing the applicant and inter-institutional agreement to manage the funds.

53. All the grant-related information, including the name of the donor organisation, eligible countries, approved amount of funding, project technical description, projects' objectives and results, as well as environmental and social risks are disclosed on the applicant's website in accordance with the applicant's disclosure of information policy. The applicant's information disclosure policy is found to be consistent with the requirement in the GCF specialized fiduciary standard for grant award and/or funding allocation mechanisms on disclosure of grant information, including the name, address and nationality of the beneficiary, purpose of the grant, amount awarded and the co-financing rate of the cost.

54. The AP finds that the applicant's policies, procedures and capacity fully comply with the GCF specialized fiduciary standard for grant award and/or funding allocation mechanisms.

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

55. In accordance with its charter, the applicant's key functions are the following:

- (a) to assist, alone or in association with other lenders or investors, in the financing of the establishment, expansion and modernization of enterprises, utilizing such instruments and/or mechanisms as the corporation deems appropriate in each instance;
- (b) to facilitate their access to private and public capital, domestic and foreign, and to technical and managerial know-how; and
- (c) to provide technical cooperation for the preparation, financing and execution of projects, including the transfer of appropriate technology.

56. The applicant's credit capacity is reflected by its strong credit rating, at AAA by Fitch Ratings, AA by Standard & Poor's, and Aa1 by Moody's.

57. In terms of funds recipient due diligence for both on-lending and blending operations, the applicant applies the procedures defined in its operations manual, exercising the same diligence and duty of care in the management of any external resource and funds as it does with respect to its own capital. Beyond this, additional requirements and procedures specific from each specific trust fund also apply.

58. The applicant has a risk management framework in place that comprises a series of committees to address different aspects of risks management and controls based on clearly defined guidelines, roles and responsibilities. These committees are the following: operational risk management committee that considers matters relating to the operational risk management framework; operations committee that oversees consistency of the lending programme with its policy and risk framework and reviews individual transactions; finance and asset liability management committee; and credit and investment committee that considers transactions, programmes, facilities and initiatives for credit approval utilizing the applicant's own resources.

59. The applicant has a strong risk management function in place, including the assessment of credit, environmental, social and corporate governance, operational and market risk. The risk



management department is in charge of strengthening the institution's capacity to identify, measure and manage the credit risks of the applicant's transactions portfolio and its treasury activities. It also provides risk management advice on capital adequacy, including the assessment of new financial instruments and initiatives. The applicant's risk management officers issue independent assessment about credit and investment proposals.

60. The analysis of the applicant's lending portfolio is the responsibility of its portfolio supervision committee. The committees' mission is to oversee the performance of the applicant's lending portfolio, including third party funds under management; ensure that the portfolio is accurately risk-rated, valued and provisioned; and discuss and decide actions being taken to protect the applicant's interests as a creditor or investor. To accomplish its mission, the committee takes into consideration the analysis and recommendations made by the credit risk division and portfolio management division resulting from the ongoing project supervision program and monitoring carried out by staff assigned to these functions.

61. Information about beneficiaries and results of projects financed by the applicant can be found on its website in accordance with the applicant's information disclosure policy. This website provides complete information about the whole funded project cycle, including the project name and description, sector, country, beneficiary institutions, expected approval date, and once approved, projects' approval amount, financial instruments applied, and periodic project results and outcomes. The applicant confirmed that the information on the GCF-funded activities will be disclosed on the applicant's website using the same practice.

62. The applicant has a well-developed treasury management system and investment management policy in place that allows the institution to manage investments for all trust funds under its administration. The applicant also counts with duly approved investment guidelines for these funds. The investment performance reports prepared by the applicant were provided for the AP's review.

63. The applicant has established an advanced commercial lending solution system in order to create disbursements for various product types in an efficient and transparent way. The system records data related to the lifecycle of the loans beginning with commitment date and amount as well as other contractual clauses. Once the disbursement transaction is duly authorized in the system, it is transferred via interface to the treasury system where it is funded, and the payment is executed from the applicant's commercial bank. It was observed by the AP that all processes and systems have the proper internal controls and segregation of duties in place.

64. In accordance with the asset and liability management guidelines, finance and asset liability management committee oversees and coordinate matters related to the sustainable financial soundness of the applicant, including the review of processes, decisions and performance pertaining to the finance and treasury activities to ensure that there is an adequate balance between liquidity, risk, and return on the applicant's short and long-term investment portfolios as well as adequate asset and liability management. Samples of the minutes of recent meetings of the applicant's asset and liability committee were provided and found sufficient to the AP.

65. The applicant has an extensive track record and institutional experience for on-lending and blending resources from international and multilateral sources, including climate concessional funds, such as the Climate Investment Funds, Canadian Climate Fund for Private Sector in the Americas, the Global Environment Facility, China Fund and others. The applicant has expertise in applying each type of financing instrument, including loans, guarantees, equity and technical cooperation grants as described in section 3.1.4 above.

66. The AP finds that the applicant's policies, procedures and capacity comply with the GCF specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees.



## 3.2 Environmental and social safeguards

### 3.2.1 Section 6.1: Policy

67. The applicant provided its environmental and social (E&S) sustainability policy, which is available on its website. The applicant also provided IDBG's three additional policies: gender equality policy; involuntary resettlement policy; and environment and safeguards compliance policy. The applicant also provided its operations manual which shows that environmental and social issues are embedded in the applicant's operations and communicated across the organization and that the policy is endorsed by its senior management. The applicant's environmental and social safeguard policies and implementation guidelines approved by its senior management contain objectives, principles and comprehensive requirements including the standards for avoidance, mitigation and compensation of harm to people and environment consistent.

68. The applicant provided its E&S review procedure (ESRP) manual, which presents the applicant's environmental and social management system (ESMS) and its E&S appraisal and supervision process. The ESRP manual states that financed projects must comply with the host country's E&S laws and regulations including obligations established under ratified multilateral environmental agreements are specifically stated in the applicant's Policy Directive B.2 of OP-703, which are assessed during the applicant's E&S appraisal process of its investments.

69. The key E&S standards, guidelines and tools that the applicant adheres to are the IDBG's E&S policies; sector guidelines; IFC Performance Standards and Guidelines on Environmental and Social Sustainability; and the World Bank Group/IFC's Environmental, Health, and Safety General and Industry Sector Guidelines. The IDBG's key safeguard policies include OP-703 Environmental Safeguards and Compliance Policy, OP-704 Disaster Management Policy, OP-710 Involuntary Resettlement, OP-761 Gender Equality in Development, OP-765 Indigenous Peoples, and OP-102 Access to Information Policy. These policies and guidelines are publicly available on the applicant's website.

70. The E&S sustainability policy document also states that the environmental, social and governance division of the applicant is responsible for implementing the ESMS and the E&S appraisal and supervision process. The AP found the applicant's ESMS, comprising the environmental and social sustainability policy and IDBG's safeguard policies, to be sufficient to meet the GCF requirements for a maximum E&S risk Category A/I-1 projects/programmes.

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

71. The applicant's ESRP manual describes its procedure for identification of E&S risks and impacts which is consistent with the performance standards 1 to 8 of the GCF interim ESS. Annex 2 of the ESRP manual contains the applicant's appraisal and supervision process flow diagrams which contains further information on how projects are categorized. The process for screening E&S risks and categorization is briefly described with responsibilities for each step.

72. The procedure details that direct investment transactions (projects) are categorized as A (high), B (medium) and C (low), consistent with the IFC E&S risk categories. When the applicant invests in a financial intermediary, transactions are categorized depending on the risk category of projects of the financial intermediary, giving a categorization of FI-1, FI-2 and FI-3.

73. All of the projects financed by the applicant are screened early and categorized as described above based on type, sector, scale and likely magnitude and significance of potential E&S risk and impacts of the investments. An Environmental and Social Strategy is prepared early in the project cycle, prior to eligibility of the financing. The applicant has also an internal risk-assessment matrix and it is updated regularly during the life of the operation.

74. The applicant provided several sample project documents as evidence of its track record of applying its process to guide staff in identifying the E&S risks and impacts of

projects/programmes as they evolve over the project life cycle, which is consistent with performance standards 1 to 8 of the GCF interim ESS. The applicant also provided a document containing a breakdown of its portfolio by E&S risk category. The E&S risk identification and categorization process is found by the AP to meet GCF requirements for a maximum E&S risk Category A/I-1 projects/programmes.

### 3.2.3 **Section 6.3: Management programme**

75. Annex 16 of the applicant's ESRP manual contains the guidelines and templates for producing E&S management and monitoring reports. Together with Annex 2, these annexes provide sufficient information on the procedure for managing mitigation measures and actions from the E&S risk assessment to ensure that mitigation actions are documented and tracked in a manner consistent with performance standards 1 to 8 of the GCF interim ESS.

76. The applicant's environmental safeguards and compliance policy requires the development and implementation of an environmental and social impact assessment for all of the applicant's Categories A and high-risk B operations. For lower impact Category B projects, an E&S analysis may be sufficient. For the applicant's Category C projects, confirmation that the investment has all necessary licenses and is in compliance with host country regulation may be sufficient. The applicant's Involuntary Resettlement Policy requires development and implementation of a resettlement plan. The applicant's Disaster Management Policy requires development and implementation of a disaster risk management plan for projects categorized as having high and medium risks. Content of those management plans are specified in the respective implementation guidelines.

77. The project's evaluation of impacts and risks and proposed management programme is summarized in the applicant's environmental and social review summary (ESRS) prepared by the applicant's internal social, environmental and governance specialists. The ESRS is made public prior to project approval by the applicant's board. The ESRS includes an environmental and social action plan (ESAP), which specifies the key management actions to be executed during project implementation (with responsibilities and timeline). The recommendations of the ESRS, including the ESAP, are reflected in the financial documents and are contractually binding.

78. The applicant provided sample summaries of several project documents in E&S risk Categories A and B as evidence of its track record of implementing its institutional process for managing E&S risk and impact mitigation measures and actions stemming from the E&S risk identification process, and of distinguishing between different categories of E&S risk. The E&S risk management function is found by the AP to meet GCF requirements for a maximum Category A/I-1 projects/programmes.

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

79. The applicant provided an organizational chart that identifies individuals, their specific E&S roles and responsibilities and reporting lines of its sustainable environment governance (SEG) division. The applicant provided a list of its key in-house E&S personnel including their biodata and specific areas of responsibility and related competency. The applicant provided two samples of E&S related work carried out by the in-house resource in the form of E&S Project monitoring reports from site visits for two separate projects. The applicant also provided a sample of E&S related work done by an outsourced resource in the form of an E&S due diligence report for a project.

80. The applicant provided information on the SEG Division undergoing one-week training on ISO 14000 ESMS and on 18001 in occupational, health and safety management systems, by a qualified external trainer. The applicant's SEG division team members also participate periodically in trainings conducted during the applicant's Sustainability Week. The applicant provided a link to a page on its website which contains more information regarding the Sustainability Week. The applicant provided sample modules and programmes of the training

conducted for the applicant's E&S and other relevant staff. The AP found that the applicant's organizational capacities and competencies to implement its ESMS are appropriate, including for projects/programmes that are categorized as a maximum E&S Category A/I-1 projects/programmes.

### 3.2.5 **Section 6.5: Monitoring and review**

81. The applicant's ESRP manual details the supervision phase which monitors the E&S risks. The role of SEG officers is to monitor, supervise and document the client's E&S performance throughout the life of the applicant's investment to ensure compliance with all E&S requirements. Annex 2 of the ESRP manual on appraisal and supervision process flow diagrams contains information on the procedures to ensure that mitigation and performance improvement measures are completed.

82. The environment and safeguards compliance policy also requires the applicant to monitor implementation of all ESS requirements. Monitoring frequency and arrangements are commensurate to a project's risks and impacts and include: self-reporting; independent monitoring by a third party; and direct supervision by the applicant's staff or consultants. Since 2008, SEG has put in place a systematic monitoring and review process, where results of monitoring activities are documented into a supervision report. Performance is rated according to a 4-tier system ("unsatisfactory", "partially unsatisfactory", "partially satisfactory" and "satisfactory"). Projects which have an unsatisfactory or partially unsatisfactory performance are required to develop and implement a corrective action plan. Projects performances on safeguards implementation are reported at least twice a year to the applicant's senior management.

83. The applicant provided three samples of project monitoring and evaluation reports: an E&S due diligence of a project carried out by an independent E&S consultant, and two environmental and social compliance monitoring reports for two separate projects. All three of these monitoring and evaluation reports include review/monitoring of actions taken for mitigation and performance improvement measures for performance standards 1 to 8 of the GCF interim ESS or information relating to application of this process to monitoring of completion of mitigation and performance improvement measures. The applicant stated that it uses the information and experience gained from supervision and auditing of projects to better inform themselves and externally to its clients. The applicant also shares this information through training courses they deliver annually on E&S risk management geared to private sector clients. The AP found the applicant's monitoring and reporting process sufficient for a maximum E&S risk Category A/I-1 projects/programmes.

### 3.2.6 **Section 6.6: External communications**

84. The applicant provided a link to its website which shows its policy of the Independent Consultation and Investigation Mechanism (ICIM), dated 1 January 2016. The ICIM is an impartial body, functionally independent from the applicant's management, with the mandate to investigate allegations by requesters of alleged harm produced by the applicant's failure to comply with the relevant operational policies in its financed operations. The website also serves as the applicant's external communication channel to receive and register complaints.

85. The applicant provided a document which gives information on the ICIM, and describes the process to address and investigate allegations from people and communities that consider the applicant's projects have caused them harm. Two or more people residing in a country where a project financed by the applicant is being carried out can submit a request to this mechanism or a request can be submitted through a representative. The applicant has internal competencies to screen and assess and address issues raised, as needed.

86. The applicant is in the process of developing an information technology platform based on the one that is used by IDBG which includes an automated registry of inquiries, complaints

and responses. This platform will be operationalized in 2019 and will be shared with the GCF. The gap identified is reflected in a corresponding condition of accreditation in section 4.2 below.

87. The applicant's "Public Disclosure of Information Policy" is in line with the Information Disclosure Policy of the GCF, including the duration of disclosure required for Categories A/I-1 and B/I-2 projects/programmes, including the language requirements. The applicant's external website has examples of disclosure and public consultation of E&S assessments of projects/programmes in E&S risk Categories A/I-1 and B/I-2.

88. The applicant's E&S policy includes the requirement for applicant's executing entities to include a project-level grievance redress mechanism. The applicant provided examples of ESAPs which included a grievance redress mechanism.

89. The AP found the applicant's external communication system partly complies with the GCF requirements regarding a maximum E&S risk Category A/I-1 projects/programmes. The corresponding condition is contained in section 4.2 below.

### 3.3 Gender

90. The applicant provided its "Operational Policy on Gender Equality in Development" adopted in November 2010. The objective of the policy is to strengthen IDBG's response to the goals and commitments of its member countries to promote gender equality and the empowerment of women by applying a gender perspective systematically across its operations. The gender policy commits IDBG, including the applicant, to:

- (a) Promoting attention to gender equality in IDBG-financed projects and analytical work (i.e., gender mainstreaming);
- (b) Seeking opportunities for investments and analytical work that directly encourage gender equality or women's empowerment (i.e., direct investment); and
- (c) Avoiding unintended negative consequences for gender equality in its operations (i.e., gender safeguards).

91. To ensure the successful implementation and monitoring of the policy, IDBG approved the Gender Action Plan for Operations (GAP) for 2014 to 2017 in May 2014. The GAP establishes an overarching framework for the commitments and actions that will ensure the successful implementation of IDBG's Gender Policy in all the above three areas. This action plan is the third version for the IDBG.

92. The applicant provided evidence of its procedure and practice to support the implementation of its gender policy. The applicant in 2017 launched a new campaign on gender entitled "100% committed to gender equality". The applicant's vision for gender is threefold:

- (a) To advance gender equality and empowerment of women in all of the applicant's business operations;
- (b) To be an employer of choice for men and women; and
- (c) To generate and apply practical, solution-based knowledge on key gender gaps in the private sector in LAC.

93. As part of the screening process performed by the applicant's social and environmental safeguards team, officers verify that the projects meet the IFC performance standards, which include gender aspects such as non-discrimination and equal opportunity. Based on the applicant's gender strategic roadmap, the advisory services team helps its clients assess their workforce through a gender lens to address retention problems. For that purpose, the team has relied on the women empowerment tool results and gender appraisal. The former is a tool

designed by the applicant in partnership with the Multilateral Investment Fund,<sup>6</sup> United Nations Women and the United Nations Global Compact.<sup>7</sup>

94. The applicant also helps financial intermediaries to better serve the women's market. In one specific loan provided to one of the biggest banks in the Dominican Republic, 300,000 small and medium enterprises will be financed, 40% of which will be women-led enterprises. The advisory services team will support the client by helping it obtain the EDGE8 certification (global standard on gender equality). The applicant is supporting this effort as this will help the client to improve its diversity and inclusiveness practices, which in turn will help to better serve the its customers including women. The applicant provided biodata of its key staff in the gender team.

95. The applicant provided examples of its two lending operations that specifically target women among project/programme beneficiaries. The applicant also provided evidence to show that the companies it lends to have non-discriminatory practices in terms of benefits and remuneration for both men and women employees in place. In the case that the investee companies do not have a practice in place to ensure non-discriminatory practices, which is explicit in its policies and/or written procedures, such an action would become required to be included in the ESAP annexed to the loan agreement. The applicant also provided examples of projects linking gender and climate change.

96. The AP found the applicant's gender policy, procedures and competencies to be in line with the GCF Gender policy.

## **IV. Conclusions and recommendation**

### **4.1 Conclusions**

97. 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, the requirements of specialized fiduciary standard for project management, the specialized fiduciary standard for grant award and/or funding allocation mechanisms, and the specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees;
- (b) The applicant partially meets the requirements of the interim ESS of the GCF in relation to the high E&S risk (Category A/I-1). The only gap is related to the applicant not having a system to register external inquiries and complaints received along with responses. The applicant indicated that this will be established in 2019; 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 consideration in the context of climate change.

### **4.2 Recommendation on accreditation**

98. The AP recommends, for consideration by the Board, applicant APL076 for accreditation as follows:

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<sup>6</sup> <https://www.fomin.org/en-us/Home/about.aspx>.

<sup>7</sup> <https://www.unglobalcompact.org/>.

<sup>8</sup> <http://www.intertek.com/business-assurance/edge-certification/>.



- (a) **Accreditation type:**
- (i) **Maximum size of an individual project or activity within a programme:** large (including micro,<sup>9</sup> small<sup>10</sup> and medium<sup>11</sup>);
  - (ii) **Fiduciary functions:**
    - 1. Basic fiduciary standards;
    - 2. Specialized fiduciary standard for project management;
    - 3. Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
    - 4. Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees);
  - (iii) **Maximum environmental and social risk category:** high risk (Category A/I-1) (including lower risk (Category B/I-2<sup>12</sup> and Category C/I-3<sup>13</sup>)); 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 to be met prior to the submission of the first funding proposal to the Board:
    - 1. Provision of evidence by the applicant of the adoption of a register to receive and address external comments, complaints and inquiries on E&S matters for GCF-funded projects/programmes.

99. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition, as identified in paragraph 98 above, and agrees to the recommendation.

<sup>9</sup> 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”.

<sup>10</sup> 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”.

<sup>11</sup> 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 USD 50 million and up to and including USD 250 million for an individual project or an activity within a programme”.

<sup>12</sup> 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”.

<sup>13</sup> 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 XXI: Accreditation assessment of upgrade application from the Peruvian Trust Fund for National Parks and Protected Areas

### I. Introduction

1. The Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE), a national entity and an environmental fund located in Peru, has 25 years of experience in catalysing non-reimbursable domestic and international financing for biodiversity conservation, sustainable development and climate change mitigation and adaptation actions in Peru. The applicant, accredited to both the GCF and Adaptation Fund, has partnered with donors at local, national and international levels to provide stable and long-term funding to develop and implement climate change projects and programmes.

2. The applicant was accredited by the Board on 26 March 2015 in decision B.09/07, paragraph (a)(ii), for the following parameters, as recommended by the Accreditation Panel (AP), under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** direct access, national. The applicant had received a National Designated Authority nomination for its accreditation application from Peru;
- (b) **Track:** fast track under the Adaptation Fund (AF);
- (c) **Maximum size of an individual project or activity within a programme:** micro;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards; and
  - (ii) Specialized fiduciary standard for project management; and
- (e) **Maximum environmental and social risk category:** minimal to no risk (Category C).<sup>3</sup>

3. The applicant signed the Accreditation Master Agreement on 19 July 2016, which became effective on 10 October 2016. The applicant has one GCF-funded activity, “Building the Resilience of Wetlands in the Province of Datem del Marañón, Peru” (FP001).

4. The applicant is seeking to upgrade its accreditation type in order to scale up its activities on combating climate change in Peru; increase access to more GCF resources, such as those under the Enhancing Direct Access Pilot Scheme<sup>4</sup> and channel the resources to national institutions to strengthen stakeholders’ commitment; and better deploy other financial sources from governments and multilateral funds by applying its increasing experience in awarding grants.

5. The applicant submitted its application for an accreditation upgrade to the Secretariat via the Online Accreditation System on 29 June 2017. Accreditation fees for the criteria being sought by the applicant were paid at the time of initial accreditation. The Stage I institutional assessment and completeness check was completed on 30 April 2018 and the applicant was progressed to the Stage II (Step 1) accreditation review, which has been concluded with the

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

<sup>2</sup> Decision B.07/02.

<sup>3</sup> 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”.

<sup>4</sup> Decision B.10/04.

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

- (a) **Access modality:** direct access, national;
- (b) **Track:** fast track under the AF;
- (c) **Fiduciary functions:** Specialized fiduciary standard for grant award and/or funding allocation mechanisms;
- (d) **Maximum environmental and social risk category:** medium risk (Category B/Intermediation 2 (I-2));<sup>5</sup> and
- (e) **All other criteria for which the applicant was accredited:**<sup>6</sup> no change.

## II. Stage I institutional assessment and completeness check

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

### 2.1 Legal status, registration, permits and licences

7. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. The applicant was created under the Decree Law (No. 26154) as a fiduciary fund for the conservation, protection and management of natural areas protected by the State.

### 2.2 Institutional presence and relevant networks

8. The applicant has been working across Peru through its partnerships with public and private institutions, bilateral and multilateral foundations and international organizations. In order to advance the objectives of the GCF, the applicant intends to focus on emissions reduction from forests and land use; increased resilience of health, food and water security; increased resilience of livelihoods of people and communities; and increased resilience of ecosystem services.

9. If upgraded in its accreditation type, the applicant could mobilize more resources and involve more institutions (e.g., ministries, local governments, non-government organizations and small- and micro-sized local business) to co-finance climate change mitigation and adaptation initiatives.

### 2.3 Track record

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<sup>5</sup> 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”.

<sup>6</sup> For example, the maximum size of an individual project or activity within a programme and other fiduciary functions.

10. As a GCF accredited entity, the applicant has a GCF-approved project (FP001), which aims to enhance the climate resilience and livelihoods of the indigenous wetlands communities in the Amazon basin while reducing greenhouse gas emissions from deforestation.
11. In addition, the applicant has increasingly gained experience in grant award mechanisms by working with international entities and following donor's guidelines for funding allocations. In its past experience, the applicant has granted funds to:
  - (a) Civil society organizations for a significant number of biodiversity conservation and sustainable development projects;
  - (b) Over 180 initiatives of local organizations and entrepreneurs under the Programme of Sustainable Economic Activities in Peru; and
  - (c) Over 40 indigenous communities in the Amazon area in Peru to reconcile the conservation of natural resources and sustainable business.
12. The applicant's track record in awarding grants includes:
  - (a) USD 37,555 (grants) to the project of Reforestation and Conservation of Polylepis Forests by Breeding Guinea Pigs in the Chiguata District of Arequipa Chiguata in Peru;
  - (b) USD 74,520 (grants) to the project of Strengthening Tourism Enterprises in the Buffer Zone of the Manu Biosphere Reserve in Peru; and
  - (c) USD 339,505 (grants) to the project of Strengthening the Tourism Unit of the National Service of Protected Areas.

### III. Stage II accreditation review assessment

13. The applicant applied under the fast-track accreditation process as an AF entity. Its application has been assessed against by the Accreditation Panel (AP) during Stage II (Step 1) against the standards of the GCF in accordance with the accreditation requirements.
14. As part of this assessment, the AP consulted the applicant's website and third-party websites to complement the information provided in the application.

#### 3.1 Fiduciary standards

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

15. Building on the experience gained through its participation in international donor-led grant award programmes, and in alignment with the principles contained in the GCF specialized fiduciary standard for grant award and/or funding allocation mechanisms, the applicant developed its own project management manual in 2016, which would apply to grant award programmes the applicant undertakes. In the past an operational manual was developed for each grant award programme guided by the expertise and requirements of the donors.
16. The applicant's project management manual establishes that the initial step for a grant award programme is the approval of the proposed terms of reference (ToRs). The applicant's sustainable development office prepares, in consultation with the NDA, the proposed ToRs, and then obtains the approval of the applicant's executive director, who will either approve the ToRs or, if required, forward it to the donor of funds to obtain approval. For projects within a programme, it is the Director of Sustainable Development who is responsible for approving the ToRs in cases where additional ToRs are required. Once the proposed ToRs are approved the institutional evaluation committee (IEC) and the technical evaluation committees (TEC) are

formed, following established guidelines for the professional requirements of the committee members.

17. Based on the approved ToRs, the applicant's procurement unit prepares competitive bid rules in the format defined in the project manual. Once the bid rules have been prepared they are presented to the IEC and to the TEC for review and comment. Final approval of the bid rules is an attribution of the TEC. Once approved, the bid rules are transmitted to the communications officer for publication, providing assurance that a broad scope of potential proponents are made aware of the bid. Examples of publications of bid rules and calls for proposals are available on the applicant's website. Once the bid rules are published, the applicant opens communication channels to reply to queries regarding the bid rules.

18. Proposals for grant awards are screened by the applicant's administrative units and, if the proposal complies with the procedural and documentation requirements of the bid rules, forwarded to the Institutional Technical Committee (ITC) and to the TEC. The ITC will assess the proponent's institutional capacity to manage the grant-funded project and the TEC will evaluate the technical merits of the proposal. The members of the ITC and the TEC are selected based on defined criteria and include both the applicant's personnel and independent experts as required. The procedural guidelines provide guidance regarding the requirement to evaluate all proposals in adherence to the bid rules and utilizing pre-defined evaluation criteria and forms.

19. The applicant's past experience in managing grant award programmes provides reasonable assurance to the AP of its capacity to undertake the evaluation exercise in an effective and transparent manner. The TEC issues a final evaluation report and recommends to the applicant's executive director the proposals that shall be selected based on an objective scoring mechanism. The executive director approves the recommendations and, if required, presents them to the applicant providing grant funding for final approval. Concurrently the executive director notifies, in writing, the outcome of the grant award evaluation to all participants and the communications department publishes the results of the grant award process on the applicant's (and, if available, the programme's) website.

20. Once the grant award has been formalized through appropriate legal arrangements, the applicant's project management units engage with the beneficiaries and initiate development of the required annual operations plan and the annual procurement plan (e.g., project procurement must be undertaken following the applicant's procurement guidelines). These documents, and the required project progress and financial reports, serve as the basis for the project management activities and for the monitoring and evaluation of the impact of the projects funded with the grant awards. The applicant's project manual establishes the requirements and procedures to follow for fund disbursement, proper accounting and review of the use of funds, and communication channels to provide ongoing support to grant recipients.

21. The applicant's project manual requires that appropriate arrangements are made for independent evaluation of projects, including external audits. Projects are categorized based on size, and all projects with a total cost of USD 100,000 or more are subject to annual external audit, while projects below this threshold are subject to selective external audits. For all projects a mid-term evaluation report and a final evaluation report are required; for the projects above the USD100,000 threshold these evaluations must be undertaken by an independent evaluator, for projects below the threshold the applicant's project management and finance units shall undertake the evaluation. It is noted that the applicant provided examples of evaluation reports for projects developed and implemented in association with international donors.

22. The applicant's project manual provides the guidelines that must be followed for grant-funded project closure. These guidelines include a final project report prepared by the grant recipient, a project closure audit and public disclosure of the project impact and results.

23. The information assessed by the AP demonstrates that through participation in grant award programmes developed with international donors the applicant has gained experience as a grant fund manager, including experience in appropriate financial management, implementing effective controls, evaluating grant proposals, undertaking monitoring and evaluation and reporting on impact and results. An independent evaluation report prepared by the World Bank<sup>7</sup> in March 2016 comments on the applicant's grant programme management capacity. This evaluation report notes that while the applicant's monitoring and evaluation competencies require further improvement, its "management of project funds, including the project's sub-grants was adequate".<sup>8</sup> Furthermore, the report mentions that the applicant's internal controls demonstrated effectiveness by detecting and resolving an issue of misuse of funds by a sub-grantee.

24. The applicant's grant award track record includes serving as implementing entity of national conservation projects developed with funds from international entities. The applicant, within the context of these projects, has established a track record of appropriate administration of the grant award processes. The AP assessment draws on the project documentation provided by the applicant for projects funded by, and developed under the guidance of, international entities such as the Global Environment Facility, Kreditanstalt für Wiederaufbau, Conservation International, the Nature Conservancy, the World Wildlife Fund and the United States Agency for International Development. In these projects, the applicant served as fund administrator, project manager and participated in grant oversight, evaluation and award committees.

25. The applicant's project manual, reviewed by the AP, contains the guidelines for managing grant awards and includes all the elements required by the relevant GCF specialized fiduciary standard of grant award and/or funding allocation mechanisms. Furthermore, this manual includes templates of the documentation to be utilized in each grant award, including (but not limited to) evaluation formats, project management formats and sample letters for communication with beneficiaries. The applicant has demonstrated its track record as an implementing entity for grant award programmes developed under the guidance of international entities. However, because the current project manual was adopted in 2016, and due to the lack of track record as it pertains specifically to the procedures established in the referenced manual, the AP recommends a corresponding condition of accreditation (as it pertains to GCF-funded grant programmes and projects) in section 4.2 below.

## 3.2 Environmental and social safeguards

### 3.2.1 Section 6.1: Policy

26. The applicant provided its updated environmental, social and gender safeguards policies (ESGP) which has been approved by its executive director and adopted in December 2017. The ESGP is an update to the applicant's operational guidelines of environmental, social and gender safeguards (2015) following a decision by the applicant's directors in 2016 to develop a single document with the institutional environmental, social and gender policies and to update the operations manual documents. The applicant's ESGP is the result of the applicant's 25 years of evolving experience in working together with various international organizations that have funded biodiversity conservation and sustainable development programmes and projects in Peru.

<sup>7</sup> <http://documents.worldbank.org/curated/en/787461467993510881/pdf/ICR3495-P095424-Box394877B-OUO-9.pdf>.

<sup>8</sup> <http://documents.worldbank.org/curated/en/787461467993510881/pdf/ICR3495-P095424-Box394877B-OUO-9.pdf>.

27. The applicant also provided its updated E&S operations manual, which contains guidelines to implement the applicant's ESGP. The operations manual is divided into four chapters that describe:

- (a) the environmental, social and gender policies adopted by the applicant;
- (b) the guidelines for their appropriate implementation;
- (c) the monitoring and evaluation procedures; and
- (d) the guidelines to implement these policies in programmes or projects executed by other entities.

28. The applicant's E&S standards are described in its ESGP under following eleven principles: evaluation and management of environmental and social impacts and risks; compliance with regulations; biodiversity conservation; climate change; pollution prevention; stakeholder's involvement and participation; gender approach; indigenous or native peoples' cultural heritage; involuntary resettlement and/or restriction to the use of renewable natural resources; and occupational safety. Based on a gap analysis provided by the applicant, eight of these eleven principles correspond to and are consistent with the performance standards 1 to 8 of the GCF interim environmental and social safeguards (ESS).

29. The applicant's directorate of development and supervision (DDS) is in charge of ensuring that all of the applicant's programmes/projects enforce and comply with the ESGP and its operations manual. The applicant held a workshop in October 2016 aimed to validate the ESGP and to train its technical staff and project coordination teams. With the inputs received during the workshop it made the final adjustments to the ESGP and its operations manual following which the ESGP was adopted in 2017 and published recently on the applicant's website.

30. The applicant has demonstrated application of the following elements in its own E&S assessments and those of the executing entities that it oversees: assessment of cumulative impacts; assessment of associated facility impacts; analysis of alternatives; baseline data standards; and mitigation hierarchy. The impacts on associated facility have not been so relevant as the applicant does not finance large infrastructure projects. However, the applicant is committed to applying all these elements as they arise in its or its executing entities' projects. The AP found the applicant's ESMS, comprising the ESGP and the operational manual, to be sufficient to meet the GCF requirements for a maximum E&S risk Category B/I-2 projects/programmes.

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

31. The applicant's E&S operations manual describes the guidelines and procedures to be implemented by the applicant's institution and partners regarding the enforcement and appropriate implementation of the ESGP in applicant's programmes and projects. The first of three stages for implementing the ESGP is the screening process on identification and evaluation of impacts and risks. This stage includes the process on E&S risk categorization of projects into three categories: I, II and III, which is found to correspond to the GCF E&S risk Categories A/Intermediation 1 (I-1), B/I-2 and C/I-3, respectively, in performance standard 1 of the GCF interim ESS. The applicant's E&S risk category II, which correspond to the GCF E&S risk Category B/I-2, requires the applicant and its executing entities to develop an environmental and social management plan (ESMP); such a requirement is consistent with what is required by the GCF interim ESS.

32. The DDS, through its safeguard specialists in the applicant's organization, is in charge of categorizing the project, both at the concept and project document levels. Once the programme/project E&S risk category has been assigned at the concept level, the DDS safeguard specialists determine the depth of the impact analysis required to design the project's document; prepares the ToRs to formulate the programme/project's environmental and social



impacts assessment and recommends the preparation of an ESMP. Once the programme/project's environmental and social impact assessment is ready, the safeguard specialist assigns the final E&S risk category. In some cases, the donor determines the project's E&S risk category.

33. The applicant provided evidence of the implementation of its E&S risk categorization according to the updated E&S operations manual for the project on mitigating deforestation in Brazil nut concessions in Madre de Dios in Peru, which was categorized by the applicant as an E&S risk Category B project and approved by the Inter-American Development Bank in October 2017. The applicant provided examples of three additional projects whose E&S risk categorization was based on the respective donors' safeguard policies:

- (a) Strengthening sustainable management of the Guano islands, islets and in the Capes National Reserve System approved by the Global Environment Facility and World Bank in 2013 (E&S risk Category B);
- (b) Adaptation to the impacts of climate change on Peru's coastal marine ecosystem and fisheries approved by the AF in 2016 (E&S risk Category B); and
- (c) Building the resilience of wetlands in the province of Datem del Marañón, Peru approved by the GCF in 2016 (GCF E&S risk Category C).

34. For the above three projects, the E&S risk categorization was undertaken by the applicant in accordance with the applicable donor's policies, and were found by the AP to be consistent with the E&S risk categorization process under the applicant's ESGP and operations manual.

35. The applicant's DDS has previous experience in the development of environmental and social risk and impact assessments and ESMPs. These experiences were the basis for the applicant in developing its ESGP operations manual. The applicant's E&S risk identification and categorization process is found by the AP to meet GCF requirements for a maximum E&S risk Category B/I-2 projects/programmes.

### 3.2.3 Section 6.3: Management programme

36. The applicant's E&S operations manual describes its institutional process for managing mitigation measures and actions stemming from the E&S risk identification process provided, distinguishing between different categories of risk. This stage includes the preparation of an ESMP based on the identification and evaluation of impacts and risks (identified in the first stage described in section 3.2.2 above). This stage introduces the specific environmental and social control measures aimed at preventing, mitigating and/or correcting the identified adverse impacts that may affect or harm biological diversity (ecosystems, species and genes), ecosystem services, scenic beauty, cultural heritage, people's health as well as the Andean peasant and Amazon indigenous communities and native people's systems and lifestyles. The ESMP reflects the assessment of each of the activated ESGP principles identified in the prior stages, and lays down timely prevention and mitigation measures to manage potential adverse impacts. The ESMP also includes a procedure to identify and manage unforeseen impacts, to be activated during the programmes/projects execution stage. For programmes/projects incorporating several subprojects, in which the activities, exact location or size have not yet been identified, an ESMF is prepared.

37. Before adoption of the ESGP principles, the applicant had already gained experience in implementing the World Bank Environmental and Social Safeguards in the project on strengthening biodiversity conservation through the national protected areas programme invoking the World Bank's operational policies OP 4.12 on involuntary resettlement, OP 4.04 on natural habitats, and OP. 4.10 on indigenous peoples. These operational policies are equivalent to performance standards 5, 6 and 7, respectively, of the GCF interim ESS. The applicant also provided the ESMPs for the three projects mentioned in section 3.2.2 above, as evidence of its

track record in implementing mitigation measures for a project's potential environmental and social risks.

38. The applicant's obligation to conduct an external audit every five years to assess the applicant's performance and compliance with its ESGP at the institutional level has been included in its E&S operations manual. The applicant confirmed that it will update the external auditor's ToRs to include an assessment on the effectiveness of its institutional management programme on E&S matters. The applicant also plans to conduct an annual audit for 2018 by a certified auditor as part of the applicant's annual audit, which will focus on compliance with the E&S procedure established in the operations manual. The audit report is expected to be available in 2019. The E&S risk management function is found by the AP to meet GCF requirements for a maximum E&S risk Category B/I-2 projects/programmes.

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

39. The applicant provided its institutional organizational structure wherein key units, departments, senior and line management personnel who are responsible for implementing the ESMS, along with their authority and reporting lines, is identified. The applicant's DDS is responsible for ensuring the best technical use of resources invested in all programmes and projects, through technical follow-ups and monitoring. This DDS also oversees the ESGP compliance in all programmes and projects implemented by the applicant. For this purpose, it has designated one of its programme officers as safeguard expert specialized on environmental management in biodiversity conservation and climate change projects. A brief biodata of this professional, as well as two examples of ESMPs done by this professional were provided. The applicant also provided biodata of its E&S specialists. The applicant engages external consultants specialized on safeguards; the first pool of these consultants was established in 2016. The applicant provided a list of these consultants and their terms of reference as well as sample of work done by one of the consultants.

40. The applicant conducted two training workshops addressed to its technical staff, project's coordination teams and a selected pool of specialists in environmental and social safeguards and gender approach. The first workshop was financed by Deutsche Gesellschaft für Internationale Zusammenarbeit in 2016 and the second one was financed by the AF in 2017. The AP found that the applicant's organizational capacities and competencies to implement its ESGP are appropriate, including for projects/programmes that are categorized as maximum E&S risk Category B/I-2 projects/programmes.

#### 3.2.5 **Section 6.5: Monitoring and review**

41. The applicant's ESGP operations manual describes its monitoring/supervision, evaluation, and reporting procedure that instructs staff on how to systematically track completion of mitigation and performance improvement measures, including roles and responsibilities. Every programme/project implemented by the applicant includes a plan to monitor and measure E&S risk mitigation measures according to the ESGP. Monitoring is carried out throughout the programme/project's execution by the programme/project coordination team. The team carries out evaluations every six months, which are reported in the applicant's management every six months. Both reports introduce the corrective measures that are required to guide the programme/project towards the accomplishment of its stated objectives. The mid-term and final external evaluations of safeguard's performance are carried out for each project which are sent to the donors for their no-objection.

42. The applicant has prepared a number of templates to follow up the implementation of each of the ESGP principles and further detailed in the corresponding annexes in the ESGP. These templates help to simplify and standardize analysis, implementation, monitoring and evaluation tasks by the programmes/projects coordination teams and the DDS team. The templates also contribute to review all the elements necessary for compliance with ESGP

activated in each programme/project, and also for monitoring and evaluating the latter's performance.

43. The DDS evaluates the programme/project's environmental and social performance, so as to comply with all ESGPs. To carry out such oversight and evaluation tasks, the DDS appoints a safeguard specialized professional and external advisors specialized in environmental and social safeguards, so that all standards required by the ESGPs are fully complied with.

44. The applicant provided the 2015 and 2016 annual safeguards performance monitoring reports for the World Bank financed project mentioned earlier, which were sent to the World Bank as part of the annual management reports, prepared by the project coordination team with support of the DDS. The applicant also provided examples of project's final evaluation reports addressing safeguards performance. The AP found the applicant's monitoring and reporting process sufficient for a maximum E&S risk Category B/I-2 projects/programmes.

### 3.2.6 **Section 6.6: External communications**

45. The applicant's website has an online form that allows users to make suggestions, queries, information requests and complaints regarding any matter. The form is automatically sent to the administration and finance director and the DDS, who have a time limit of three days to reply. E-mail records are kept in the applicant's central server. Monthly backups are done so that e-mail exchanges through these accounts are registered for historical verification. The same online forms to register inquiries or complaints will be used for GCF-funded activities.

46. The first principle in the ESGP states, "evaluation and management of environmental and social impacts and risks", all programmes/projects to be implemented by the applicant must have a complaints and suggestions management mechanism. The specific guidelines to develop this mechanism are described in an annex of the E&S operations manual. As an example of the implementation of this procedure, for the project on mitigating deforestation in Brazil nut concessions in Madre de Dios, Peru, a field notebook was produced and distributed among the beneficiaries which contained, among other items, a mechanism for receiving complaints and suggestions form. The applicant indicated that for the period of 2015 to 2017 it has not received any inquiries or complaints.

47. The E&S operations manual requires that a consultation and participation plan is prepared, including a schedule for visits to the project's intervention areas, with dates for the various consultation and participation process stages. In addition, it includes a description of the procedures for summoning stakeholders and the institution's functions during the consultation.

48. The ESGP guidelines require the applicant and its executing entities to publish on their websites the environmental and social impact assessment as well as the ESMP and ESMF of the programmes/projects, at least 40 days in advance to its submission of the project document to the applicant's board. This exceeds the time requirement in the GCF Information Disclosure Policy (IDP), particularly for projects of E&S Category B/I-2, wherein the required disclosure period is 30 days. As the applicant was accredited for E&S risk Category C/I-3 by the GCF, it has not had the opportunity to disclose E&S information following its own ESGP for GCF projects/programme. However, the applicant provided evidence to demonstrate that in order to obtain approval for the project titled *Securing the Future of Peru's Natural Protected Area*, financed by the Global Environment Facility through the World Wildlife Fund – United States, the applicant had disclosed the project's ESMF on its website for 40 days before its board's approval.

49. The requirement for projects implemented by the applicant or projects executed by its executing entities to have a grievance redress mechanism (GRM) in its projects is stated in the first policy principle of the ESGP, assessment and management of environmental and social impacts and risks. In addition, the applicant's operations manual also describes this GRM

requirement. The applicant provided an example of a project indicating the applicant's practice on establishing GRMs at the project level.

50. The AP found that the applicant's system of external communication is sufficient for a maximum E&S risk Category B/I-2 projects/programmes.

## IV. Conclusions and recommendation

### 4.1 Conclusions

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

- (a) The applicant partially meets the requirements of the GCF specialized fiduciary standard for grant award and/or funding allocation mechanisms. In order to fully meet this specialized fiduciary standard the applicant must provide evidence of effective implementation of the grant award procedures it has developed; and
- (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).

### 4.2 Recommendation on accreditation

52. The AP recommends, for consideration by the Board, PROFONANPE for an upgrade in its accreditation type, as originally accredited in decision B.09/07, paragraph (a)(ii), as follows:

- (a) **Accreditation type:**
  - (i) **Fiduciary functions:**
    - 1. Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
  - (ii) **Maximum environmental and social risk category:** medium risk (Category B/I-2) (including lower risk (Category C/I-3<sup>9</sup>)); 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) Conditions to be met on an annual basis for three consecutive years starting from the date of the first disbursement by the GCF for the first approved project/programme that has a grant award and/or funding allocation mechanism to be undertaken by the applicant:
    - 1. Provision by the applicant of an attestation letter issued by an external auditor which certifies that no duplication of grants awarded for the same activity has occurred, and that no retroactive grant award has been made for activities under implementation or completed at the time of application for the grant by the grant proponent; and
    - 2. Provision by the applicant of an attestation letter issued by an external auditor which certifies that the applicant has complied with the grant

<sup>9</sup> 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".

award guidelines established in its project procedures manual adopted in 2016, including procedures on the disclosure of material non-compliance.

53. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 52 above, and agrees to the recommendation.

