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CLIMATE
FUND**

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11 March 2020

Consideration of accreditation proposals

Summary

This document presents an overview of accreditation progress up to 31 January 2020; 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, including already accredited entities seeking upgrades in their accreditation scope;
 - (b) Relationship management of accredited entities (AEs); and
 - (c) Preparing for the re-accreditation process.
3. In addition to the above, the Secretariat supports the work of the Accreditation Committee and the Accreditation Panel (AP).
4. This document presents an overview of accreditation progress up to 31 January 2020. 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.25/13 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) “Matters related to the accreditation framework” regarding the re-accreditation process (decision B.24/13);
 - (d) “Anti-Money Laundering and Countering the Financing of Terrorism Policy” (decision B.18/10);
 - (e) “Standards for the Implementation of the Anti-Money Laundering and Countering the Financing of Terrorism Policy” (decision B.23/15);¹

¹ Decision B.23/15, paragraph (b), requested the Accreditation Committee, in consultation with the Head of the Independent Integrity Unit, to consider the best way to integrate the Anti-Money Laundering and Countering the Funding of Terrorism Policy in the interim fiduciary standards and present to the Board a proposal for its

- (f) “Policy on the protection of whistleblowers and witnesses” (decision B.BM-2018/21);
- (g) “Policy on Prohibited Practices” (decision B.22/19);²
- (h) “Environmental and Social Management System: Environmental and Social Policy” (decision B.19/10);
- (i) “Updated Gender Policy and Action Plan 2020–2023” (decision B.24/12);³
- (j) “Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment” (decision B.23/16);⁴
- (k) “Board decisions without a Board meeting: Implementation matters relating to the GCF’s obligations under the Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment” (decision B.25/02);⁵
- (l) “Assessment, including gap analysis, of institutions accredited by other relevant funds” (decision B.08/03);
- (m) “Country programming, readiness and preparatory support” (decision B.13/32);
- (n) “Application documents for submissions of applications for accreditation” (decision B.08/06);
- (o) “Policy on fees for accreditation” (decision B.08/04);
- (p) “Revised policy on fees for accredited entities” (decision B.19/09);
- (q) “Comprehensive information disclosure policy of the Fund” (decision B.12/35);
- (r) “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, B.18/05, B.21/16, B.22/09, B.23/13 and B.24/11);
- (s) “Legal and formal arrangements with accredited entities” (decision B.09/08);
- (t) “Accreditation master agreements” (decisions B.12/31 and B.23/15, paragraph (d));
- (u) “Strategic plan for the Green Climate Fund” (decision B.12/20);
- (v) “Strategy on accreditation” (decisions B.13/19 and B.14/08);
- (w) “Matters related to the accreditation framework and policy gaps: Co-Chairs’ proposal (decision B.18/04);
- (x) “Further development of the accreditation framework” (decision B.19/13);

consideration in 2019 as a matter of urgency. A proposal on integration has yet to be presented to the Board for its consideration.

² This replaces the “Interim Policy on Prohibited Practices” (Exhibit A of the accreditation master agreement considered in decision B.12/31).

³ This replaces the “Gender policy and action plan” (decision B.09/11).

⁴ As per decision B.23/16, paragraph (b), the Board requested the Accreditation Committee, in consultation with the Head of the Independent Integrity Unit, to consider the best ways to update and amend, as appropriate, the requirements placed on accredited entities in the relevant standards, safeguards and policies of the GCF so as to integrate the obligations set out in this Policy, including, but not limited to, the: (i) Initial basic fiduciary standards, pursuant to decision B.07/02, paragraph (b); (ii) Environmental and social safeguards, pursuant to decision B.07/02, paragraph (d), and decision B.19/10, paragraph (c), as relevant; and (iii) Gender Policy and Gender Action Plan pursuant to decision B.09/11, paragraphs (a)–(b); and present to the Board for its consideration such updates and amendments no later than the twenty-fourth meeting of the Board as a matter of urgency.

⁵ This decision was taken on 11 March 2020 at the twenty-fifth meeting of the Board. The final decision number will be finalized upon publication of the “Compendium of decisions of the twenty-fifth meeting of the Board”.

- (y) “Accreditation framework review, including the project specific framework approach” (document GCF/B.20/17);
- (z) “Accreditation framework review” (decision B.22/16);
- (aa) “Updated accreditation framework” (decision B.23/11); and
- (bb) “Strategy to increase funding proposals from direct access entities” (document GCF/B.20/04).

IV. Overview of the pipeline of applicant entities

7. The Governing Instrument for the GCF states that access to GCF resources for projects and programmes will be through national, regional and international implementing entities accredited by the Board.⁶ AEs may be implementing entities and/or intermediaries. Having a diversity of AEs can provide recipient countries with a choice of partners to meet their needs and priorities. GCF and its network of partners, particularly AEs, are responsible for the delivery of financing to developing countries to meet internationally agreed climate goals at scale while also meeting GCF standards and safeguards.

8. The accreditation type of the AE – specifically the financing size category, financing modality (e.g. managing projects, awarding grants, on-lending, providing guarantees and/or undertaking equity investments) and its environmental and social (E&S) risk category – governs the maximum scope within which the AE can submit a funding proposal for a project/programme. Once accredited, AEs may submit funding proposals that fall within their accreditation scope (e.g. financing size category, fiduciary functions and E&S risk category) for consideration by GCF.

9. GCF relies on the primary due diligence and the risk assessments performed by AEs.⁷ AEs are responsible for the overall management, implementation and supervision of activities financed by GCF and are expected to administer funds disbursed with the same degree of care as they use in the administration of their own funds. This includes management and oversight of executing entities.

4.1 Status of applications for accreditation

10. Since the opening of the call for accreditation applications on 17 November 2014 and up to 31 January 2020, 56 AEs have fully completed the accreditation process by having a signed and effective accreditation master agreement (AMA).⁸ An additional 15 entities have signed AMAs that are yet to become effective to complete the accreditation process, and a further 24 have been approved by the Board to be accredited, for which AMAs are in progress. Altogether, the Board has decided to accredit 95 entities.

11. The Secretariat continues to work closely with entities throughout the stages of accreditation, particularly those that are in Stage I, institutional assessment and completeness check by the Secretariat, or Stage II (Step 1), AP review. The Secretariat is increasingly focusing on providing guidance on the role and responsibilities of AEs and the accreditation process to assess entities’ institutional capabilities for such a role while meeting GCF standards. Such early engagement takes place prior to and during issuance of accounts to the online accreditation

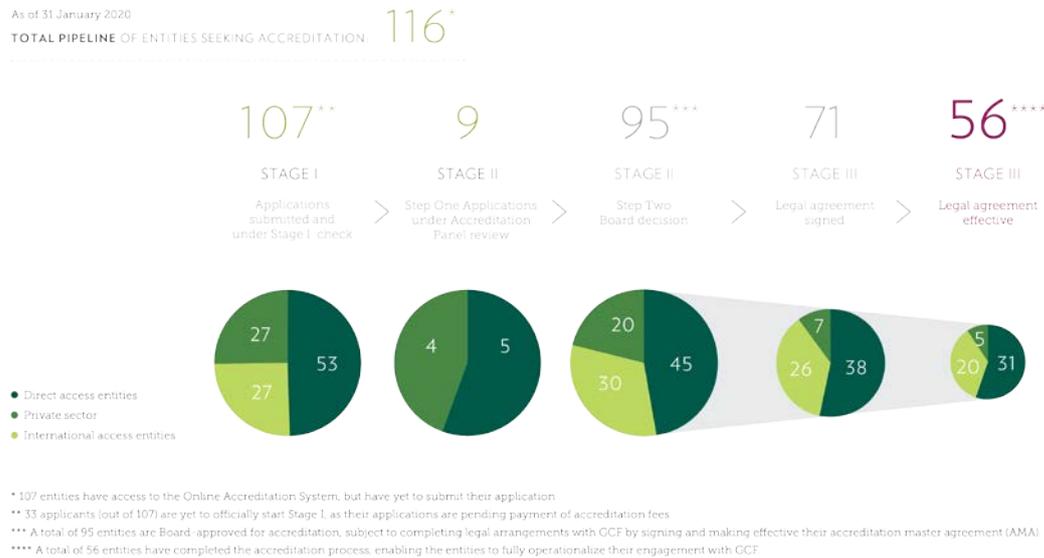
⁶ Paragraph 45 of the Governing Instrument.

⁷ Annex XXVII to decision B.12/31.

⁸ Decision B.23/11, paragraph (a).

system (OAS),⁹ the web-based portal through which applicants submit their accreditation applications,¹⁰ as well as during preparation of invoices for accreditation fees, which are linked to the accreditation criteria an entity is seeking. The distribution of accreditation applications received as at 31 January 2020 is available on the GCF website¹¹ and is summarized in figure 1.

Figure 1: Status of accreditation applications (as at 31 January 2020)



Abbreviation: OAS = online accreditation system.

12. A pipeline of 116 entities have submitted accreditation applications (including active and inactive) on the OAS. Of these, 9 applications are under the Stage II (Step 1) AP review (including those entities being recommended at the twenty-fifth meeting of the Board (B.25)) and 74 applications are under Stage I. A further 33 entities have submitted an application but have yet to pay accreditation application fees in order to begin Stage I.

13. In addition to the entities that have submitted applications, 107 entities have access to the OAS but have yet to submit their application.

14. The submitted applications received to date reflect considerable diversity in terms of geographical representation, the type of activities to be undertaken using GCF resources if accreditation is approved, the type of accreditation being sought (e.g. project/programme activity size, fiduciary function and E&S risk category) and whether they are from the public or the private sector.

15. In addition to applications for accreditation, nine applications from AEs to upgrade their accreditation types were received between 17 November 2014 and 31 January 2020, of which six upgrades were approved by the Board.¹² The remaining three entities comprise two direct access AEs and one international access AE: one direct access AE is in Stage II (Step 1) and is presented to the Board for consideration at B.25; the other two AEs are in Stage I. The AEs are seeking to upgrade their accreditation type for increased size categories, additional fiduciary

⁹ Available at <<https://accreditation.gcfund.org/>>.

¹⁰ In decision B.07/02, paragraph (o), the Board requested the AP, in collaboration with the Accreditation Committee and the Secretariat, to report annually to the Board on the status of applications for accreditation.

¹¹ The number of entities at each stage is updated on a monthly basis and is available at <<https://www.greenclimate.fund/accreditation>>. Monthly information is available from 30 September 2015 onward.

¹² Decision B.15/09, paragraph (f), decision B.18/05, paragraph (d), decision B.21/16, paragraph (d), decision B.22/09, paragraph (d) and decision B.23/13, paragraphs (d) and (e).

functions (e.g. grant award and/or funding allocation mechanisms) and higher E&S risk categories.

16. Figure 2 shows the geographical coverage for national and regional entities nominated for accreditation by national designated authorities (NDAs) and focal points, of which 56 direct access entities have been accredited by the Board. A total of 73 direct access entities are in the accreditation pipeline having submitted an application, of which 7 are in Stage II (Step 1) AP review, 44 are in Stage I and 22 have yet to commence the Stage I review pending payment of accreditation fees.

17. Thirty-seven direct access entities have received support through the Readiness and Preparatory Support Programme (Readiness Programme) to prepare for accreditation, of which 20 have completed such support and submitted an accreditation application. Of these, 8 entities have been accredited by the Board and an additional 12 are in Stage I in the pipeline. The Secretariat has committed USD 1,294,756 to strengthen direct access applicants through a gap analysis and action plan and USD 241,990 and EUR 21,660 to strengthen direct access applicants' E&S safeguard capacities vis-à-vis GCF accreditation E&S requirements.

Figure 2: Direct access entities nominated for accreditation (as at 31 January 2020)

ACCREDITATION STATE OF PLAY DIRECT ACCESS ENTITIES

As of 31 January 2020



Abbreviations: LAC = Latin America and the Caribbean, NDA/FP = national designated authority or focal point, OAS = online accreditation system.

18. 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, the workload from the growing pipeline of applicants and the increase in new or amended GCF policies that affect accreditation. At the time of adopting the accreditation framework and the launch of the call for accreditation applications in 2014, entities were only to be assessed against fiduciary standards and E&S safeguards. Since then, 10 new policies or standards have been adopted that affected accreditation with immediate effect, prolonging the

accreditation process.¹³ This meant that assessments had to be re-opened so that entities could also be assessed against such new or amended policies and standards.

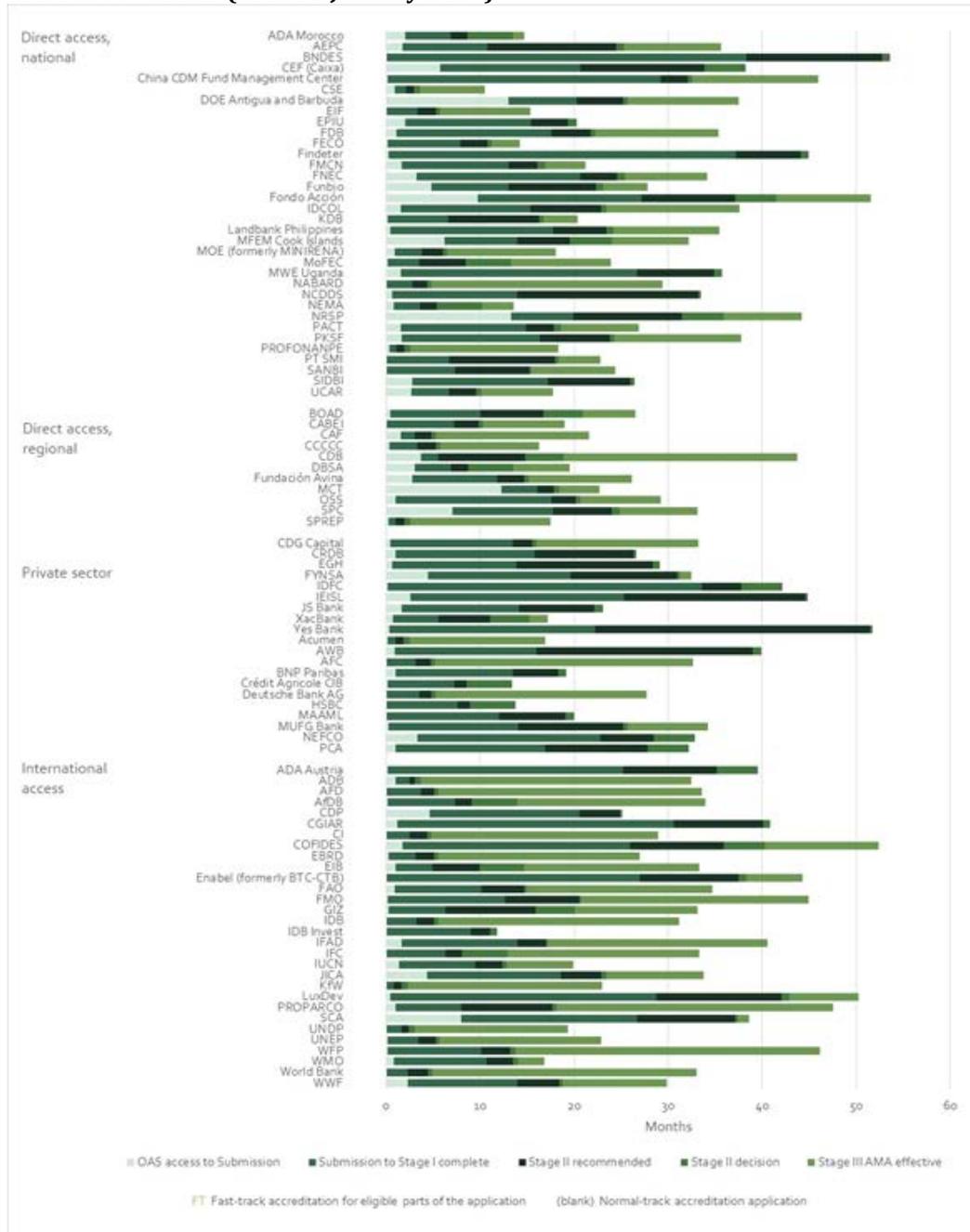
19. Based on the dates of key milestones and not accounting for actual active time spent by the applicants or GCF, from opening an OAS account to approval by the Board, it took 20.3 months on average to accredit the 95 AEs – noting that 47 of them were fast-tracked and 48 were normal-tracked (see figure 3). This includes an average time frame for application review by the Secretariat and the AP and responses by applicants of 18.8 months; however, the active time for review per application is significantly shorter.¹⁴ There is an increasing number of applications under the normal-track accreditation process and an increase in 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.

¹³ “Gender policy and action plan” (decision B.09/11); “Updated Gender Policy and Action Plan 2020–2023” (decision B.24/12); “Accreditation master agreements” including, in Exhibit A of the template AMA, the General Principles on Prohibited Practices (decision B.12/31); “Policy on Prohibited Practices” (decision B.22/19); “Anti-Money Laundering and Countering the Financing of Terrorism Policy” (decision B.18/10); “Policy on the Protection of Whistleblowers and Witnesses” (decision B.BM-2018/21); “Environmental and Social Management System: Environmental and Social Policy” (decision B.19/10); and “Comprehensive information disclosure policy of the Fund” (decision B.12/35). The Board has also adopted “Standards for the Implementation of the Anti-Money Laundering and Countering the Financing of Terrorism Policy” (decision B.23/15). In paragraph (b) of the same decision the Board requested the Accreditation Committee, in consultation with the Head of the Independent Integrity Unit, to consider the best way to integrate the Anti-Money Laundering and Countering the Finance of Terrorism Policy into the interim fiduciary standards and present to the Board a proposal for its consideration in 2019 as a matter of urgency. A proposal on integration has yet to be presented to the Board for its consideration. In addition, the Board has adopted the “Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment” (decision B.23/16). In paragraph (b) of this decision the Board requested the Accreditation Committee, in consultation with the Head of the Independent Integrity Unit, to consider the best way to update and amend, as appropriate, the requirements placed on AEs in the relevant standards, safeguards and policies of the GCF so as to integrate the obligations set out in the policy. A proposal on the update or amendment has yet to be presented to the Board for its consideration.

¹⁴ Refer to figure 27 in annex IV to document GCF/B.20/17. Based on a sample of 77 AEs at the time of the independent review, it was found that an application in Stage I is with the entity 57 per cent of the time and 43 per cent with the Secretariat, of which 3 per cent is active time to review the application.



Figure 3: Time frame from online accreditation system access to accreditation for the 88 accredited entities (as at 31 January 2020)



Abbreviations: Acumen = Acumen Fund, Inc., ADA Austria = Austrian Development Agency, ADA Morocco = Agency for Agricultural Development of Morocco, ADB = Asian Development Bank, AEP = Alternative Energy Promotion Center, AFC = Africa Finance Corporation, AFD = Agence Française de Développement, AfDB = African Development Bank, AWP = Attijariwafa Bank, BNDES = Banco Nacional de Desenvolvimento Econômico e Social, BNP Paribas = BNP Paribas S.A., BOAD = Banque Ouest Africaine de Développement (West African Development Bank), CABEL = 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., CDP = Cassa Depositi e Presittiti - Società per Azioni, CEF = Caixa Econômica Federal, China CDM Fund Management Center = China Clean Development Mechanism Fund Management Center, CI = Conservation International Foundation, COFIDES = Compañía Española de Financiación del Desarrollo S.A. S.M.E., Crédit Agricole CIB = Crédit Agricole Corporate and Investment Bank, CRDB = CRDB Bank Public Limited Company, 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, EGH = Ecobank Ghana Limited, EIB = European Investment Bank, EIF = Environmental Investment Fund of Namibia, Enabel = Enabel - Belgian Development Agency, EPIU = Environmental Project Implementation

Unit of the Ministry of Nature Protection of the Republic of Armenia, FAO = Food and Agriculture Organization of the United Nations, FECO = Foreign Economic Cooperation Office, Ministry of Environmental Protection of China, FDB = Fiji Development Bank, Findeter = Financiera De Desarrollo Territorial S.A., FMCN = Fondo Mexicano para la Conservación de la Naturaleza A.C., FMO = Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V., FNEC = National Fund for the Environment of Benin, Fondo Acción = Fondo para la Acción Ambiental y la Niñez, Funbio = Fundo Brasileiro para a Biodiversidade, FYNSA = Finanzas Y Negocios Servicios Financieros Limitada, GIZ = Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, HSBC = HSBC Holdings plc and its subsidiaries, IDB = Inter-American Development Bank, IDB Invest = Inter-American Investment Corporation, IDCOL = Infrastructure Development Company Limited, IDFC Bank = IDFC Bank Limited, IEISL = IL&FS Environmental Infrastructure and Services Limited, IFAD = International Fund for Agricultural Development, IFC = International Finance Corporation, IUCN = International Union for Conservation of Nature, JICA = Japan International Cooperation Agency, JS Bank = JS Bank Limited, KDB = Korea Development Bank, KfW = Kreditanstalt für Wiederaufbau, LandBank = LandBank of the Philippines, LuxDev = Luxembourg Agency for Development Cooperation, MAAML = Macquarie Alternative Assets Management Limited, MCT = Micronesia Conservation Trust, MFEM, Cook Islands = Ministry of Finance and Economic Management of the Cook Islands, MOE (formerly MINIRENA) = 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, MWE, Uganda = Ministry of Water and Environment of Uganda, MUFG Bank = MUFG Bank, Ltd. (formerly Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU)), NABARD = National Bank for Agriculture and Rural Development, NCDDES = National Committee for Sub-National Democratic Development Secretariat, NEFCO = Nordic Environment Finance Corporation, NEMA = National Environment Management Authority of Kenya, NRSP = National Rural Support Programme, OAS = online accreditation system, OSS = Sahara and Sahel Observatory, PACT = Protected Areas Conservation Trust, Pegasus (PCA) = Pegasus Capital Advisors, 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, SCA = Save the Children Australia, SIDBI = Small Industries Development Bank of India, SPC = Pacific Community, 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, Yes Bank = Yes Bank Limited.

4.2 Implementing the prioritization of entities

20. In decision B.24/11, paragraph (e), the Board, recalling decision B.21/16, paragraph (e), decided that its future accreditation decisions should aim to bring forward AEs that fill the mandate consistent with the Governing Instrument on balance, diversity and coverage and advance the objectives of GCF, and to that end, also decided to prioritize a list of entities up to the end of B.25.

21. Since 20 October 2018 (date of decision B.21/16) and up to 31 January 2020, the Secretariat has progressed 10 new entities from Stage I to Stage II, 8 of which are direct access entities. Among these, 5 direct access entities are from countries that do not yet have an AE. In addition, the Secretariat has progressed three direct access AEs seeking to upgrade their accreditation scope from Stage I to Stage II (Step 1).

22. The application by the Secretariat and the AP of decision B.24/11 and previous Board decisions¹⁵ on prioritization has resulted in the following:

- (a) Thirty-eight of the 54 entities (70 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 14 are private sector entities;
- (b) Thirty-eight of the 53 entities (72 per cent) that have completed Stage I are direct access entities. This includes five entities since decision B.21/16, paragraph (e)(i), that would be the first direct access entities accredited and/or to be accredited for their respective

¹⁵ In addition to decision B.24/17, paragraph (e), this includes decisions B.14/08, paragraph (d), B.18/04, paragraph (c), B.19/13, paragraph (c), B.21/16, paragraph (e), and B.23/11, paragraph (b).

countries. Seventeen of the 53 entities (32 per cent) are private sector entities, of which 11 are direct access and 6 are international access entities; and

- (c) Regarding requests for proposals:
- (i) Thirteen of the 14 entities (93 per cent) that have submitted concept notes or funding proposals to GCF in response to the request for proposals for a pilot phase of enhancing direct access are accredited. Out of the 13 entities, 7 (54 per cent) were accredited after the adoption of prioritization decision B.14/08. The remaining one direct access entity not yet accredited is in Stage I review;
 - (ii) Out of the 30 shortlisted proposals in response to the request for proposals for the micro, small and medium-sized enterprise pilot programme, 17 projects (57 per cent) came from an AE. Of the remaining 13 projects, 3 entities (23 per cent) have been accredited following decision B.14/08 and the other entities have yet to request an OAS account or to submit their application for accreditation; and
 - (iii) Out of the 30 shortlisted proposals in response to the request for proposals for mobilizing funds at scale, 17 projects (57 per cent) currently have an entity that is accredited. Of those 17 projects, 7 out of 15 accredited entities (47 per cent) were accredited after the adoption of prioritization decision B.14/08. The remaining 13 projects have entities that either have yet to request an OAS account or have yet to submit an application for accreditation.

23. 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, structured dialogue events and discussions on a rolling basis, the Secretariat is working with NDAs and focal points to identify entities that may be nominated to seek accreditation to GCF.

4.3 Accelerating direct access

24. 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 218 direct access entities nominated by the NDAs or focal points of 92 countries in four regions throughout the application process, including via conference calls;
- (b) Providing institutional gap assessments for 37 direct access entities nominated by 48 countries from different geographical/regional areas seeking accreditation and action plans based on the gap assessments to address any identified gaps;
- (c) Using an online accreditation self-assessment tool¹⁶ 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 January 2020, 1,808 users, including NDAs/focal points considering nominating entities and entities themselves, had completed the questionnaire; and

¹⁶ The tool, developed with Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH and the World Resources Institute, is available at <<https://www.greenclimate.fund/how-we-work/getting-accredited/self-assessment-tool>>.

- (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.
25. Regarding the pre-accreditation support to the entities indicated in paragraph 24(b) above, as at 31 January 2020:
- (a) In-depth institutional assessments against GCF standards and action plans had been completed for 32 entities nominated by 44 countries. Of these:
- (i) Twenty entities have submitted their accreditation applications, of which:
1. Eight entities (Caixa Econômica Federal, Central American Bank for Economic Integration, Fondo para la Acción Ambiental y la Niñez, Micronesian Conservation Trust, National Committee for Sub-National Democratic Development Secretariat, National Fund for the Environment of Benin, the National Rural Support Programme and the Pacific Community) have been accredited; and
 2. Twelve entities are in Stage I; and
- (ii) In addition, the other 12 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 under way for the remaining five entities.
26. 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 four entities that 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, E&S safeguards support has been completed for three entities currently in Stage II and Stage I. This support is under way for a fourth entity.

V. Overview of the portfolio of accredited entities

27. The Board has accredited 95 entities through decisions B.09/07, B.10/06, B.12/30, B.14/10, B.14/11, B.15/09, B.17/13, B.18/05, B.21/16, B.22/09, B.23/13 and B.24/11. Out of the 95 entities accredited by the Board, 56 have fully completed the accreditation process to become AEs by having signed and effective AMAs. 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 II. 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.¹⁷

¹⁷ Available at <<http://www.greenclimate.fund/how-we-work/tools/entity-directory>>.

Table 1: Range of options for countries to partner with GCF accredited entities per region: the number of accredited entities in each type of capacity (cumulative, as at 31 January 2020)

Region	Fiduciary functions ^a					E&S risk category ^a			Size of an individual project or activity within a programme ^b	
	Project management ^c	Providing grants, including through grant award and/or funding allocation ^d	Blended finance			C/ I-3	B/ I-2	A/ I-1	Micro and small	Medium and large
			Loans	Equity	Guarantees					
AF	48	31	30	23	26	53	46	21	53	34
AP	53	35	35	25	25	57	48	20	57	36
EE	28	18	19	15	16	30	27	16	30	23
LAC	51	41	31	23	25	52	44	22	53	33
LDCs	50	36	29	21	22	53	45	21	53	31
SIDS	44	33	27	22	22	45	38	21	45	30

Abbreviations: AF = Africa, AP = Asia Pacific, EE = Eastern Europe, E&S = environmental and social, LAC = Latin America and the Caribbean, LDCs = least developed countries, SIDS = small island developing States.

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

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

^c 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>. 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.

^d 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>. 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.

28. As the portfolio of AEs grows, further entity relationship 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 GCF, developing and operationalizing the entity work programmes (EWP), support in further developing institutional capacities, including but not limited to addressing accreditation conditions through the Readiness Programme, reaching legal arrangements (i.e. AMAs), monitoring institutional-level requirements under the monitoring and accountability framework (MAF) and supporting the re-accreditation process.

29. The Secretariat continues to follow up with AEs on accreditation 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 detailed status of AEs addressing their conditions is contained in the “Status of the fulfilment of accreditation conditions” (document GCF/B.25/13/Add.01), which is reported to the Board for information purposes in accordance with decision B.10/06, paragraph (e).

30. 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 January 2020, 71 signed AMAs were available on the GCF website, of which 56 are effective, indicating that those entities have fully completed the accreditation process.¹⁸ Further details are contained in the limited distribution document GCF/B.25/Inf.07/Add.01 titled "Status of accreditation master agreements and funded activity agreements".¹⁹

5.1 Entity work programmes

31. The Secretariat is continuing to work with 95 AEs to update or develop their EWP. As at 31 January 2020, a total of 66 EWPs in either the old or the new template have been received from 37 direct access entities and 29 international access AEs. The Secretariat is continuing to engage with AEs on the EWPs, including through AEs visiting GCF Headquarters and visits to the AEs.

32. AEs are continuing to develop or update their EWPs on a periodic basis.

5.2 Support for accredited direct access entities

33. The Secretariat has continued to provide support for accreditation and direct access AEs via the Readiness Programme, in line with the outcomes and objectives contained in annex IV to decision B.22/11, paragraph (f). The Secretariat is also continually assessing the demand for readiness support as identified by NDAs/focal points through country programming and by AEs in their EWPs. Further details on the EWPs is contained in section 5.1 above.

¹⁸ Available at <<https://www.greenclimate.fund/accreditation/documents>>. AMAs have been signed with Acumen Fund, Inc., Agency for Agricultural Development of Morocco, Asian Development Bank, Alternative Energy Promotion Centre, Africa Finance Corporation, Agence Française de Développement, African Development Bank, Banque Ouest Africaine de Développement, Central American Bank for Economic Integration, Corporación Andina de Fomento, Caribbean Community Climate Change Centre, Caribbean Development Bank, CDG Capital S.A., China Clean Development Mechanism Fund Management Center, Compañía Española de Financiación del Desarrollo, Conservation International Foundation, Centre de Suivi Ecologique, Development Bank of Southern Africa, Department of Environment of Antigua and Barbuda, Deutsche Bank Aktiengesellschaft, Enabel - Belgian Development Agency (formerly Belgian Technical Cooperation - Cooperation Technique Belge), European Bank for Reconstruction and Development, European Investment Bank, Environmental Investment Fund of Namibia, Fiji Development Bank, Finanzas Y Negocios Servicios Financieros Limitada, Food and Agriculture Organization of the United Nations, Foreign Economic Cooperation Office, Fondo Mexicano para la Conservación de la Naturaleza A.C., Fonds National pour L'Environnement, Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V., Fondo para la Acción Ambiental y la Niñez, Fundo Brasileiro para a Biodiversidade, Fundación Avina, Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH, Inter-American Development Bank, Infrastructure Development Company Limited, International Fund for Agricultural Development, International Finance Corporation, International Union for Conservation of Nature, Japan International Cooperation Agency, Korea Development Bank, Kreditanstalt für Wiederaufbau, Landbank of the Philippines, Luxembourg Agency for Development Cooperation, Micronesia Conservation Trust, Ministry of Environment of Rwanda (formerly, Ministry of Natural Resources of Rwanda), Ministry of Finance and Economic Management of the Cook Islands, Ministry of Finance and Economic Cooperation of the Federal Democratic Republic of Ethiopia, MUFG Bank, Ltd. (formerly Bank of Tokyo-Mitsubishi UFJ, Ltd.), National Bank for Agriculture and Rural Development, National Environment Management Authority of Kenya, National Rural Support Programme, Pacific Community, Sahara and Sahel Observatory, Save the Children Australia, Société de Promotion et de Participation pour la Coopération Economique, Palli Karma-Sahayak Foundation, Peruvian Trust Fund for National Parks and Protected Areas, Protected Areas Conservation Trust, PT Sarana Multi Infrastruktur, South African National Biodiversity Institute, Secretariat of the Pacific Regional Environment Programme, Unidad para el Cambio Rural (Unit for Rural Change) of Argentina, United Nations Development Programme, United Nations Environment Programme, World Food Programme, World Meteorological Organization, International Bank for Reconstruction and Development and International Development Association (World Bank), World Wildlife Fund, Inc. and XacBank LLC.

¹⁹ To be considered by the Board at B.25.

34. The Secretariat maintains a steady dialogue with all direct access AEs and continues to explore opportunities to provide further technical support to NDAs and direct access AEs for developing high-quality funding proposals.
35. The Secretariat visited the Development Bank of Southern Africa in November 2019. The aim of the visit was to discuss DBSA's current GCF engagement strategy and take stock of the status of implementation in its existing GCF portfolio, among other matters.
36. The Secretariat is also working with entities recently accredited to pilot a six-month on-boarding plan. Through this approach, the Secretariat aims to provide guidance to accelerate the ability of newly accredited direct access entities to complete their AMA negotiations, develop their EWPs, and prepare and submit funding proposals. As part of the plan, the Secretariat is also engaging with direct access entities on readiness support that may be needed, addressing accreditation conditions, and preparing and submitting Project Preparation Facility (PPF) applications. Regarding PPF, as at 31 January 2020, the Secretariat was working on a pipeline of 41 active PPF applications with no-objection letters from the NDAs/focal points. Out of these 41 applications, 27 have been approved. Among the 27 approved PPFs, 19 (70 per cent) are from direct access entities. The total approved amount for PPF applications was USD 17.58 million, of which USD 10.70 million had been disbursed. Of the 14 PPF applications not yet approved, 12 are pending their associated concept notes being strengthened and cleared as per GCF investment criteria to enable PPF support, and two are under PPF review and revision.
37. The Secretariat is currently providing technical assistance to 19 direct access entities to help them to strengthen their concept notes and associated PPF applications. Further details are contained in document GCF/B.25/Inf.05 titled "Status of the GCF pipeline, including the status of Project Preparation Facility requests".²⁰

5.3 Accredited entity monitoring and reporting

38. The accreditation process is considered complete upon the effectiveness of the AMA. Such date of effectiveness serves as the start date of the accreditation term for all entities accredited to GCF.²¹ The relevant institutional-level monitoring and reporting requirements will commence upon AMA effectiveness.

5.3.1 Monitoring and accountability framework: accredited entity level reporting

39. The MAF establishes the main monitoring and evaluation tools related to AEs on two levels:²²
- (a) AE compliance (section 1.1 of the MAF), addressing institutional requirements in relation to 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.
40. AE compliance comprises annual self-assessments, a midterm review and, if needed, ad hoc compliance reviews.
41. AEs that are entering into or are in the third year of their accreditation term will be requested to complete the midterm review. This midterm review will replace the annual self-assessment for the third year of the accreditation term.
42. In order to operationalize the MAF regarding institutional-level reporting, the Secretariat identified 33 AEs required to provide annual self-assessment for calendar year 2019

²⁰ To be considered by the Board at B.25.

²¹ Decision B.23/11, paragraph (a).

²² Decision B.11/10.

and 23 AEs required to undertake the midterm review. The Secretariat provided AEs with the relevant templates that have been developed in consultation with AEs, requesting them to submit the completed reports by 28 February 2020.

43. For both the annual self-assessment and the midterm review, based on the GCF fiduciary standards, E&S safeguards and gender policy assessed during accreditation, AEs are asked to self-assess whether any changes have occurred since accreditation or the latest institutional-level reporting to the GCF, to describe the nature of any changes or modifications identified, and to indicate how each change or modification impacts the status of accreditation and obligations of the AE as per the AMA.

44. The Secretariat will report to the Board on the outcomes of the annual self-assessment for calendar year 2019 and midterm review at the twenty-sixth meeting of the Board.

5.3.2. **International access entities strengthening the capacities of potential direct access entities for accreditation**

45. 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.

46. In line with their AMAs, 22 international access AEs are required to provide annual reports on the support they intended to provide (and the support provided) to direct access entities for calendar year 2019, due by 28 February 2020. The Secretariat provided the AEs with the relevant template. The Secretariat will report to the Board on the outcomes of this reporting at the twenty-sixth meeting of the Board.

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

47. 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).

48. Two new applicants (applicants 097 and 098) are to be presented by the AP for consideration for accreditation by the Board at B.25. They are national entities applying under the direct access modality (one of which will be the first direct access entity for its country while the other is a private sector entity).

49. In addition, one direct access AE, Palli Karma-Sahayak Foundation, based in Bangladesh, is recommended by the AP for an upgrade in its accreditation type.

50. 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 the GCF on the other. The new applicants are being recommended for various accreditation types:

- (a) One applicant is being recommended for micro-scale,²³ and the other for medium-scale²⁴ projects or activities within a programme;

²³ 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 Fund, of up to and including US\$ 10 million for an individual project or an activity within a programme”.

²⁴ 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 Fund, of above US\$ 50 million and up to and including US\$ 250 million for an individual project or an activity within a programme”.

- (b) Using resources to manage and implement projects in the case of one applicant, which is also being recommended for accreditation for grant award and/or funding allocation mechanisms, and the private sector applicant through on-lending and/or blending for loans and guarantees;
- (c) With capacities to manage projects/programmes with medium environmental and social risk (category B/intermediation 2 (I-2))²⁵ (two applicants); and
- (d) Both new applicants meet the gender requirements of GCF.

51. For each of the applicants – in cases where the applicant does not fully meet the requirements of GCF – the AP recommends conditions on how to address these aspects by improving or further developing their policies, procedures and competencies, for which technical support for direct access entities could be sought from GCF. The Secretariat and the AP have worked closely with the entities being recommended to minimize recommending entities with conditions. Nonetheless, 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 prior to the submission of the first funding proposal to GCF and prior to first disbursement by GCF for the first GCF-funded project/programme. Such conditions have been proposed related to E&S standards in order to strengthen the effectiveness of the applicants' E&S management and monitoring systems.

52. The AP also provides remarks to the applicants for their consideration to improve institutional systems.

53. The AP further provides additional information on the third-party information considered in the accreditation review.

54. At its twenty-third meeting, the Board adopted the Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment (the "SEAH Policy") in decision B.23/16, which expanded the Interim Policy's scope of applicability and introduced further obligations on the GCF Secretariat as well as new obligations on GCF Counterparties,²⁶ institutionally and in relation to Fund-related Activities.²⁷ The SEAH Policy requires that, through the accreditation (in respect of entities not yet accredited) and reaccreditation processes (in respect of entities already accredited), all Accredited Entities have effective policies and procedures in place to identify risks related to SEAH and protect against, report, prevent, detect, investigate, and remedy SEAH. As per decision B.23/16, paragraph (b), the Board requested the Accreditation Committee, in consultation with the Head of the Independent Integrity Unit, to consider the best ways to update and amend, as appropriate, the requirements placed on accredited entities in the relevant standards, safeguards and policies of the GCF so as to integrate the obligations set out in this Policy, including, but not limited to, the:

- (i) Initial basic fiduciary standards, pursuant to decision B.07/02, paragraph (b);
- (ii)

²⁵ 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".

²⁶ "Counterparty" is defined in the Policy as: any party that contributes to (meaning non-sovereign contributors and excluding governments with which GCF concludes agreements for the purpose of obtaining privileges and immunities), executes, implements, bids for, or in any way participates in Fund-related Activities, including receiving a grant, loan, or other form of financing or support from the Fund.

²⁷ "Fund-related Activity" is defined in the Policy as: any activity which is financed, administered, or supported by the Fund, either with its own resources or those of others, or any activity that materially affects or may affect or otherwise be relevant to the Fund.

Environmental and social safeguards, pursuant to decision B.07/02, paragraph (d), and decision B.19/10, paragraph (c), as relevant; and (iii) Gender Policy and Gender Action Plan pursuant to decision B.09/11, paragraphs (a)–(b); and present to the Board for its consideration such updates and amendments no later than the twenty-fourth meeting of the Board as a matter of urgency. The AP has also requested for a consultant with expertise in SEAH matters in order to support it in its review of accreditation applications against the SEAH Policy and the standards to be developed and considered by the Board. This request is under consideration by the Budget Committee for endorsement, which would thereafter be presented to the Board for consideration.

55. At its twenty-fifth meeting, the Board decided that the provisions of the SEAH Policy relating to third parties (including Counterparties and Victims that are not Covered Individuals, each as defined in the SEAH Policy) are to be reviewed and revised and, pending the outcome of such review and revision, are inoperative.²⁸ As such, the AP continues to review applications in Stage II (Step 1) against the fiduciary standards, environmental and social safeguards standards and updated gender policy only.

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

57. 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.

²⁸ This decision was taken on 11 March 2020 at the twenty-fifth meeting of the Board. The final decision number will be finalized upon publication of the “Compendium of decisions of the twenty-fifth meeting of the Board”.

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 GCF)
		Size ^a	Fiduciary functions ^b	Environmental and social risk category ^c	
APL097 Bhutan Trust Fund for Environmental Conservation (BT FEC)	Direct access, national (Bhutan)	Micro	Basic fiduciary standards; Specialized fiduciary standard for project management; and Specialized fiduciary standard for grant award and/or funding allocation mechanisms	Medium (category B/intermediation 2 (1-2))	<u>Condition to be met prior to the submission of the first funding proposal to GCF:</u> 1. Provision by the applicant of evidence of the adoption of a system on environmental and social monitoring
APL098 Trade and Development Bank of Mongolia (TDB Mongolia)	Direct access, national, private sector (Mongolia)	Medium	Basic fiduciary standards; and Specialized fiduciary standard for on-lending and/or blending (for loans and guarantees)	Medium (category B/intermediation 2 (1-2))	<u>Condition to be met within three years of the first disbursement by GCF for an approved GCF project/programme to be undertaken by the applicant:</u> 1. Provision by the applicant of a final report prepared by an independent body assessing the effectiveness of the implementation of the applicant's environmental and social management system comprising the Environmental and Social Responsibility Policy and Environmental and Social Risk Management Procedures for Climate Finance. The report shall include examples of the application of the environmental and social management system and of lessons learned

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 GCF)
		Size ^a	Fiduciary functions ^b	Environmental and social risk category ^c	
Palli Karma-Sahayak Foundation (PKSF) (Upgrade)	Direct access, national (Bangladesh)	Small (no change)	Specialized fiduciary standard for project management (no change); and Specialized fiduciary standard for grant award and/or funding allocation mechanisms (no change)	Medium (category B/I-2) (upgrade)	<u>Condition to be met within three years of the first disbursement by GCF for an approved GCF project/programme to be undertaken by the applicant:</u> 1. Provision by the applicant of a final report prepared by an independent body assessing the effectiveness of the implementation of the applicant's environmental and social management system comprising its environmental and social management framework and its Environmental Health and Safety Guidelines. The report shall include examples of the application of the environmental and social management system and of lessons learned.

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

^b "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 (annexes I and II to document GCF/B.07/11).

^c "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

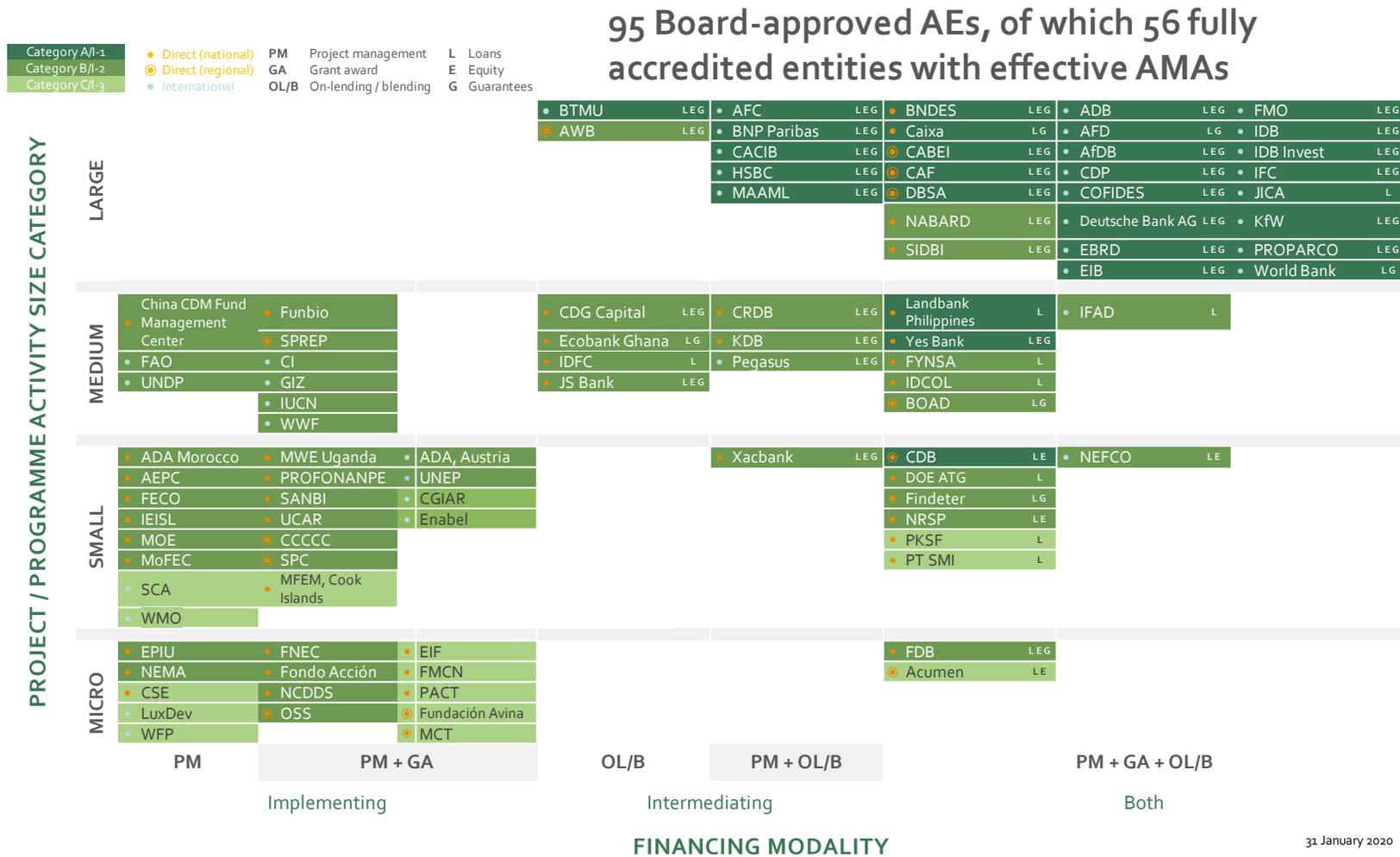
The Board, having considered document GCF/B.25/13/Rev.01 titled “Consideration of accreditation proposals”:

- (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 097 (APL097) is the Bhutan Trust Fund for Environmental Conservation (BT FEC) based in Bhutan, as contained in annex III; and
 - (ii) Applicant 098 (APL098) is the Trade and Development Bank of Mongolia (TDB Mongolia) based Mongolia, as contained in annex IV;
- (b) Approves the accreditation of applicants APL097 and APL098, pursuant to paragraph 45 of the Governing Instrument for the GCF, subject to, and in accordance with, the assessments by the Accreditation Panel contained in the relevant annexes for each of the applicants and completion of Stage III of the accreditation by having an effective accreditation master agreement, in accordance with decision B.23/11;
- (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) Palli Karma-Sahayak Foundation (PKSF), as contained in annex V;
- (d) Agrees to upgrade the accreditation type of the Palli Karma-Sahayak Foundation as contained in decision B.10/06, paragraph (c), subject to, and in accordance with, the assessment by the Accreditation Panel contained in annex V;
- (e) Takes note of the explanation provided by the Secretariat and the Accreditation Panel contained within annex VI regarding Applicant 90 (APL090) (the National Committee for Sub-National Democratic Development Secretariat (NCDDS)) which was accredited by the Board pursuant to decision B.24/11; and
- (f) Recalling decision B.24/11, paragraphs (a) and (b), *decides* that the accreditation of Applicant APL090 will apply to the National Committee for Sub-National Democratic Development (NCDD) instead of NCDDS, subject to, and in accordance with, the assessments by the Accreditation Panel contained in the relevant annexes for Applicant APL090 in decision B.24/11 and completion of Stage III of the accreditation process by having an effective accreditation master agreement, in accordance with decision B.23/11.

Annex II: Accredited entities and accreditation categories

1. A mapping of the 95 accredited entities and their accreditation scope (e.g. financing modalities, size category and environmental and social risk category) as at 31 January 2020 are shown in figure 1 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, B.18/05, B.21/16, B.22/09, B.23/13 and B.24/11 and their relevant annexes for further details.

Figure 1: Mapping of GCF accredited entities and their accreditation scopes (as at 31 January 2020)



Abbreviations: Acumen = Acumen Fund, Inc., ADA Austria = Austrian Development Agency, ADA Morocco = Agency for Agricultural Development of Morocco, ADB = Asian Development Bank, AEPC = Alternative Energy Promotion Center, AFC = Africa Finance Corporation, AFD = Agence Française de Développement, AfDB = African Development Bank, AWB = Attijariwafa Bank, BNDES = Banco Nacional de Desenvolvimento Econômico e Social, BNP Paribas = BNP Paribas S.A., BOAD = Banque Ouest Africaine de Développement (West African Development Bank), CABEI = 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., CDP = Cassa Depositi e Prestiti – Società per Azioni, CEF = Caixa Econômica Federal, China CDM Fund Management Center = China Clean Development Mechanism Fund Management Center, CI = Conservation International Foundation, COFIDES = Compañía Española de Financiación del Desarrollo S.A. S.M.E., Crédit Agricole CIB = Crédit Agricole Corporate and Investment Bank, CRDB = CRDB Bank Public Limited Company, 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, EGH = Ecobank Ghana Limited, EIB = European Investment Bank, EIF = Environmental Investment Fund of Namibia, Enabel = Enabel – Belgian Development Agency, EPIU = Environmental Project Implementation Unit of the Ministry of Nature Protection of the Republic of Armenia, FAO = Food and Agriculture Organization of the United Nations, FECO = Foreign Economic Cooperation Office, Ministry of Environmental Protection of China, FDB = Fiji Development Bank, Findeter = Financiera De Desarrollo Territorial S.A., FMCN = Fondo Mexicano para la Conservación de la Naturaleza A.C., FMO = Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V., FNEC = National Fund for the Environment of Benin, Fondo Acción = Fondo para la Acción Ambiental y la Niñez, Funbio = Fundo Brasileiro para a Biodiversidade, FYNSA = Finanzas Y Negocios Servicios Financieros Limitada, GIZ = Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, HSBC = HSBC Holdings plc and its subsidiaries, IDB = Inter-American Development Bank, IDB Invest = Inter-American Investment Corporation, IDCOL = Infrastructure Development Company Limited, IDFC Bank = IDFC Bank Limited, IEISL = IL&FS Environmental Infrastructure and Services Limited, IFAD = International Fund for Agricultural Development, IFC = International Finance Corporation, IUCN = International Union for Conservation of Nature, JICA = Japan International Cooperation Agency, JS Bank = JS Bank Limited, KDB = Korea Development Bank, KfW = Kreditanstalt für Wiederaufbau, LandBank = LandBank of the Philippines, LuxDev = Luxembourg Agency for Development Cooperation, MAAML = Macquarie Alternative Assets Management Limited, MCT = Micronesia Conservation Trust, MFEM, Cook Islands = Ministry of Finance and Economic Management of the Cook Islands, MOE (formerly MINIRENA) = 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, MWE, Uganda = Ministry of Water and Environment of Uganda, MUG Bank = MUG Bank, Ltd. (formerly, Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU)), NABARD = National Bank for Agriculture and Rural Development, NCDDS = National Committee for Sub-National Democratic Development Secretariat, NEFCO = Nordic Environment Finance Corporation, NEMA = National Environment Management Authority of Kenya, NRSP = National Rural Support Programme, OAS = online accreditation system, OSS = Sahara and Sahel Observatory, PACT = Protected Areas Conservation Trust, Pegasus (PCA) = Pegasus Capital Advisors, 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, SCA = Save the Children Australia, SIDBI = Small Industries Development Bank of India, SPC = The Pacific Community, 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, Yes Bank = Yes Bank Limited.

Annex III: Accreditation assessment of applicant 097 (APL097)

I. Introduction

1. Applicant 097 (APL097), the Bhutan Trust Fund for Environmental Conservation (BT FEC), is a national entity based in Bhutan. The applicant is mandated to promote socioeconomic welfare of the people of Bhutan through funding projects that focus on the environmental conservation of forests, flora, fauna, wildlife, diverse ecosystems and biodiversity. The applicant formulates its strategy and plans in line with Bhutan's environmental conservation priorities and its strategic plan and aims to demonstrate its leadership role in environmental conservation by improving the results of grant funding and capacity-building. The applicant finances activities in a wide range of sectors, such as agriculture and livestock, land management, environment and natural resource management, environmental sanitation, renewable energy, sustainable rural livelihoods, community development and eco-tourism.

2. The applicant submitted its application for accreditation to the Secretariat via the online accreditation system on 7 May 2018. Accreditation fees were received from the applicant on 10 October 2018, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 17 September 2019 and the applicant was progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of GCF:

- (a) **Access modality:** direct access, national. The applicant received a national designated authority or focal point nomination for its accreditation application from Bhutan;
- (b) **Track:** fast-track under the Adaptation Fund (AF);
- (c) **Maximum size of an individual project or activity within a programme:** micro;¹
- (d) **Fiduciary functions:**²
 - (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)).³

II. Stage I institutional assessment and completeness check

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

² Decision B.07/02.

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

3. The applicant is eligible for, and applied under, the fast-track accreditation process as an AF entity. 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.19/14 and in accordance with the GCF policies and standards below:
- (a) “Guiding framework and procedures for accrediting national, regional and international implementing entities and intermediaries, including the Fund’s fiduciary principles and standards and environmental and social safeguards” (decision B.07/02);
 - (b) “Guidelines for the operationalization of the fit-for-purpose accreditation approach” (decision B.08/02);
 - (c) “Interim Policy on Prohibited Practices” (Exhibit A of the accreditation master agreement considered in decision B.12/31);
 - (d) “Anti-Money Laundering and Countering the Financing of Terrorism Policy” (decision B.18/10);
 - (e) “Policy on the protection of whistleblowers and witnesses” (decision B.BM-2018/21);
 - (f) “Environmental and social management system: Environmental and Social Policy” (decision B.19/10);
 - (g) “Comprehensive information disclosure policy of the Fund” (decision B.12/35) regarding the disclosure of E&S information; and
 - (h) “Gender Policy and action plan” (decision B.09/11).

2.1 Legal status, registration, permits and licences

4. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of its application. The applicant was established in 1992 as a collaborative venture between the Royal Government of Bhutan, the United Nations Development Programme (UNDP) and the World Wildlife Fund (WWF). It was legally incorporated by means of the Royal Charter of the Trust Fund for Environmental Conservation (1996) issued by His Majesty, Jigme Singye Wangchuck the Fourth King of Bhutan, and its legal status as an independent entity was confirmed by the BTFEC bylaws of 14 July 2014.

2.2 Institutional presence and relevant networks

5. The applicant aims to magnify the impacts of its funding to promote solutions to Bhutan’s most pressing environmental issues. It implements its mandate and fulfils the need for effective involvement in environment conservation in cooperation with the Royal Government of Bhutan, local governments, civil society, rural populations, academia and private sector entities. In order to fulfil its mandate further, the applicant intends to proactively increase the conservation capacities of its partners and expand the pool of recipients to non-governmental and rural sectors. In addition, it aims to disseminate information about conservation achievements to encourage successful replication across Bhutan.

6. The applicant is committed to supporting the nationally determined contributions of Bhutan to the Paris Agreement. It aims to promote the paradigm shift towards low-emission and climate-resilient development pathways by supporting Bhutan in remaining carbon neutral or becoming a net sink of greenhouse gases. The applicant intends to pursue a country-driven approach and strengthen its engagement at the local community, regional and national levels.

7. In order to advance the objectives of GCF, the applicant intends to mainstream climate change into its strategic plan. In addition, it intends to catalyse the impacts of GCF finance by

scaling-up its climate change-responsive activities and mainstreaming climate change in project appraisal and screening processes. It aims to finance climate projects in its identified strategic areas, which are aligned with the GCF results areas. The applicant's intended activities include the following objectives:

- (a) To provide support to clean renewable energy generation and small-scale renewable energy technologies at the community level;
- (b) To promote forestry management at the community level, for example, forest fire prevention and sustainable land use;
- (c) To conduct ecosystem services, including watershed management and biodiversity conservation;
- (d) To promote food and nutrition security through climate-resilient agriculture;
- (e) To promote water security through national integrated water resource management;
- (f) To ensure the livelihoods of people and communities through climate disaster risk management measures and early warning systems; and
- (g) To finance small-scale infrastructure projects at the community level to increase the climate resilience of vulnerable communities.

2.3 Track record

8. The applicant has a track record of providing grants to local government, civil society organizations and rural sectors in Bhutan. Since its foundation in 1992, BT FEC has developed a straightforward and proven business model to provide grants of between USD 3,000 and USD 300,000 to government-owned entities, non-governmental organizations and civil society observers for nature conservancy and climate improvement projects in Bhutan. In addition, the applicant has also managed resources from multilateral organizations for projects on biodiversity conservation, renewable energy and food security. It has made efforts to demonstrate its leadership in national environment conservation through the following avenues:

- (a) Proactively supporting recipients to produce replicable and demonstrated results;
- (b) Providing monitoring and evaluation of all grants to ensure successful completion of projects; and
- (c) Mobilizing available financial resources to increase the impacts of its grant.

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

- (a) BTN15,000,000 (grants) for the Enhancing Efficiency and Initiating Sustainability of Wangchuck Centennial Park Management project in Bhutan;
- (b) BTN15,000,000 (grants) for Reviving Degraded Rangelands in the Northern Frontier through Soil and Land Management Technology in Bumthang, Bhutan;
- (c) BTN15,000,000 (grants) for the Integrated Community-Based Eco-Tourism Programme in Khoma Gewong, Bhutan;
- (d) USD 133,982 (grants) for Institutional Support to the Nature Conservation Section in Bhutan; and
- (e) USD 2,944 (grants) for the Tsendengang Gewong Watershed Protection project in Bhutan.

III. Stage II accreditation review assessment

10. 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 and gaps identified in decisions B.08/03 and B.19/14 and in accordance with the accreditation requirements below:

- (a) GCF policies and standards identified in paragraph 3 above;
- (b) “Policy on Prohibited Practices” (decision B.22/19); and
- (c) “Updated Gender Policy and Action Plan 2020–2023” (decision B.24/12).

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 are considered to have been met by way of fast-track accreditation.

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

13. As per paragraph 10 above, the basic fiduciary standards concerning transparency and accountability, with the exception of item 4.2.4, investigation function, and 4.2.5, anti-money-laundering (AML) and countering the financing of terrorism (CFT) policies, have been met by way of fast-track accreditation.

14. Regarding item 4.2.4, the applicant currently has a functioning fraud and corruption policy and investigation function, which was updated in 2019 to meet the GCF AML/CFT standards. The AP considers that the applicant’s policies and functions are sufficient to ensure that staff are made aware of the issues and that cases of fraud can be effectively identified, reported and dealt with. The Chief Administration and Human Resources Officer is currently the designated focal person for internal investigations and reports to the Director (Chief Executive Officer). During 2020, BTFEC intends to appoint a dedicated officer with legal expertise to head the investigations function. This has not been made a condition of accreditation because the AP considers the current structure to be adequate given the small scale of the organization, with fewer than 20 staff, and the detailed local knowledge of all third-party entities and individuals that work with BTFEC in Bhutan. In addition, BTFEC is required to report to the Anti-Corruption Commission (ACC), an independent entity of the government that handles issues of corruption in Bhutan.

15. During its first 25 years of operations, BTFEC did not face any major allegations of fraud or corruption. In the last two years there have been two complaints concerning violation of code of conduct and administrative lapses by BTFEC management. Both cases were reported to and investigated by the ACC. The first case concerned an allegation of misuse of authority by an officer of the entity regarding a modest grant for an agriculture project. The ACC referred the case to the Office of the Attorney General, and the court found the officer to be innocent of any wrongdoing and the case was closed in May 2019. The second concerned an allegation of breach of conduct by another officer for taking allegedly ineligible leave. Following an investigation by the ACC, the individual concerned was cleared of any wrongdoing but reprimanded for administrative lapse.

16. In addition to the fraud and corruption policy, the investigation function is supported by recently updated policies concerning the protecting of whistle-blowers, dispute resolution and

the complaints and grievance redress mechanisms, all of which meet GCF standards. The applicant's Human Resources Management Procedures Manual was updated in October 2019 and includes a detailed code of conduct and a clause on protecting staff from sexual harassment, together with provisions for identifying and managing conflicts of interest. BTFEC is required to have an organization integrity plan approved by the ACC and all staff are required to abide by the code of conduct and professional ethics and the anti-corruption policy as part of their contract of employment. The terms of reference of the investigation function are publicly available and include published guidelines for handling complaints and managing investigations. The BTFEC website very clearly states its zero tolerance of fraud and corruption, with clear instructions on how complaints should be lodged.

17. Regarding item 4.2.5, BTFEC is subject to Bhutan law regarding AML/CFT. The Kingdom of Bhutan is a signatory to the United Nations International Convention on the Suppression of the Financing of Terrorism (2001) and has been a member of the Asia Pacific Group on combating money-laundering since 2011. In addition, BTFEC has its own AML/CFT policy, which was recently updated to meet GCF standards. It is worth mentioning that the risk of money-laundering and the financing of terrorism related to BTFEC activities is considered to be very low. Due to the small size of Bhutan and the fact that more than 90 per cent of grants are disbursed to government agencies and the remainder to non-governmental organizations and civil society observers, the recipients are already known to BTFEC or to members of its technical advisory panel, which results in an effective "know-your-customer" process. Further, BTFEC conducts background checks and applies a technical screening process with a review of institutional capacity, which includes assessing track record, human resource capacity and fiduciary responsibilities. In addition, all grants are audited annually by the Royal Audit Authority.

18. In order to meet the GCF Policy on Prohibited Practices, BTFEC has updated its operations manual to include internal controls, code of conduct and conflicts of interest. Supplementary documents, as mentioned in paragraphs 16 and 17 above, have been adopted to address: complaint and grievance redressal; whistleblower policy; fraud and corruption policy; AML policy; dispute resolution; and human resource management.

19. The AP finds that the applicant's policies, procedures and capacity, supported by its track record, fully meet the GCF basic fiduciary standards on transparency and accountability, the GCF Policy on the Protection of Whistleblowers and Witnesses,⁴ the GCF Policy on Prohibited Practices⁵ and the GCF AML/CFT Policy.⁶

3.1.3. Section 5.1: Specialized fiduciary standard for project management

20. As per paragraph 10 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 or funding allocation mechanisms

21. After being established in 1992 as a collaborative venture between the Royal Government of Bhutan, UNDP and the WWF, BTFEC was capitalized with a USD 20 million endowment, with funds provided by the Royal Government of Bhutan, UNDP, WWF, the World Bank/Global Environment Facility, and the governments of Denmark, Finland, the Netherlands, Norway and Switzerland. An asset management committee manages the USD 20 million endowment, with a custodian and investment managers in the United States of America. The endowment cannot be used to fund operations, and the grant programme and operational costs

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

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

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

are financed by funds from the above-mentioned donors and from income from the endowment fund. Requests for proposal are published once per year in local newspapers, on television, radio and on the BTFEC website⁷ for several months prior to the closing date for applications. The requests for proposal provide details of the conservancy and expected climate-related outcomes of the grants, consistent with a strategic plan focused on achieving the objectives of the Gross National Happiness Commission, which is the metric used by the Royal Government of Bhutan to monitor the development progress of the country. BTFEC does not provide loans or undertake blending of loans and grants for the projects: its business is strictly the provision of small grants in Bhutan on an annual basis.

22. The BTFEC grant awarding process is governed by an operations manual with clearly defined roles and responsibilities. Grant proposals are subject to three layers of review and screening criteria are included in the grant application template that can be found on the BTFEC website. The first layer is an assessment of the fit of the proposal against the objectives of BTFEC, its strategic plan and the Gross National Happiness Commission. This assessment is done by a steering committee comprising the Chief Programme Officer, the Project Officer, the Chief Financial Officer and the Chief Administrative Officer. This first layer also includes a due diligence assessment of the governance, financial and procurement risks of the project as well as a check of the eligibility of the proposed activities. The second layer is a technical evaluation by the BTFEC technical advisory panel. The final stage for regular grants (greater than USD 5,600) is approval by the BTFEC management board based on recommendations from the technical advisory panel. Small grants of up to USD 5,600 are approved by the BTFEC Director. The technical advisory panel has seven local conservation and climate expert members who are independent of BTFEC management. The names and experience of these experts has been provided to GCF, but this information is not published in Bhutan to avoid the possibility of attempts to influence them by potential recipients.

23. All grant applicants are informed in writing of the decision to approve or reject their proposal. Successful applicants are required to enter into a grant agreement with BTFEC that confirms the legality of the proposed grant activities and the responsibilities of the recipient. It also requires the recipient to comply with the BTFEC fraud and corruption policy.

24. BTFEC has a dedicated Monitoring and Evaluation (M&E) Officer who produces monitoring reports twice per year. These reports are based on six-monthly progress and financial reports that the recipients are required to produce as part of the grant agreement. Most projects have a duration of up to three years and the recipient is also required to deliver a post-project completion report. Based on this completion report, BTFEC does a final evaluation of all projects. An external auditor also carries out an annual audit of grant award activities.

25. M&E is supported by regular field visits. To encourage field visits, BTFEC staff are provided with walking boots, rucksack, sleeping bag and sleeping mat. The BTFEC travel policy provides for ponies and porters to facilitate the transport of baggage and personnel into remote areas of the country.

26. The Independent Evaluation Group of the World Bank completed an evaluation in December 2018 of a USD 4 million grant provided to BTFEC by the Global Environment Facility to support BTFEC biodiversity conservation operations. The Independent Evaluation Group's evaluation concluded that the outcomes were satisfactory and the quality of M&E was substantial.

27. The AP finds that the applicant's policies, procedures and capacity, supported by its track record, fully meet the GCF specialized fiduciary standard for grant award and/or funding allocation mechanisms.

⁷ Refer to <www.bhutan.trustfund.bt>.

3.2 Environmental and social safeguards

3.2.1. Section 6.1: Environmental and social policy

28. The applicant provided its Environmental and Social (E&S) Policy, approved in 2016, which includes an overarching statement to guide the institution. Among other things, it requires policy project proposals to include an environmental and social assessment covering the following aspects: (1) articulation of the project and need for an environmental and social assessment; (2) the objective of the environmental and social assessment; (3) an environmental and social impact analysis of the proposed project; and (4) an environmental and social management plan. The policy has been communicated properly to all relevant managers, staff, implementing partners and stakeholders. It is posted on the applicant's website. Compliance with the policy is the responsibility of the management board of the applicant.

29. The applicant's E&S Policy provides that environmental and social management plans (ESMPs) should be developed to include impacts of activities and ensure compliance with national and international law. Consistent with this, its E&S risk management is structured around the 15 principles in the Environmental and Social Policy of the AF. These principles, together with the procedures for their implementation, cover the full scope of performance standards 1 to 8 of the GCF interim environmental and social safeguards (ESS) standards.

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

3.2.2. Section 6.2: Identification of risks and impacts

31. The applicant has a well-developed system of identifying and categorizing E&S risks and impacts. This is incorporated in its operational manual (chapter on program management) and implemented through an ESS dashboard and checklist that it has updated in anticipation of implementing GCF-funded projects/programmes. The dashboard and checklist are the basis for categorizing projects and are consistent with the E&S risk category B/1-2 and category C in the GCF Environmental and Social Policy and the GCF interim ESS standards.

32. Implementation of the risk identification system is through the technical advisory panel, which assesses each of the applicant's projects. The checklist is also integrated into the applicant's grant proposal format so that identification of risks is an integral part of project planning, development and approval. The applicant provided several examples of E&S risk category B and C projects that were implemented using this system, mostly relating to forest management activities but also including construction and infrastructure activities in national parks.

33. The AP finds that the applicant's system of identification of risks and impacts, supported by evidence of its track record, fully meet the GCF Environmental and Social Policy and the GCF interim ESS standards for a maximum E&S risk category B/I-2 projects/programmes.

3.2.3. Section 6.3: Management programme

34. The applicant implements an integrated approach in identification and categorization of E&S risks. It uses an ESS dashboard to screen grant proposals and categorize them as A, B or C, but the results of such screening are also used to manage the risks, thus the following actions are taken as a result of the screening: (1) for category C projects, no further action is required; (2) for category B projects, an ESMP for the project would have to be developed, using the ESMP tool in the dashboard, indicating how the identified risks will be managed in implementation; and (3) for category A projects, an environmental and social impact assessment prepared by a specialist would be required.

35. As noted in paragraph 32 above in the case of its risk identification system, the applicant provided several examples of E&S risk category B and C projects that implemented its management system. They included projects on forest management, electric car charging stations, non-wood forest products and construction and infrastructure activities in national parks.

36. The AP finds that the applicant's management programme, supported by evidence of its track record, fully meets the GCF Environmental and Social Policy and the GCF interim ESS standards for a maximum E&S risk category B/I-2 projects/programmes.

3.2.4. Section 6.5: Monitoring and review

37. The applicant does not have procedures for monitoring and review of environmental and social impacts but has committed to develop and adopt a system by the middle of 2020 in its next round of projects. For this reason, the applicant could also not provide information on its track record of monitoring and reviewing environmental and social impacts and its ESMP but has indicated that it will start documenting such track record, including commissioning audits of its systems, as may be warranted.

38. The AP finds that the applicant does not currently have a system of monitoring and review that meets the requirements of the GCF Environmental and Social Policy. The relevant gap is identified in paragraph 37 above and is reflected by the corresponding condition for accreditation in section 4.2 of this document.

3.2.5. Section 6.6: External communications; consultations, information disclosure, and grievance redress mechanism at the institutional level

39. The applicant has a good system for external communications, consultations and grievance redress system at the institutional level. The applicant has a well-developed website that provides updated information on its policies and projects. Among other things the website has a link that to allow people to register complaints, although so far the applicant has not received any complaints.

40. The applicant has recently adopted a complaints and grievance redress mechanism (CGRM), which assigns responsibility for processing and responding to complaints to BTFEC management and to a focal person with sufficient independence and expertise in dispute resolution. All projects of the applicant, including those implemented by its recipients, are covered by the CGRM. In addition, the applicant's grant agreement format requires their recipients to establish project-specific grievance mechanisms aligned with the CGRM.

41. The applicant has an information disclosure policy that complies with the GCF Environmental and Social Policy for E&S risk category B. Its policy requires the entity to disclose project documents and assessments to the public and to stakeholders in accordance with the time frame required by the GCF and to follow the requirements on language and communication to stakeholders as required.

42. The AP finds that the applicant's system of external communications; consultations, information disclosure, and grievance redress mechanism, including its track record, fully meet the GCF Environmental and Social Policy, the GCF interim ESS standards and the GCF Information Disclosure Policy on disclosure of environmental and social information for maximum E&S risk category B/I-2 projects/programmes.

3.2.6. Section 6.4: Organizational capacity and competency

43. The applicant's management board is responsible for compliance. It is assisted by a technical advisory panel that comprises seven members who are external to the organization and who are experts in their respective fields. Information on processes and how different units and staff interact was also provided by the applicant. An organizational chart was provided, as well as the qualifications of the people including the responsibilities of those in charge of ESS

and gender matters. Regarding staff, the applicant provided information on its latest training activities, which updated staff on how to use the new ESS dashboard and other ESS procedures.

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

3.3 Gender

45. The applicant provided its gender equality strategy framework adopted in 2016. It is a comprehensive document that details how gender mainstreaming and gender sensitivity is incorporated into the applicant's operations. In this document, the applicant recognizes that:

Gender Mainstreaming has been the primary methodology for integrating a gender approach into any development or environmental effort. Gender mainstreaming is intended to bring the diverse roles and needs of women and men to bear on the development agenda. Rather than adding women's participation and a gender approach onto existing strategies and programmes, gender mainstreaming aims to transform unequal social and institutional structures in order to make them profoundly responsive to gender. Achieving gender equality and equity is a matter of shifting existing power relationships to benefit those that are less empowered.

46. The applicant provided the curriculum vitae of its focal person for gender, who is the head of the applicant's human resources department. She has had specialized training on gender and climate change issues.

47. The applicant provided project examples that demonstrate its experience with gender and climate change, all emphasizing how women benefited: a Zero Waste Project from 2017–2019; a project on the establishment of a Rural Development Training Centre dated July 2019; and a Climate Smart Agriculture Training and a Sustainable Land Management project from 2015–2018.

48. The applicant's Gender Equality Strategy Framework provides an analysis of gender aspects of environmental issues and proposes concrete strategies to mainstream gender in policies, decisions and implementation activities. A system of monitoring and reviewing the Framework's impact has also been established.

49. The AP finds that the applicant's gender policies, procedures and capacities, supported by evidence of its track record, fully meet the Updated GCF Gender Policy.⁸

IV. Conclusions and recommendation

4.1 Conclusions

50. 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 GCF Policy on the Protection of Whistleblowers and Witnesses, the GCF Policy on Prohibited Practices, and the GCF Anti-Money Laundering and Countering the Financing of

⁸ Document GCF/B.24/15, annex II.

- Terrorism Policy, as well as the specialized fiduciary standard for project management and specialized fiduciary standard for grant award and funding allocation mechanisms;
- (b) The applicant partially meets the requirements of the GCF Environmental and Social Policy, the GCF interim ESS standards, and the GCF Information Disclosure Policy on disclosure of E&S risk information in relation to category B/I-2 projects/programmes; in particular it would need to establish and implement an E&S risk monitoring and review programme. The relevant gap is identified in paragraph 37 above and is addressed in the corresponding condition for accreditation in section 4.2 of this document; 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 Updated GCF Gender Policy, and has demonstrated that it has experience with gender considerations in the context of climate change.

4.2 Recommendation on accreditation

51. The AP recommends, for consideration by the Board, applicant APL097 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 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)⁹); 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. 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 prior to the submission of the first funding proposal to GCF:
 - (1) Provision by the applicant of evidence of the adoption of a system on environmental and social impacts monitoring.

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

4.3 Remarks

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

53. The AP took note that the applicant is planning to appoint a dedicated officer with legal expertise to head the investigations function. The expected timing of this appointment would be from July 2020. The AP requests the applicant to provide the information on the dedicated officer once they are appointed together with a copy of the corresponding contract as supportive evidence.

54. As a result of the GCF accreditation process, BT FEC has recently made some changes to its human resources staff manual. These are expected to be approved by the BT FEC board at its next meeting, scheduled for May 2020. The AP requests the applicant to confirm once this approval has been granted and to provide the minutes of the board meeting.

Annex IV: Accreditation assessment of applicant 098 (APL098)

I. Introduction

1. Applicant 098 (APL098), the Trade and Development Bank of Mongolia (TDB Mongolia), is a private sector entity based in Mongolia with a vision to become a leading financial institution in the country. The applicant, a dedicated, trusted and responsible financial partner to its stakeholders in pursuit of sustainable financial well-being, develops and provides demand-driven and valuable financial solutions for corporates, small and medium-sized enterprises and retail customers. In addition, the applicant has been implementing the Mongolian Sustainable Finance Principles and aims to finance green projects in sectors including energy, agriculture, industry and waste to generate high impacts and benefits at the national level to reduce greenhouse gas emissions.

2. The applicant submitted its application for accreditation to the Secretariat via the online accreditation system on 6 July 2017. Accreditation fees were received from the applicant on 26 September 2017, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 23 February 2019 and the applicant was progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** direct access, national, private sector. The applicant received a national designated authority or focal point nomination for its accreditation application from Mongolia;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or activity within a programme:** medium;¹
- (d) **Fiduciary functions:**²
 - (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:** medium risk (category B/intermediation 2 (I-2)).³

II. Stage I institutional assessment and completeness check

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

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

² Decision B.07/02.

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

- (a) “Guiding framework and procedures for accrediting national, regional and international implementing entities and intermediaries, including the Fund’s fiduciary principles and standards and environmental and social safeguards” (decision B.07/02);
- (b) “Guidelines for the operationalization of the fit-for-purpose accreditation approach” (decision B.08/02);
- (c) “Interim Policy on Prohibited Practices” (Exhibit A of the accreditation master agreement considered in decision B.12/31);
- (d) “Anti-Money Laundering and Countering the Financing of Terrorism Policy” (decision B.18/10);
- (e) “Policy on the protection of whistleblowers and witnesses” (decision B.BM-2018/21);
- (f) “Environmental and social management system: Environmental and Social Policy” (decision B.19/10);
- (g) “Comprehensive information disclosure policy of the Fund” (decision B.12/35) regarding the disclosure of E&S information; and
- (h) “Gender Policy and action plan” (decision B.09/11).

2.1 Legal status, registration, permits and licences

4. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. The applicant was registered under the Bank of Mongolia (Reference No. 13), the Central Bank of Mongolia, and provided documents to demonstrate its legal status.

2.2 Institutional presence and relevant networks

5. The applicant, as one of the largest commercial banks in Mongolia, offers over 130 types of international standard banking products and services, including corporate and retail lending, deposits, trade financing, treasury, foreign exchange, investment banking services and cash management. It serves approximately 400 major corporates in the country, covering all business sectors, and leverages its relationships to provide a wider range of services, including innovative financial services.

6. The applicant is one of the leading providers of trade finance solutions to corporate organizations in Mongolia. It has partnered with major international trade finance banks in China, Germany, Italy, Japan, the Netherlands, the Russian Federation, the Republic of Korea, Singapore, Sri Lanka and the United Kingdom of Great Britain and Northern Ireland with a focus on mineral products, food products, consumer goods, machinery and equipment, processed products and construction materials. The applicant seeks accreditation as a national direct access entity and, if accredited, would focus on implementing GCF-funded projects/programmes within Mongolia.

7. The applicant has developed its business plan within the framework of the state action plan and objectives to combat climate change and contribute to climate-resilient development pathways based on market research. The applicant also committed to contributing to Mongolia’s nationally determined contributions of reducing national total greenhouse gas emissions by 14 per cent by 2030.

8. In this regard, the Trade and Development Bank of Mongolia intends to introduce more green products to its existing loans portfolio for corporate and retail customers at concessional

rates. For example, it intends to provide funding for renewable energy projects and programmes with a main focus of providing loan-efficient conditions for large enterprises.

9. In addition, the applicant also intends to target the largest sources of carbon dioxide emissions in the country. Accordingly, it aims to promote corporate green financing in areas of energy generation and efficiency, green commercial buildings construction, green mortgages, national clean transportation systems, waste and agriculture. In addition, the applicant intends to finance large-scale country-driven projects in the areas mentioned above to contribute to a paradigm shift towards low-carbon emissions.

2.3 Track record

10. Based on its findings from market research, the applicant has been working with leading companies in the country to finance projects in various sectors, such as renewable energy, transport, and buildings and construction. For example, it financed various housing projects in Ulaanbaatar, in line with the city's development plan until 2020. The applicant has also developed and implemented its environmental and social (E&S) policies, including with the executing entities of the projects/programmes that the applicant finances. The applicant has provided loans for eco-friendly construction projects and for utilizing more energy-efficient systems in buildings.

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

- (a) USD 19.8 million (loans) for financing of construction and equipment of plastic waste recycling plant in Ulaanbaatar;
- (b) USD 25.98 million (loans) for a subprogramme to support the construction sector in achieving stability of housing prices in Mongolia;
- (c) USD 78.9 million (loans) for equipment financing in three factories to reduce production pollution and enhance recycling operations;
- (d) USD 50.2 million (loans) for the Asia-Europe Meeting programme to build and develop the Asia-Europe Meeting village in Ulaanbaatar; and
- (e) USD 2.48 million (guarantee) for the execution and construction of, as well as equipment installation in, the Songinokhairkhan District Hospital in Ulaanbaatar.

III. Stage II accreditation review assessment

12. The 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 below:

- (a) GCF policies and standards identified in paragraph 3 above;
- (b) "Policy on Prohibited Practices" (decision B.22/19); and
- (c) "Updated Gender Policy and Action Plan 2020–2023" (decision B.24/12).

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

3.1 Fiduciary standards

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

14. The applicant's corporate governance structure complies with the requirements of the Corporate Governance Principles for Banks regulation issued by the Bank of Mongolia, as well as with the National Company Law and with its shareholders-approved charter. The applicant's governance is led by its Board of Directors, which is composed of seven members, three of which are independent directors. The oversight capacity of the applicant's Board is supported by its Audit and Risk Committees. Furthermore, as a regulated financial institution, the applicant is overseen by the national financial regulators.

15. At the executive level the applicant's governance is led by the President and the Chief Executive Officer (CEO), supported by Deputy CEOs who are responsible for the operation of the business, risk and back-office units established in the applicant's organizational structure. Furthermore, the applicant's executive management structure is enhanced by the functioning of the Executive Committee, the Ethics Committee, the Operational Risk Committee and the Assets and Liability Committee.

16. The roles and responsibilities of the Board of Directors and the above-mentioned committees are clearly documented in the applicable national financial regulations, as well as in the applicant's internal regulations. Likewise, the applicant's organizational structure includes the required business, risk management and support units with well-defined responsibilities and reporting lines. Its corporate governance and organizational structure are appropriate for the size and scope of its operations.

17. The applicant demonstrated that it has a well-defined strategic direction, as evidenced by the documentation reviewed by the AP. The documentation included three-year plans that define the specific actions and responsibilities required for the attainment of the strategic goals. The applicant also provided evidence of the annual budgets and the organizational unit annual action plans that are developed to ensure the attainment of short-term objectives, as well as its strategic goals.

18. The applicant provided audited financial statements for the past six years. These confirm that the applicant's financial statements are prepared following International Financial Reporting Standards as modified by the Bank of Mongolia guidelines. The audited financial statements provided by the applicant include the required financial reports prepared in a consistent manner that enables the comparability of financial information across periods.

19. The execution and accounting of the applicant's operations are supported by an integrated information system with the functionality required for the scope and volume of the applicant's operations. Based on the information recorded in the main system, the applicant is able to generate the necessary management information reports required for decision-making. The applicant provided copies of the management information reports that are regularly prepared by its Financial Management [and] Control Department (FMCD); these reports demonstrate that the applicant has a well-developed management information system tailored to the specific requirements for the management of a commercial bank.

20. FMCD is responsible for executing all payments and disbursements made by the applicant, which it carries out following the established procedures. Payments and disbursements are executed by FMCD once the requesting unit properly records the disbursement or payment requirement in the applicant's information system. The applicant's payments and disbursements procedures include appropriate division of duties between the organizational unit that requests the payment or disbursement from the unit executing the disbursement.

21. The terms of reference of the applicant's Audit Committee provide the authority and independence required for the effective performance of this committee's oversight responsibilities. Furthermore, the roles and responsibilities assigned to the committee are comprehensive and appropriate for the Audit Committee of a commercial bank. In addition to its terms of reference, the scope of action of the committee is further defined by the regulations

issued by the Bank of Mongolia and the relevant sections of the Company Law of Mongolia. The Audit Committee is chaired by an independent member of the Board of Directors.

22. The applicant's Internal Audit Department reports directly to the Board of Directors by way of the Audit Committee and is headed by the Chief Audit Executive. The internal audit function operates within the framework established by the applicant's Internal Audit Policy, which defines that the internal audit engagements will be performed in accordance with the standards established by the Institute of Internal Auditors. The audit engagements are executed in accordance with the applicant's Internal Audit Procedures Manual. The applicant provided copies of its audit plans, which offer evidence of a clear definition of the scope of the annual internal audit engagements.

23. The Banking Law of Mongolia mandates that commercial banks, such as the applicant, engage an external audit firm to audit its financial statements on an annual basis. The applicant is in compliance with this requirement. The terms of reference of the external audit engagement are defined in the audit services contract and establish that the external auditor will perform the audit engagement in "accordance with International Standards on Auditing ("ISAs") and will report to the Board of Directors".

24. The AP draws attention to a transaction undertaken by the applicant in 2016 (reported in section 4.3). The transaction included advisory and lending components for the purchase of a major stake in a mining company by a customer of the applicant. This transaction has resulted in legal action by the Government of Mongolia, as well as disputes that are being contested in the national courts of law. This case was noted as an observation in the 2018 audited financial statements; however, it did not modify the external auditor's opinion that the applicant's financial statements "give a true and fair view" of its financial situation in accordance with International Financial Reporting Standards as modified by the Bank of Mongolia guidelines.

25. A review of the applicant's internal control framework, using the Committee of Sponsoring Organizations of the Treadway Commission internal control standards as guidance, was undertaken in 2017 by the applicant's Internal Audit Department. This audit determined that the applicant has implemented internal control procedures that qualify as reasonable, and internal control enhancements were implemented in response to the recommendations of the Internal Audit Department. Furthermore, the applicant has successfully implemented procedures for a Risk and Control Self-Assessment and provided evidence of the internal control self-assessment matrices.

26. The Procurement, Sales and Contracting Unit is responsible for the management of all procurement undertaken by the applicant. The Sales and Contracting Unit's Operating Procedures, the Procurement Procedures for Goods, Works and Services and the Tendering Procedures regulate all procurement activities. These procedures satisfy the GCF basic fiduciary standards on key administrative and financial capacities concerning procurement and are aligned with international best practices. Furthermore, the applicant provided evidence of an appropriate organizational structure to efficiently execute procurement activities and suitable provisions to avoid conflicts of interest in procurement.

27. Appropriate oversight over procurement activities was demonstrated, a copy of an internal audit report of the Procurement, Sales and Contracting Unit was provided for assessment, and as a result of the audit observations the applicant revised the aforementioned procurement policies, incorporating the enhancements recommended by the Internal Audit Department. Lastly, the applicant provided evidence of a satisfactory procurement dispute resolution procedure, which is based on the liability clauses of the procurement contracts it executes with its suppliers of goods and services.

28. The AP finds that the applicant's policies, procedures and capacity, supported by its track record, fully meet the GCF basic fiduciary standards on key administrative and financial capacities.

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

29. The applicant's ethical standards are defined in its Code of Ethics and in its Culture Standards Policy. These documents clearly define the professional behaviour that is expected of the applicant's directors, officers, employees and the third parties that are engaged for the provision of services. The applicant provided sufficient evidence of the procedures implemented for communicating the ethical standards to all employees and for providing periodic relevant training. The effectiveness of the communication and training efforts is measured by the mandatory Ethics Confirmation Test that all employees must complete twice a year. Oversight of compliance with the Code of Ethics is exercised by the Ethics Committee.

30. The applicant's Code of Ethics, Anti-Corruption Policy, procurement procedures and credit-decision processes provide the framework for the definition of conflicts of interest, the individuals that are bound by these regulations and the disclosure requirements of financial interests. The Code of Ethics establishes that the applicant's officers and employees must avoid situations of conflict of interest and seek guidance from the Administration and Human Resources Department on the most appropriate manner for resolution of conflict of interest issues; furthermore, the Anti-Corruption Policy mandates that if an officer or employee faces a conflict of interest situation while performing their professional obligations, the issue must be reported (in writing) to the Internal Audit Department. The credit policies and the procurement policies contain the required provisions for the management of conflict of interest that can arise in credit and procurement decisions.

31. The applicant's Financial Management Policy, its Accounting Policy, its Anti-Bribery Policy and its Code of Ethics contain detailed descriptions of the way financial management and accounting activities must be undertaken. These detailed procedures, supported by effective internal audit, constitute the main mechanism to prevent fraud and other malpractices. Furthermore, these policies establish the applicant's ethical values, which include strict regulatory compliance, accurate financial reporting, professional integrity and transparency. The applicant's Code of Ethics defines the main forms of malpractice and its Culture Standards Policy provides specific guidance on the professional values that each officer and employee must observe while performing their professional responsibilities. The prevention of financial mismanagement is managed by an appropriate organizational structure that includes FMCD, the Administration and Human Resources Department, the Internal Audit Department, the Legal Department and the Ethics Committee.

32. The Internal Audit Department receives reports of misconduct through a dedicated email address. If sufficient merit is found in the complaint, a specific audit is undertaken, and the results of the inspection are reported to the Executive Committee, which decides whether corrective and/or disciplinary action must be implemented.

33. The applicant's employment policies mandate that all officers and employees must report all incidents of alleged misconduct and violations of the institutional policies and procedures that they become aware of. The reporting channels include a dedicated hotline, the aforementioned email address and direct reporting to the department head. Additionally, the applicant's intranet website has a link for communicating cases of alleged violations of its policies and procedures. The applicant's labour policies, as well as its Code of Ethics and its Anti-Bribery Policy, include specific provisions for the protection of whistle-blowers. These provisions do not contain the detailed descriptions found in the GCF Policy on the Protection of Whistle-blowers and Witnesses;⁴ however, sufficient assurance for whistle-blower protection is provided by the applicant's relevant policies.

34. The applicant's investigation function is defined in its Anti-Corruption Policy, Code of Ethics and Labour Policy. The applicant's investigations function is undertaken collaboratively

⁴ Decision B.BM-2018/21 and annex I thereto.

by the Human Resources, Internal Audit and Legal Departments, under the oversight and decision responsibility of the Ethics Committee.

35. The Ethics Committee oversees the entire investigation process. The investigation is undertaken by the Internal Audit Department based on irregularities detected during the course of its audit activities, on internal reports received or on customer complaints. The officers of the Internal Audit Department will evaluate the suspected irregularities/complaints received and determine whether or not further action is required. If the allegation is found to have credible evidence, a formal investigation will be initiated; the outcome of the investigation is a report to the Ethics Committee, which will evaluate the evidence presented and determine the defendant's responsibility. If the defendant is found guilty, the Ethics Committee will request that the Human Resources Department draft the CEO order containing the applicable disciplinary action. The Ethics Committee will present the conclusions of the investigation process to the CEO and request that the draft CEO order be executed. The applicant provided, as evidence of the above-mentioned process, copies of decisions adopted by the Ethics Committee recommending disciplinary actions as a result of investigations of irregularities.

36. The applicant provided a copy of its Anti-Money Laundering and Countering the Financing of Terrorism Policy, which has been approved by the Board of Directors. This policy, which includes the Know Your Customer Policy, provides guidance on relevant anti-money-laundering and countering the financing of terrorism (AML/CFT) issues, including i) know-your-customer and enhanced due-diligence procedures, ii) transaction monitoring, iii) reporting requirements, iv) AML risk assessment, v) training and vii) record keeping.

37. The applicant is the leading service provider for international wire transfers in Mongolia with a market share, as reported by the applicant, of over 50 per cent. Because of the AML/CFT risks generated by this service, the applicant has implemented, and demonstrated with copies of wire transfer monitoring reports, a sophisticated technology-based system to monitor wire transfers in real time and automatically screen transactions against sanctions lists for individuals, companies and jurisdictions.

38. The applicant engaged the consulting services of a global firm to recommend ways to improve its AML/CFT policies and procedures, as a result of which its AML/CFT policies and procedures were significantly enhanced. Improvements to the Compliance Department's independence, to the AML/CFT risk rating methodology and to the AML/CFT operational procedures were implemented.

39. Further assurance of the appropriate management of AML/CFT risk by the applicant is provided by the oversight of the national financial regulators and the reporting obligations of suspicious transactions to the Financial Information Unit of the Bank of Mongolia.

40. The applicant's Code of Ethics and its Culture Standards Policy provide a framework for the definition of prohibited practices, including guidance on the appropriate use of institutional assets; guidance on the manner in which communications between employees and customers must be undertaken; and on the manner in which business transactions must be executed, avoiding the use of practices that improperly intimidate any of the parties involved. Furthermore, the applicant's Code of Ethics provides guidance on the requirement that applicant employees and officers avoid engaging in obstructive practices by providing false or imprecise information. Finally, as mentioned above, the applicant has functioning investigations procedures and is capable of effectively cooperating with the GCF in any prohibited practices related investigation that may be required.

41. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the GCF basic fiduciary standards on transparency and

accountability, the GCF Policy on Prohibited Practices,⁵ the GCF Anti-Money Laundering and Countering the Financing of Terrorism Policy⁶ and the GCF Policy on the Protection of Whistle-blowers and Witnesses.

3.1.3. Section 5.1: Specialized fiduciary standard for project management

42. 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

43. 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 (for loans and guarantees)

44. The applicant adopted its Financial Management Policy in 2018. This policy provides the guidance required for appropriate management of the applicant's financial resources. The proper application of this policy is directed by FMCD, and the Internal Audit Department must provide assurance of proper implementation. The Financial Management Policy, together with the applicant's Accounting Policy, provide the appropriate financial resources management framework required by a commercial bank.

45. The Financial Management Policy establishes the overall financial management principles that are to be observed in order to maintain the applicant's financial stability and includes guidance on the management of financial risk, operational risk, treasury activities and reporting requirements.

46. The applicant's Operational Guidelines On the Use of Foreign-Sourced Loans provide the framework for all on-lending operations that involve funding by international bilateral and multilateral sources of funds, such as the GCF. The purpose of these guidelines is to provide guidance for the effective management of the relationship between the applicant, the funding entity and the borrower. The specific procedures established in these guidelines are in addition to the regular on-lending procedures implemented by the applicant.

47. The applicant's loan approval procedures are established in its Credit Policy of Large and Small and Medium Entity's, which defines the stages of credit approval and the requirements of each stage, including initial loan application, due diligence procedures, credit committee proposal and approval.

48. Due diligence procedures include an assessment of the borrower's management and current operations, an evaluation of the borrower's financial situation and repayment capacity, an assignment of a credit risk score, a legal assessment and an environmental and social safeguards (ESS) assessment. The outcome of the credit analysis is mainly summarized in the following documents: i) risk summary report, ii) credit analysis report, iii) credit risk and score report, iv) legal review report and v) ESS assessment report. The applicant provided for review by the AP the copies of these outputs, which are prepared on standard templates, to demonstrate the effective implementation of its credit approval procedures.

49. The outcomes of the credit analysis are presented to the appropriate credit committee, via the applicant's loan processing system. The committee will evaluate the credit proposal and determine whether it is approved, rejected or requires modification. The applicant has established three credit committee instances, each with a set credit approval limit. The first is at the branch level, the second is at the head office level and the third is at the level of the Main Credit Committee, which is chaired by the applicant's CEO, supported by the membership of the

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

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

Executive Vice Chairman, the Chief Risk Officer, the Deputy CEO and the Director of Corporate Banking; this committee can approve loans for any amount.

50. The applicant's risk management organizational structure is headed by the Chief Risk Officer, who reports directly to the Board Risk Committee; reporting to the Chief Risk Officer are the Risk Management Unit, the Operational Risk Management Unit, the Loan Administration Unit and the Compliance Unit. The Financial Management Policy assigns proper organizational responsibilities for the management of the risks defined therein, including market risk, credit risk, liquidity risk and operational risk. The applicant's loan portfolio is managed following the procedures established in its Loan Policy and in its Portfolio Risk Management Manual; furthermore, the applicant must comply with the loan portfolio management requirements of the banking regulator.

51. The applicant's organizational structure supports proper risk management and internal control by providing appropriate separation of duties between the units responsible for initiating transactions and those responsible for settling and recording transactions, and also between the business units, the financial control units and the risk management units.

52. In addition to the above-mentioned risk management organization, the applicant has an Asset and Liability Committee, which is chaired by the CEO and supported by members that are selected by the CEO. The applicant provided a copy of the Operating Procedures of Asset and Liability Committee, which define the functions of this committee. The applicant provided copies of minutes of the Asset and Liability Committee that demonstrate it is a functioning committee.

53. The applicant provided sufficient information, in the form of track-record examples, of its capacity to transfer the benefits of GCF funding to the final beneficiaries. The examples included programmes funded by international development institutions such as an agriculture and rural development programme, programmes for small and medium-sized enterprises financing and environmental protection programmes.

54. As part of the accreditation process the applicant developed the Climate Finance Information Disclosure Policy. This policy was approved by order number A-19/667 issued by the applicant's CEO, dated 11 December 2019. It was developed using the requirements of "Public access to information on beneficiaries and results", one of the criteria under the GCF specialized fiduciary standard for on-lending and/or blending, and satisfies the requirements of this standard. The AP recognizes that private commercial banks are bound by bank secrecy regulations and commercial banking best practices that require the protection of confidential information. The section on information that cannot be disclosed (such as personal information or investigative matters) is acceptable, given that the information the applicant has committed to disclose is sufficient to provide the required level of transparency and public communication.

55. The applicant maintains a leadership position in its country's banking sector with a demonstrated track record in on-lending/blending for loans and guarantees. Examples of on-lending operations in which it has participated as an implementing entity for institutions such as the Asian Development Bank, the Japan International Cooperation Agency and Kreditanstalt für Wiederaufbau were cited by the applicant to demonstrate its experience in on-lending funds received from bilateral and multilateral institutions. The size of the programmes executed in cooperation with these international entities demonstrates that the applicant has the required experience to manage the size of on-lending programmes/projects for which it is applying. The AP finds that the applicant's policies, procedures and capacity, supported by its track record, fully meet 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: Environmental and social policy

56. The applicant's environmental and social management system (ESMS) comprises the Environmental and Social Responsibility Policy (ESRP) approved in January 2019, and the Environmental and Social Risk Management Procedures for Climate Finance (ESRMP), approved in December 2019. The ESRP updates and replaces a previous version from 2012 while the ESRMP replaces a previous version from 2017. The updates of the ESRP and ESRMP reflect the findings and related recommendations of an internal audit of the previous ESMS to make it more consistent with the Mongolian national laws and the GCF Environmental and Social Policy and GCF interim ESS standards. The ESRP states the applicant's commitment to being environmentally and socially responsible in its loan and guarantee operations by ensuring that the borrowers' business activities financed by it are not harmful to society, individuals and the environment. The ESMS also commits the applicant to making its financing decisions based on the identification, assessment and mitigation of its clients' E&S risks performance under the principles of sustainable finance.

57. The ESRMP, including the E&S due diligence tools, defines in detail the applicant's E&S assessment process and the criteria to be used when engaging with its clients. It applies to all financial services and products provided by the applicant. The applicant's ESRP and ESRMP reflect adherence to the performance standards 1 to 8 (PS 1–8) of the International Financial Cooperation. The Environmental and Social Officer in the applicant's Risk Management Department is responsible for monitoring and reporting the performance of the ESMS to the applicant's Credit Committee. The applicant provided a sample of project documents in the E&S risk category B/I-2 and C/I-3 as evidence of its track record on the application of the ESRMP in line with PS 1–8. The ESRP and ESRMP have been approved by the applicant's CEO and have been disseminated publicly and internally, including through training sessions organized for its staff.

58. The AP finds that the applicant's ESMS, comprising the ESRP and ESRMP, supported by evidence of its track record, fully meet the GCF Environmental and Social Policy and GCF interim ESS standards for a maximum E&S risk category B/I-2 projects/programmes with respect to PS 1–8.

3.2.2. Section 6.2: Identification of risks and impacts

59. The ESRMP describes the applicant's E&S risk and impacts identification process for projects/programmes for loans, letter of credit and guarantees (hereinafter referred to as loans) according to the Mongolian laws and legislation and the ESMS. The risk screening process starts with the Account Manager responsible for a project loan conducting a general E&S risk screening and assessment to recommend the appropriate E&S risk category and sending it to the E&S officer for further review defined as client due diligence. The E&S officer uses the risk categorization checklist contained in the annex to the ESRMP to assign/confirm the E&S risk category of a project/programme. The risk screening is based on three E&S risk categories – A/I-1, B/I-2 and C/I-3, in line with the PS 1–8 of the GCF interim ESS standards. The E&S officer revises the E&S assessment if necessary and sends it back to the Account Manager with the appropriate risk category after it is confirmed and approved by the Director of the Risk Management Department. The Account Manager then attaches the revised E&S assessment, including the transaction due diligence, following approval by the Credit Committee to the borrower's loan documents. The applicant provided a sample of its E&S risk screening template, including the risk and impacts identification and categorization for one project equivalent to E&S risk category A (on a loan to a power blasting company for transporting equipment used in a chemical production plant); and three examples in category B direct loans (one for the manufacture of gypsum and cement products, one for the establishment of a waste material processing centre and one for the development of a poultry farm).

60. The AP finds that the applicant's system of identification of E&S risks and impacts, supported by evidence of its track record, fully meets the GCF Environmental and Social Policy and interim ESS standards for a maximum E&S risk category B/I-2 projects/programmes.

3.2.3. Section 6.3: Management programme

61. The ESRMP describes the applicant's institutional process for managing mitigation measures and actions stemming from the E&S risk identification process, distinguishing between different categories of risk. In the case of risk category A projects that are expected to have significant environmental and social impact, a comprehensive environmental and social impacts assessment (ESIA), an environmental and social risk assessment (ESRA) and an environmental and social management plan (ESMP) are required. (An ESIA is a detailed assessment conducted by an external professional company whereas the ESRA is the applicant's due diligence based on a detailed ESIA and presented to the Credit Committee for decision-making.) In the case of a high level of intermediation, I-1 programmes that are expected to have significant environmental and social impact, a comprehensive ESMS and an ESRA are required. In the case of category B projects with limited environmental and social impact, a fit-for-purpose ESIA, an ESRA and an ESMP with a more limited focus, as appropriate, that describes the potential impacts, as well as appropriate mitigation, monitoring and reporting measures, are required. In the case of a medium level of intermediation, I-2 programmes with limited environmental and social impact, a comprehensive ESMS and an ESRA are required. In the case of category C projects, I-3 programmes with no significant environmental and social impacts, an ESIA, ESRA or ESMP may not be needed. The development of the ESIA, ESRA and ESMP entails stakeholder engagement based on free prior and informed consent to ensure the effective engagement and consultation of communities and individuals, including transboundary, vulnerable and marginalized groups and individuals, affected or potentially affected by project activities. Every project is provided with a stakeholder engagement plan describing the disclosure of information, meaningful consultation and informed participation processes that will be implemented in the project in a culturally appropriate and gender-responsive manner and continue throughout the lifecycle of the activities.

62. The risk analyst and E&S officer ensures that the covenants imposed based on the E&S assessment are included in the loan term sheet. The Account Manager adds the E&S-related covenants imposed by the E&S officer in the borrower's responsibility section of the legal agreement. The environmental and social action plan developed by the E&S officer and related covenants are annexed to the legal agreements and are legally binding on the borrower. The applicant provided an ESIA (English translation) for a project on waste management processing centre and an ESMP for a poultry farm project, as evidence of its mitigation management process for category B/I-2 projects in line with the PS 1–8.

63. The applicant provided the 2013 PricewaterhouseCooper's independent audit report, including an action plan on the applicant's previous ESMS. As this audit precedes by several years the applicant's recently updated ESMS in line with the PS 1–8, it does not sufficiently represent the effectiveness of the applicant's updated ESMS. The applicant has agreed to commission an independent audit of the effectiveness of the ESMS comprising an ESRP and an ESRMP within three years of the first disbursement by the GCF for the first approved GCF project/programme.

64. The AP finds that the applicant's management programme, supported by evidence of its track record, does not fully meet the GCF Environmental and Social Policy and interim ESS standards for a maximum E&S risk category B/I-2 projects/programmes. The relevant gap is identified in paragraph 63 above and is reflected by the corresponding condition for accreditation in section 4.2.

3.2.4. Section 6.5: Monitoring and review

65. The ESRMP describes the applicant's E&S monitoring and reporting process and provides a checklist to be used in reporting monitoring results by different E&S risk categories. The applicant conducts an E&S monitoring review of climate projects and programmes periodically in relation to the ESMP or the environmental and social action plan, semi-annually for category B projects/programmes, annually for category C projects/programmes and as required for I-2 and I-3 projects/programmes. The E&S officer fills out an environmental and social review report for projects and programmes as provided in an annex to the ESRMP identifying further actions to be taken, if necessary, and presents the report to the director of the department for approval.

66. The applicant provided a sample annual monitoring report of its investment portfolio and a semi-annual monitoring report of its Sustainable Finance Initiative, both of which include a review of borrowers' ESMS performance; and an E&S monitoring report in line with the PS 1-8 for a loan to a borrower to buy equipment to mine gypsum.

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

3.2.5. **Section 6.6: External communications; consultations, information disclosure and grievance redress mechanism at the institutional level**

68. The applicant's external communication channels to receive, assess and respond to general inquiries, including E&S-related complaints from general public and project-affected people, include website email, online form, letter, social media and dedicated telephone lines. Additionally, the applicant has created a dedicated email address to receive complaints regarding GCF-funded projects and programmes. The applicant's independent grievance redress and accountability mechanism (GRAM) is described in the ESRMP as a complaints mechanism that will be managed by the Internal Audit Department. The ESRMP states that the applicant and the borrower will inform in a clear and effective way the people who have been or may be negatively affected by GCF-funded projects and programmes of the complaints mechanism in all stages of implementation, starting from the consultation stage with the stakeholders. The operational procedure of the GRAM described in the ESRMP sets out in detail how complaints are to be submitted by an individual, organization and entity, what channels are to be used for submitting complaints, how the complaints will be received, how the eligibility of the complaint will be determined, how the complaint will be resolved, how to report on the complaint and how to close the complaint. The applicant confirmed its commitment to ensure that the GRAM functions effectively, efficiently, legitimately and independently in a manner that is accessible, equitable, predictable and transparent, and that allows for continuous learning. The GRAM procedure is also available on the applicant's website.

69. The applicant has established the complaints registry section of its website to register complaints regarding future GCF-funded projects and programmes. The applicant indicated that it had not received any E&S-related complaints in the past three years.

70. The ESRMP includes a provision for the applicant to disclose E&S assessment information for category B/I-2 projects and programmes at least 30 days in advance of the Credit Committee or Board decision, whichever is earlier; this meets the GCF information disclosure requirements. The ESRMP also includes the requirement for the applicant's executing entities to include a project-level grievance mechanism. The applicant provided evidence of public consultation and information disclosure and a grievance redress mechanism concerning a poultry farm project funded by the Asian Development Bank.

71. The AP finds that the applicant's system of external communications, consultations, information disclosure and grievance redress mechanism, supported by evidence of its track record, fully meet the GCF Environmental and Social Policy, GCF interim ESS standards and GCF

Information Disclosure Policy requirements on the disclosure of E&S information for a maximum E&S risk category B/I-2 projects/programmes.

3.2.6. Section 6.4: Organizational capacity and competency

72. The applicant provided its institution's organizational chart, which identifies key units, departments, and senior and line management personnel who are responsible for implementing the ESMS along with their authority and reporting lines. Under the management and guidance of the Deputy CEO and Director of the Risk Management Department, the E&S monitoring officers conduct E&S risk assessments for clients and other E&S related activities. The Risk Management Department has three E&S monitoring officer positions, although currently only two are filled. The Risk Committee is responsible for the formulation of the applicant's sustainability mission and vision, definition of E&S risk appetite in its financing activities and approval of all E&S policies. The Credit Committee approves credit transactions to ensure compliance of the credit environment with the approved policies and framework and to ensure compliance with ESMS policies, based on a comprehensive analysis/appraisal of E&S issues inherent in the projects. The E&S officer and team verify the risk analyst's E&S risk summary regarding transactions that are deemed to have medium (B/I-2) or high (A/I-1) E&S risk; support the execution of the E&S risk management strategy; and monitor the implementation of the E&S policy. The highest management approval body for credit decisions is the Credit Committee.

73. The applicant provided curricula vitae showing qualifications, experience and samples of work of its key technical staff with direct responsibility for the E&S project/programme performance to demonstrate that they have the knowledge, skills and experience necessary to understand and ensure implementation of PS 1–8. The applicant also provided information on the comprehensive material used for internal training of its staff, including the ESMS and E&S assessment procedure.

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

3.3 Gender

75. The applicant provided its Gender Equality Policy, approved by its CEO in December 2019, which fully meets the GCF Gender Policy. The Gender Equality Policy expresses the applicant's commitment to promote gender equality within its own institution and across its operations, products and services. The Gender Equality Policy replaces the applicant's internal gender policy of June 2017, which describes gender equality in the applicant's workplace and outlines the actions it has taken to ensure non-discrimination in the salaries provided to its staff. The Gender Equality Policy and its Action Plan were prepared taking into consideration the Mongolian laws and regulations on promoting gender equality, and best practices of other multilateral development banks and international organizations. The Gender Equality Policy is aligned with the United Nations Sustainable Development Goals,⁷ which make an explicit commitment to gender equality as a stand-alone goal on gender equality and concerning women's empowerment, which are cross-cutting themes across all the Sustainable Development Goals. One of the key principles of the Gender Equality Policy requires project-level participatory sex-disaggregated data collection, qualitative and quantifiable gender analysis and action plans, and a knowledge base that supports gender-responsive learning outcomes. The Action Plan includes a template which provides guidance on how to develop

⁷ See <<https://www.unwomen.org/en/news/in-focus/women-and-the-sdgs/sdg-5-gender-equality>>

impacts, outcomes and output statements on gender-responsive activities, including gender performance based indicators and targets.

76. The Gender Equality Policy and the Action Plan have been disseminated internally within the applicant's institution to increase staff awareness of the importance of gender equality. The Gender Equality Policy commits the applicant to allocating human resources to implement the policy through the establishment of a Gender Committee and the appointment of a gender focal point in each department, unit and branch, developing the capacity and skills of its staff through training sessions and workshops, and introducing an accountability mechanism to track progress and measure the results of the policy. The Gender Committee is chaired by the Chief Risk Officer (Deputy CEO), and includes the Director of the Administration and Human Resources Department, the Director of the Compliance Unit, the Director of the International and Corporate Relations Department, the Senior Project Manager of the Project Management Unit and the Secretary, who is the Environmental and Social Responsibility Monitoring Officer of the Risk Management Department. The curriculum vitae of the Secretary of the Gender Committee indicates that she is highly qualified and has considerable experience in gender equality matters. The applicant has also established a gender network group, a volunteer-based group, and organized the first meeting of the group on 24 October 2019. The group's aim is to communicate the Gender Equality Policy within the applicant's institution.

77. The applicant provided the description of its Women Entrepreneur Support Program (WESP) which was a part of a comprehensive financial package programme that supports different needs of women business owners. The programme also included the "WESP-Early ventures", which is directed to young women entrepreneurs who need financial assistance and capacity-building to operate/start their businesses. The applicant also provided evidence concerning one of its clients that shows that projects funded by the entity have non-discriminatory practices in terms of benefits and remuneration for both men and women employees. The applicant indicated that it will address linkages between gender and climate change in GCF-supported activities in line with the GCF Gender Policy.

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

IV. Conclusions and recommendation

4.1 Conclusions

79. 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 GCF Policy on the Protection of Whistle-blowers and Witnesses, the GCF Policy on Prohibited Practices, the GCF Anti-Money Laundering and Countering the Financing of Terrorism Policy and the GCF specialized fiduciary standard for on-lending and/or blending for loans and guarantees;
- (b) The applicant partially meets the requirements of the GCF Environmental and Social Policy, GCF interim ESS standards and GCF Information Disclosure Policy on disclosure of E&S information in relation to the medium E&S risk (category B/I-2). As the applicant's ESMS comprising an ESRP and ESRMP was adopted quite recently, it has not been audited for its effectiveness. This gap is reflected in paragraph 63 above and addressed through the condition for accreditation in section 4.2; 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 GCF

Gender Policy, and has demonstrated that it has experience in gender considerations in the context of climate change.

4.2 Recommendation on accreditation

80. The AP recommends, for consideration by the Board, applicant APL098 for accreditation as follows:

(a) **Accreditation type:**

(i) **Maximum size of an individual project or activity within a programme:** medium (including micro⁸ and small⁹);

(ii) **Fiduciary functions:**

(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:** medium risk (category B/I-2) (including lower risk (category C/intermediation 3 (I-3)¹⁰)); 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 within three years of the first disbursement by the GCF for an approved GCF project/programme to be undertaken by the applicant:

(1) Provision by the applicant of a final report prepared by an independent body assessing the effectiveness of the implementation of the applicant's ESMS comprising its ESRP and ESRMP for Climate Finance. The report shall include examples of the application of the environmental and social management system and of lessons learned.

81. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition, as identified in paragraph 80 above, and agrees to the recommendation.

4.3 Remarks

82. During the accreditation review of third-party publicly available information, news reports were found regarding the applicant's involvement in the purchase, in 2016, of a material stake (49 per cent of the shares) of the Erdenet Mining Corporation (EMC) by the Mongolian Copper Corporation (MCC). According to this information, the Government of Mongolia had a pre-emptive right to purchase this stake, and if after proper consultations, the

⁸ 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 Fund, of up to and including US\$ 10 million for an individual project or an activity within a programme".

⁹ As per annex I to decision B.08/02, "small" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US\$ 10 million and up to and including US\$ 50 million for an individual project or an activity within a programme".

¹⁰ 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".

Government of Mongolia decided not to exercise its right, the seller was free to offer its stake to other buyers. This transaction is being legally contested, and the core issue is whether proper consultations were undertaken and the required procedures followed by the Government to decline exercising its right to purchase the aforementioned stake in EMC.

83. The applicant is involved in this case from two main perspectives: i) it is a leading provider of funds (in the form of loans to MCC and other companies) and ii) public allegations have been made that the applicant violated related-party and other lending regulations. The implication of this involvement is twofold, first, the applicant has a substantial credit-risk exposure and second, the reputational risk of its alleged involvement in a transaction executed in violation of applicable laws and regulations.

84. It is important to note that the banking supervision review exercised by the Bank of Mongolia, after the completion of the above-mentioned transaction, determined (as stated by the applicant) that the applicant complied with all local lending laws and regulations in the execution of the loans disbursed to MCC, and to other companies, for the purchase of the shares of EMC. Furthermore, the country's courts (including the Supreme Court) have issued decisions that confirm the lawfulness of the share purchase transaction.

85. The AP discussed this case extensively with the applicant, who provided evidence of its compliance with national lending laws, as well as the manner in which it has mitigated the credit-risk exposure. In terms of compliance with national lending laws and regulations the applicant explained that it has complied with all applicable laws and regulations, and that none of the borrowers are related parties (as defined by local banking regulations) to the applicant.

86. In terms of the credit-exposure risk the applicant explained that the amounts of the loans have been reduced substantially (although still a material amount) and loan-loss reserves have been created to partially cover the credit exposure. Furthermore, the applicant explained that if the final legal resolution of this case affected the borrowers, the applicant will have recourse to receive payment for the loan based on the shares of EMC that are pledged as collateral, and the requirement of national laws and regulations that require that the loans be paid before the shares held as collateral are released from the pledge contract.

87. The AP considers that the explanations provided by the applicant regarding allegations of its involvement in lending practices that do not comply with local laws and regulations are satisfactory.

Annex V: Accreditation assessment of upgrade application from the Palli Karma-Sahayak Foundation

I. Introduction

1. The Palli Karma-Sahayak Foundation (PKSF) is a national entity based in Bangladesh working as a sustainable platform for government to non-governmental organization (NGO) collaboration. With a mission of achieving sustainable poverty eradication in Bangladesh by undertaking multidimensional human-centred development programmes, the entity has provided support and services related to education, workforce development, health and nutrition, infrastructure, inclusive and appropriate financing for planned economic activities, social issues, response to climate change impacts, gender issues and cultural dimensions.

2. The applicant was accredited by the Board on 2 October 2017 in decision B.18/05, paragraph (b), and signed its accreditation master agreement with GCF on 19 November 2018, which became effective on 21 December 2018, 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 received a national designated authority or focal point nomination for its accreditation application from Bangladesh;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or activity within a programme:** small;¹
- (d) **Fiduciary functions:**²
 - (i) Basic fiduciary standards;
 - (ii) Specialized fiduciary standard for project management;
 - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
 - (iv) Specialized fiduciary standard for on-lending and/or blending (for loans);
- (e) **Maximum environmental and social risk category:** minimal to no risk (category C/intermediation 3 (I-3)).³

3. The applicant has one GCF-funded activity, “Extended Community Climate Change Project-Flood” (ECCCP-Flood) (SAP008). It also submitted a concept note in response to the request for proposals for a pilot phase of enhancing direct access.

4. The applicant was accredited with conditions. As reported in annex III to document GCF/B.22/02 titled “Consideration of accreditation proposals”, PKSF has fulfilled and closed fiduciary conditions to be met prior to the first disbursement by GCF for the first approved project/programme to be undertaken by PKSF. The remaining three fiduciary conditions are contingent upon the first disbursement of GCF financing for the approved project SAP008, the first approved project for PKSF. Two of the conditions are to be met within the first 15 months of the first disbursement by GCF for the approved project SAP008, and the last condition, which

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

² Decision B.07/02.

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

is an ongoing condition to be met on an annual basis for three consecutive years, starts after the twelfth month following the first disbursement for the approved project SAP008.

5. The applicant submitted its application for an accreditation upgrade to the Secretariat via the Online Accreditation System on 19 June 2018. 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 27 June 2019 and the applicant was progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be upgraded for the following parameters under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** direct access, national;
- (b) **Track:** normal track;
- (c) **Maximum environmental and social risk category:** medium risk (category B/intermediation 2 (I-2));⁴ and
- (d) **All other criteria for which the applicant was accredited:**⁵ no change.

II. Stage I institutional assessment and completeness check

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

- (a) “Guiding framework and procedures for accrediting national, regional and international implementing entities and intermediaries, including the Fund’s fiduciary principles and standards and environmental and social safeguards” (decision B.07/02);
- (b) “Guidelines for the operationalization of the fit-for-purpose accreditation approach” (decision B.08/02);
- (c) “Environmental and social management system: Environmental and Social Policy” (decision B.19/10); and
- (d) “Comprehensive information disclosure policy of the Fund” (decision B.12/35) regarding the disclosure of E&S information.

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 incorporated under the Companies Act of 1913 (Act VII). As indicated in paragraph 2 above, GCF and PKSf have entered into an accreditation master agreement.

⁴ 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”.

⁵ For example, the maximum size of an individual project or activity within a programme and fiduciary functions.

2.2 Institutional presence and relevant networks

8. The applicant has 278 partner organizations (POs), which are the grassroots-level NGOs in different districts of Bangladesh through which the applicant manages all the lending and development activities. The applicant has been working with its partners for the last 29 years and has acquired a track record in undertaking projects in the financial sector, agriculture and livelihood, health, education, and community-based infrastructure, as well as cross-cutting sectors including environment and climate change.

9. To advance the objectives of GCF, the applicant intends to propose projects/programmes that are in a higher environmental and social (E&S) risk category than that of its original accreditation agreement, including:

- (a) Introducing more improved cook stoves and biogas plants in the community level. As such activities are prevalent at the community level in Bangladesh, the applicant intends to extensively increase the use of energy-saving activities;
- (b) Increasing the use of the solar home system at the community level, particularly in the off-grid areas in Bangladesh;
- (c) Increasing the use of solar irrigation systems at the community level for rice and cereal crops production;
- (d) Resilient housing infrastructure projects; and
- (e) Resilient agriculture activities.

2.3 Track record

10. As a GCF accredited entity, the applicant has an approved GCF project (SAP008), which aims to increase resilience of the poor, marginalized and climate-vulnerable communities against the adverse effects of climate change in flood-prone areas of Bangladesh.

11. The applicant has a track record of managing E&S risk category B/I-2 projects/programmes, including:

- (a) USD 13 million (grant and loan) for the “Extended Community Climate Change Project-Flood” (ECCCP-Flood) (SAP008) in Bangladesh;
- (b) USD 14.1 million (grant and loan) for the Food Security 2012 Bangladesh-Ujjibito, Ultra Poor Programme in Ujjibito; and
- (c) USD 22.45 million of USD 92.85 million (grant and loan) for Promoting Agricultural Commercialization and Enterprise to ensure food security and livelihood security in Bangladesh.

III. Stage II accreditation review assessment

12. The application has been assessed by the AP during Stage II (Step 1) against the standards of the GCF in accordance with the accreditation requirements and GCF policies and standards identified in paragraph 6 above.

13. As per decision B.24/13, paragraph (a) and annex XXVI thereto, the applicant will be assessed against the Updated Gender Policy adopted in decision B.24/12, paragraph (e) and annex XXIII thereto at the time of re-accreditation to GCF. Any projects/programmes to be considered by GCF following the adoption of the Updated Gender Policy will be required to be in line with the principles and requirements of the policy.

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 Environmental and social safeguards

3.1.1. Section 6.1: Environmental and social policy

15. The applicant's environmental and social management system (ESMS) comprises its environmental and social management framework (ESMF) and its Environmental Health and Safety Guidelines (EHS Guidelines), both of which were approved by the applicant's management in November 2019. The ESMF is the product of merging and updating of the applicant's 2012 environmental management framework (EMF) with its 2012 social management framework (SMF) to better align the ESMF with the applicant's national regulations and laws and the GCF interim environmental and social safeguards (ESS) standards. The applicant provides a sustainable platform for collaboration between the Government of Bangladesh and national NGOs that are designated as the applicant's POs, with a mission of achieving sustainable poverty eradication in Bangladesh by undertaking multidimensional human-centred development programmes. The ESMF sets out the requirements for the applicant and its POs on the identification, assessment and mitigation of the E&S risks and impacts associated with projects financed by the applicant. The ESMF is designed to support POs in achieving good national and international practice relating to environmental and social sustainability and related obligations.

16. The ESMF articulates ten ESS standards, with each ESS supported by a detailed guideline for implementation provided in the annex to the ESMF. The ten ESS standards are as follows: ESS1: Assessment and management of environmental and social risks and impacts; ESS2: Labour and working conditions; ESS3: Resource efficiency and pollution prevention and management; ESS4: Community health and safety; ESS5: Land acquisition, restrictions on land use and involuntary resettlement; ESS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources; ESS7: Indigenous/Tribal Peoples; ESS8: Cultural heritage; ESS9: Financial intermediaries; and ESS10: Stakeholder engagement and information disclosure. The first eight standards (ESS 1–8) are fully in line with the corresponding performance standards 1–8 in the interim GCF ESS standards. The applicant's ESS9 and ESS10 are similar to the requirements in GCF Environmental and Social Policy. In addition to the ten ESS, the applicant's E&S risk assessment also applies the relevant requirements of its EHS Guidelines, which are the technical reference documents, with general and specific examples of good national and international practices.

17. The Managing Director of the applicant has overall responsibility for ensuring the applicant's conformance with the ESMS and for its execution. The applicant provided evidence of an internal dissemination of the ESMS to all levels of its staff. The ESMS has also been uploaded to the applicant's website. The applicant provided a sample of project documents as evidence of its track record in applying its EMF and SMF for E&S risk category B/I-2, in line with GCF performance standards 1–8.

18. The AP finds that the applicant's ESMF and related EHS Guidelines, supported by evidence of its track record, fully meet with the GCF Environmental and Social Policy and GCF interim ESS standards for a maximum E&S risk category B/I-2 projects/programmes with respect to GCF performance standards 1–8.

3.1.2. Section 6.2: Identification of risks and impacts

19. The ESMF describes the applicant's E&S risk and impacts identification process, including E&S risk categorization. The E&S risk screening classifies projects into one of the following three classifications: (1) high risk (equivalent to GCF E&S risk category A/I-1); (2) moderate risk (equivalent to GCF E&S risk category B/I-2); (3) low risk (equivalent to GCF E&S

risk category C/I-3). The determination of the appropriate risk classification considers relevant issues such as the type, location, sensitivity and scale of the project; the nature and magnitude of the potential E&S risks and impacts; and the capacity and commitment of the POs to manage the E&S risks and impacts in a manner consistent with the ESMF. The ESMF also addresses the development of the initial environmental examination, which is to be conducted if the project is likely to have moderate or low impacts and which can be easily predicted and evaluated, and mitigation measures could be prescribed easily. The initial environmental examination is also important to confirm whether or not the specific activity requires an environmental and social risk assessment or an environmental and social management plan.

20. The ESMF requires the applicant to disclose the project's E&S risk classification and assessment on its website and in the project document. The E&S risk classification assigned to a project is reviewed on a regular basis during the implementation of the project, and may be changed if necessary, to ensure that it continues to be appropriate for the risks and impacts identified during the project implementation. Any change to the E&S risk classification is also disclosed on the applicant's website. Where the applicant provides the support to one or more POs, the risk classification of the project will be determined by the applicant taking into account the type of financial instrument or product involved, the nature of the existing portfolio of the PO, and the level of E&S risk associated with the proposed subprojects.

21. The Director of the Environment and Climate Change Unit (ECCU) is responsible for overseeing the E&S risk screening and assessment performed by the unit's designated officers who make recommendations on categorization and implementation of the mitigation management measures. The designated officers forward their assessment to the Director of the ECCU who then makes the determination and approves the categorization and necessary mitigation measures to be undertaken.

22. The applicant provided its E&S risk screening templates for projects equivalent to E&S risk categories C/I-3 and B/I-2 based on its EMF and SMF (which are considered to be equivalent to applying the ESMF). These projects include ECCCP-Flood (category C/I-3), the Rural Microenterprise Transformation Project (category B/I-2), and the Sustainable Enterprise Project (category B/I-2).

23. The AP finds that the applicant's system of identification of risks and impacts, supported by evidence of its track record, fully meet the GCF Environmental and Social Policy and the GCF interim ESS standards for a maximum E&S risk category B/I-2 projects/programmes.

3.1.3. Section 6.3: Management programme

24. The ESMF describes the applicant's process for managing actions stemming from the identification of E&S risks and impacts. The assessment is proportional to the potential risks and impacts of the project, as identified in the E&S risk screening process, and is conducted in an integrated manner, taking into account the direct, indirect, cumulative and associated facility impacts anticipated during the entire project life cycle, in accordance with ESS1 and relevant ESS 2-10. The E&S risk assessment and mitigation management also takes into account the relevant EHS Guidelines. The environmental and social assessment applies the mitigation hierarchy, as follows: (1) anticipate and avoid risks and impacts; (2) where avoidance is not possible, minimize or reduce risks and impacts to acceptable levels; (3) once risks and impacts have been minimized or reduced, or mitigated, and where significant residual impacts remain, compensate for or offset them, where technically and financially feasible. Where the project is executed by a PO, the applicant requires the PO to conduct environmental and social assessment of projects commensurate with the E&S risk category assigned to the project and in accordance with ESS1 and applicable ESS2-10. The applicant oversees and supports the POs in this effort. The POs are also required to apply the relevant requirements of the EHS Guidelines.

25. The agreed measures and actions stemming from the environmental and social risk assessment and/or environmental and social management plan, together with the time frames

for completion of such measures and actions, form part of the environmental and social commitment plan (ESCP) in accordance with the guidelines contained in the annex in the ESMF. The ESCP forms part of the legal agreement that includes the necessary obligations of the applicant and POs to support the implementation of the ESCP. The POs are also required to prepare, submit to the applicant for approval and implement a process that allows for adaptive management of proposed project changes or unforeseen circumstances. The agreed adaptive management process is set out in the ESCP. The process specifies how such changes or circumstances are to be managed and reported, and how any necessary changes are to be made to the ESCP and the management tools to be used by the POs.

26. The applicant provided the methodology and a description of the steps that were followed to develop three initial environmental examinations for projects of moderate to low E&S risk levels: livestock waste management; waste management of a small shoe factory cluster; and a sustainable enterprise project. The applicant also provided a sample of ESMPs for projects, including ECCCP-Flood (category C/I-3), and the Rural Microenterprise Transformation Project and Sustainable Enterprise Project (category B/I-2).

27. The ESMS was adopted very recently, so the applicant's ESMS has not been subjected to an independent audit on its effectiveness. The applicant has agreed to have an external audit on the effectiveness of its ESMS within three years of the first disbursement by GCF for its first approved GCF project/programme.

28. The AP finds that the applicant's management programme, including evidence of its track record, does not fully meet with the GCF Environmental and Social Policy and GCF the interim ESS standards. The relevant gap is identified in paragraph 27 above and is reflected by the corresponding condition for accreditation in section 4.2 of this document.

3.1.4. **Section 6.4: Monitoring and review**

29. The ESMF describes the applicant's process for E&S monitoring and reporting in line with its ESS 1–10 and EHS Guidelines. The applicant monitors the environmental and social performance of the project to ensure that adequate institutional arrangements, systems, resources and personnel are in place to carry out the monitoring. Where appropriate, and as set out in the ESCP, the applicant will engage stakeholders and third parties, such as independent experts, local communities or NGOs, to complement or verify its own monitoring activities. Where other agencies or third parties are responsible for managing specific risks and impacts and implementing mitigation measures, the applicant will collaborate with such agencies and third parties to establish and monitor such mitigation measures. Monitoring will normally include recording information to track performance and establishing relevant operational controls to verify and compare compliance and progress. Monitoring will be adjusted according to performance experience, as well as actions requested by relevant regulatory authorities and feedback from stakeholders such as community members.

30. Based on the results of the monitoring, the applicant will identify any necessary corrective and preventive actions and incorporate them in an amended ESCP or the relevant management tools, and will implement the agreed corrective and preventive actions in accordance with the amended ESCP or relevant management tool, and monitor and report on these actions. The environmental focal person within the PO, along with project head, receive necessary training for conducting environmental and social assessment and monitoring of the interventions. The applicant also organizes training sessions for the capacity-building of the POs regarding environmental issues and assessment.

31. The applicant provided separate samples of quarterly monitoring reports on environmental management and quarterly monitoring reports on social management, in line with the applicant's EMF and SMF for the projects mentioned in paragraph 26 above. The applicant agrees to carry out future E&S risk monitoring and reporting for approved GCF projects/programmes in line with the applicant's ESMF (ESS1–10).

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

3.1.5. Section 6.6: External communications; consultations, information disclosure, and grievance redress mechanism at the institutional level

33. The applicant's channels for external communications (including for general inquiries or complaints from the public or people affected by a project) includes postal mail, courier communications and online through its website. The applicant works through its POs who have very close relationships with the people in the communities that may be affected by the projects. The applicant indicated that it has not received any E&S risk-related complaint so far. It agrees to maintain a register of complaints for GCF-funded activities.

34. The ESMF describes the applicant's complaints mechanism (grievance redress mechanism (GRM)) at the institutional level and for the POs. The independent GRM is designed to ensure that the applicant and its POs are accountable to the people who might be affected by projects or programmes financed by the applicant. The GRM has adopted the best practice principles stated in the GCF Environmental and Social Policy to ensure that the process will function effectively, efficiently, legitimately and independently, in a manner that is accessible, equitable, predictable, transparent, rights-based, and that allows for continuous learning. A designated officer in the ECCU acts as the focal point to receive complaints through email via the website, or courier or post offices. The officer registers the complaint and prepares a case file. The Deputy Managing Director of administration is responsible for overseeing and resolving the complaints in line with the applicant's ESS1-10. A complaint should be solved within 30 working days of receiving it. In case of failure to receive a resolution, the grievance is to be elevated to the Chair of the applicant's governing body. The applicant has created a portal in its website on its GRM.

35. The ESMF includes a provision for the applicant to disclose E&S risk assessment information for category B/I-2 projects and programmes at least 30 days in advance of a decision by either the applicant's board or the GCF Board, whichever is earlier; and this procedure meets the requirements of the GCF Information Disclosure Policy regarding the disclosure of E&S risk information. The ESMF also includes the requirement for the applicant's POs to include a project-level grievance mechanism. The applicant provided evidence of a public consultation and information disclosure and inclusion exercise of a GRM case that occurred in the 2017 CCCP funded by the World Bank.

36. The AP finds that the applicant's system of external communications, consultations, information disclosure, and GRM, supported by evidence of its track record, fully meet the GCF Environmental and Social Policy, the GCF interim ESS standards and the GCF Information Disclosure Policy on disclosure of E&S risk information for a maximum E&S risk category B/I-2 projects/programmes.

3.1.6. Section 6.4: Organizational capacity and competency

37. At present the organizational structure of PKSF comprises four divisions (the Program Division, the Administration Division, the Finance Division and the Audit Division) and two units: the Research Unit and ECCU. The applicant provided an organizational chart of its institution including the position of its ECCU within the organization together with a description of the roles, responsibilities and authority to implement the ESMS, which includes its senior management. The ECCU comprises ten permanent staff and is led by a director. This unit is tasked with addressing climate change adaptation and mitigation issues such as climate resilient infrastructure and livelihoods, particularly at the community level. The ECCU comprises a Director, an Assistant General Manager, a Manager, and three Deputy Managers and three Assistant Managers. The Director of the ECCU assigns tasks to the Deputy Managers and Assistant Managers via the supervisors (namely, the General Manager and Assistant

General Manager) to assess the E&S risks and make recommendations on categorization and implementation. The designated officers and their support staff carry out the risk assessments and, based on those, prepare a recommendation on categorization and implementation. The designated officers forward their assessments, via supervisors, to the Director. Then the Director of the ECCU confirms the categorization and decides on any necessary measures to be taken. The Managing Director is the final authority to approve the proposals.

38. The applicant provided the curricula vitae of its ECCU staff, which show that the unit has adequate technical staff with direct responsibility for the project/programme performance, having the knowledge, skills and experience, including the completed training, to understand and ensure implementation of ESS1–10. The development of the updated ESMS, including the incorporation of the ESS 1–10 in the ESMF, is further evidence of the competency of the ECCU staff. The applicant provided a sample of the E&S risk assessment done by the ECCU staff.

39. The AP finds that the applicant’s organizational capacity and competency, supported by evidence of its track record, meet the GCF Environmental and Social Policy and the GCF interim ESS standards for a maximum E&S risk category B/I-2 projects/programmes.

IV. Conclusions and recommendation

4.1 Conclusions

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

- (a) The applicant partially meets the requirements of the GCF Environmental and Social Policy, the GCF interim ESS standards and the GCF Information Disclosure Policy on disclosure of information in relation to the medium E&S risk (category B/I-2). The applicant’s updated ESMS comprising the ESMF and ESS Guidelines was adopted quite recently, so the ESMS has not been subjected to an independent external audit of its effectiveness. This gap is reflected in paragraph 27 above and is addressed through the condition for accreditation in section 4.2 below.

4.2 Recommendation on accreditation

41. The AP recommends, for consideration by the Board, PKSF for an upgrade in its accreditation type, as originally accredited in decision B.18/05, paragraph (b), and annex VI thereto, as follows:

- (a) **Accreditation type:**
- (i) **Maximum environmental and social risk category:** medium risk (category B/I-2) (including lower risk (category C/I-3⁶)); and
 - (ii) **All other criteria for which the applicant was accredited:**⁷ no change.
- (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:

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

⁷ Decision B.18/05, paragraph (b), and annex VI thereto.

- (i) Condition to be met within three years of the first disbursement by GCF for an approved GCF project/programme to be undertaken by the applicant:
 - (1) Provision by the applicant of a final report prepared by an independent body assessing the effectiveness of the implementation of the applicant's environmental and social management system comprising its environmental and social management framework and its Environmental Health and Safety Guidelines. The report shall include examples of the application of the environmental and social management system and of lessons learned.

42. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 41 above, and agrees to the recommendation.

Annex VI: Accreditation of the National Committee for Sub-National Democratic Development Secretariat (Applicant 090)

1. The assessment of the National Committee for Sub-National Democratic Development Secretariat (NCDDS) (applicant 090, APL090) for accreditation to GCF was submitted to the Board for its consideration in annex IV to document GCF/B.24/07/Rev.01. In decision B.24/11, paragraphs (a) and (b), NCDDS was accredited in Stage II (Step 2) of the accreditation process, subject to, and in accordance with, the assessment by the Accreditation Panel contained in annex IV to document GCF/B.24/07/Rev.01 and completion of Stage III of the accreditation process by having an effective accreditation master agreement, in accordance with decision B.23/11.
2. During Stage III, it has been further clarified that the National Committee for Sub-National Democratic Development (NCDD) was assessed during accreditation.
3. The Accreditation Panel (AP) confirms that the accreditation assessment presented in annex IV to document GCF/B.24/07/Rev.01 was for NCDD (as the oversight body, e.g. the Board of Directors of NCDDS), and the operational policies and procedures assessed were those of NCDDS which functions as the operational entity that implements NCDD projects and programmes. From the perspective of assessing the entity against the standards for GCF accreditation (e.g. basic fiduciary standards, specialized fiduciary standards for project management and grant award and/or funding allocation mechanisms, environmental and social safeguards standards and gender), the role of the Board of Directors is a fundamental part of the internal control framework. NCDD was for this reason examined as part of the AP's assessment. The assessment, conclusion, recommendation and conditions as contained in annex IV to document GCF/B.24/07/Rev.01 applies to NCDD.
4. The AP reviewed the completeness of the Royal Decree establishing NCDD and reviewed whether NCDD executed its duties such as:
 - (a) Formulating annual workplans and budgets;
 - (b) Updating the national programme from one phase to another;
 - (c) Whether its projects and programmes provided as examples were in line with its mission;
 - (d) Ensuring that the projects and grant programmes support the attainment of the objectives of Sub-National Government Democratic Development established by NCDD; and
 - (e) Whether NCDD reported to the Royal Government of Cambodia at least once every year.
5. While the underlying work for these activities were done by NCDDS, the guidance and approval of the tasks were fully taken by NCDD.
6. The NCDD takes full responsibility for policy documents. Examples of policy documents that were approved by NCDD during the accreditation process (or for which a condition to complete these and have them approved by NCDD) includes the following, which are operationalized by NCDDS:
 - (a) Operations Policies and Procedures Manual;
 - (b) Manual for Performance Based Grants to Sub-National Administrations;
 - (c) Code of Conduct (contained in the Operations Policies and Procedures Manual);
 - (d) Internal Audit Manual;
 - (e) Project Management Manual;



- (f) Project Risk Manual;
- (g) Monitoring and Evaluation Manual;
- (h) Project Evaluation Disclosure Policy;
- (i) Environmental and Social Safeguards Policy; and
- (j) Gender Policy.

7. In light of the explanations provided above, the AP would be supportive to have the Board reflect that NCDD is the accredited entity.
