



**GREEN
CLIMATE
FUND**

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Provisional agenda item 10

GCF/B.26/03

27 July 2020

Consideration of accreditation proposals, including consideration of the reaccreditation deadline

Summary

This document presents an overview of accreditation progress up to 30 June 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.

Table of Contents

| | | |
|------|---|----|
| I. | General mandate | 1 |
| II. | Recommended action by the Board | 1 |
| III. | Linkages with decisions and other documents | 1 |
| IV. | Overview of the pipeline of applicant entities | 3 |
| | 4.1 Status of applications for accreditation | 3 |
| | 4.2 Accelerating direct access | 10 |
| V. | Overview of the portfolio of accredited entities | 12 |
| | 5.1 Entity work programmes | 13 |
| | 5.2 Support for accredited direct access entities | 13 |
| | 5.3 Accredited entity monitoring and reporting | 14 |
| | 5.4 Re-accreditation of accredited entities | 15 |
| VI. | Applications in Stage II (Step 1) review | 16 |
| | Annex I: Draft decision of the Board | 24 |
| | Annex II: Accredited entities and accreditation categories | 25 |
| | Annex III: Accreditation assessment of applicant 099 (APL099) | 28 |
| | Annex IV: Accreditation assessment of applicant 100 (APL100) | 41 |
| | Annex V: Accreditation assessment of applicant 101 (APL101) | 59 |
| | Annex VI: Accreditation assessment of upgrade application from the Pegasus Capital Advisors, L.P. | 70 |
| | Annex VII: Additional entities of other relevant funds for fast-track accreditation eligibility | 79 |

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) Initial guidance to national designated authorities and entities interested in engaging with GCF related to accreditation;
 - (b) The pipeline of entities, particularly in supporting direct access entities seeking accreditation, Accredited Entities (AEs) in addressing their accreditation conditions and AEs seeking to upgrade their accreditation scope;
 - (c) Relationship management of AEs; and
 - (d) 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 30 June 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.26/03 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) “Interim Policy on Prohibited Practices” (Exhibit A of the accreditation master agreement considered in decision B.12/31);
 - (e) “Policy on Prohibited Practices” (decision B.22/19);¹

¹ This replaces the “Interim Policy on Prohibited Practices” (Exhibit A of the accreditation master agreement considered in decision B.12/31).

- (f) “Anti-Money Laundering and Countering the Financing of Terrorism Policy” (decision B.18/10);
- (g) “Standards for the Implementation of the Anti-Money Laundering and Countering the Financing of Terrorism Policy” (decision B.23/15);²
- (h) “Policy on the Protection of Whistleblowers and Witnesses” (decision B.BM-2018/21);
- (i) “Environmental and Social Management System: Environmental and Social Policy” (decision B.19/10);
- (j) “Gender Policy and action plan” (decision B.09/11);
- (k) “Updated Gender Policy and Action Plan 2020–2023” (decision B.24/12);³
- (l) “Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment” (decision B.23/16);⁴
- (m) “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.25/05);
- (n) “Assessment, including gap analysis, of institutions accredited by other relevant funds” (decision B.08/03);
- (o) “Country programming, readiness and preparatory support” (decision B.13/32);
- (p) “Application documents for submissions of applications for accreditation” (decision B.08/06);
- (q) “Policy on fees for accreditation” (decision B.08/04);
- (r) “Revised policy on fees for accredited entities” (decision B.19/09);
- (s) “Comprehensive information disclosure policy of the Fund” (decision B.12/35);
- (t) “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, B.24/11, B.25/12 and B.BM-2020/05);
- (u) “Legal and formal arrangements with accredited entities” (decision B.09/08);
- (v) “Accreditation master agreements” (decisions B.12/31 and B.23/15, paragraph (d));
- (w) “Strategic plan for the Green Climate Fund” (decision B.12/20);
- (x) “Strategy on accreditation” (decisions B.13/19 and B.14/08);
- (y) “Matters related to the accreditation framework and policy gaps: Co-Chairs’ proposal (decision B.18/04);

² 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 consideration in 2019 as a matter of urgency. A proposal on integration has yet to be presented to the Board for its consideration.

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.

- (z) “Further development of the accreditation framework” (decision B.19/13);
- (aa) “Accreditation framework review, including the project specific framework approach” (document GCF/B.20/17);
- (bb) “Accreditation framework review” (decision B.22/16);
- (cc) “Updated accreditation framework” (decision B.23/11); and
- (dd) “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.⁵ 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.⁶ 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 30 June 2020, 68 AEs have fully completed the accreditation process by having a signed and effective accreditation master agreement (AMA).⁷ An additional 8 entities have signed AMAs that are yet to become effective to complete the accreditation process, 2 more entities have yet to sign their AMAs that have been agreed with GCF, and a further 19 have been approved by the Board to be accredited, for which AMAs are in progress. Altogether, the Board has decided to accredit 97 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

⁵ Paragraph 45 of the Governing Instrument.

⁶ Annex XXVII to decision B.12/31.

⁷ Decision B.23/11, paragraph (a).

engagement takes place prior to and during issuance of accounts to the online accreditation system (OAS),⁸ the web-based portal through which applicants submit their accreditation applications,⁹ 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 30 June 2020 is available on the GCF website¹⁰ and is summarized in figure 1.

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

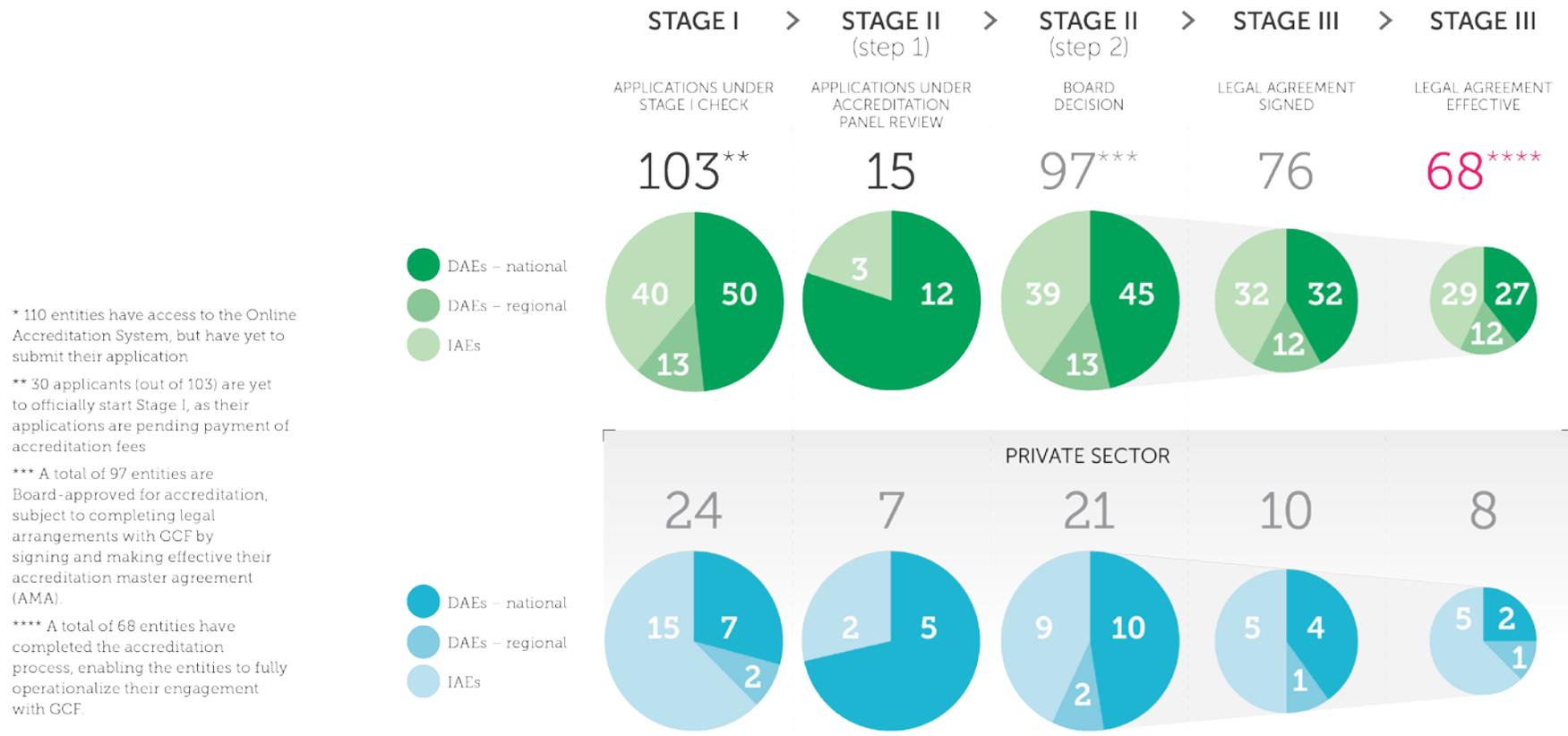
⁹ In decision B.07/02, paragraph (o), the Board requested the AP, in collaboration with the Accreditation Committee and the Secretariat, to report annually to the Board on the status of applications for accreditation.

¹⁰ The number of entities at each stage is updated on a monthly basis and is available at <<https://www.greenclimate.fund/accreditation>>. Monthly information is available from 30 September 2015 onward.

Figure 1: Status of accreditation applications (as at 30 June 2020)

As of 30 June 2020

TOTAL PIPELINE OF ENTITIES SEEKING ACCREDITATION: **118***



* 110 entities have access to the Online Accreditation System, but have yet to submit their application

** 30 applicants (out of 103) are yet to officially start Stage I, as their applications are pending payment of accreditation fees

*** A total of 97 entities are Board-approved for accreditation, subject to completing legal arrangements with GCF by signing and making effective their accreditation master agreement (AMA).

**** A total of 68 entities have completed the accreditation process, enabling the entities to fully operationalize their engagement with GCF.

12. A pipeline of 118 entities have submitted accreditation applications (including active and inactive) on the OAS. Of these, 15 applications are under the Stage II (Step 1) AP review (including those entities being recommended at the twenty-sixth meeting of the Board (B.26)) and 73 applications are under Stage I. A further 30 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, 110 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, 11 applications from AEs to upgrade their accreditation types were received between 17 November 2014 and 30 June 2020, of which seven upgrades were approved by the Board.¹ The remaining four entities comprise one direct access AE and three international access AEs; one international access AE is in Stage II (Step 1) and is presented to the Board for consideration at B.26; the other three AEs are in Stage I. The AEs are seeking to upgrade their accreditation type for increased size categories, additional fiduciary 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 58 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 12 are in Stage II (Step 1) AP review, 42 are in Stage I and 19 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 21 have completed such support and submitted an accreditation application. Of these, 8 entities have been accredited by the Board, two entities are in Stage II (Step 1) and an additional 11 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.

¹ Decision B.15/09, paragraph (f); decision B.18/05, paragraph (d); decision B.21/16, paragraph (d); decision B.22/09, paragraph (d); decision B.23/13, paragraphs (d) and (e); and decision B.BM-2020/05, paragraph (d).

Figure 2: Direct access entities nominated for accreditation (as at 30 June 2020)

As of 30 June 2020

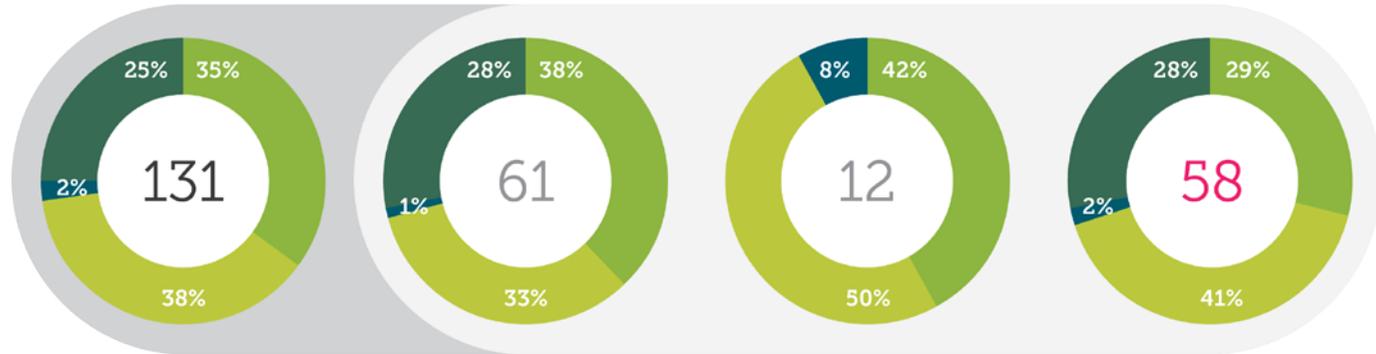
ACCREDITATION STATE OF PLAY DIRECT ACCESS ENTITIES

NDA / FP NOMINATIONS

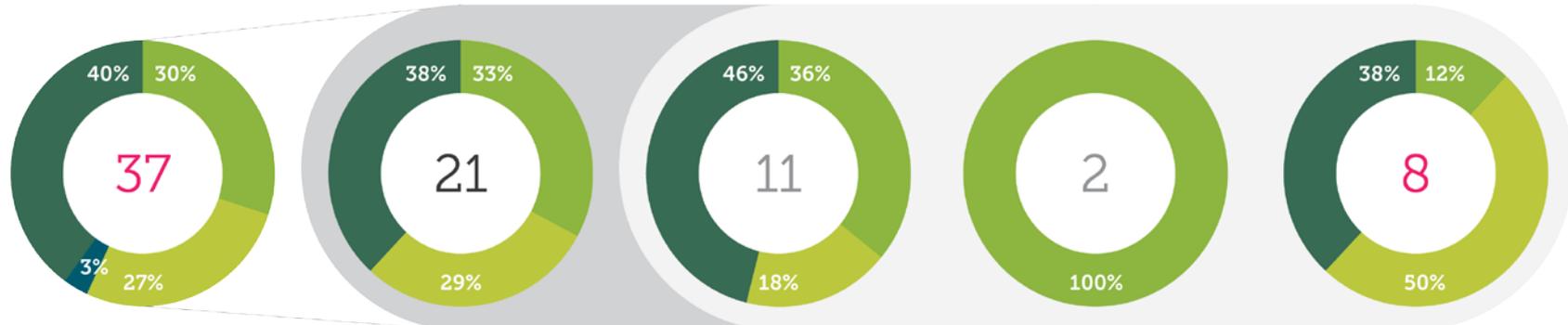
Total **266** nominations*
from **95** countries
for **227** entities

*nominations with OAS account requests

- Africa
- Asia-Pacific
- Eastern Europe
- Latin America and the Caribbean



DIRECT ACCESS ENTITIES THAT HAVE BEEN APPROVED FOR READINESS SUPPORT



TOTAL NUMBER OF DIRECT ACCESS ENTITIES FOR WHICH READINESS SUPPORT IS APPROVED

APPLICATIONS SUBMITTED

STAGE I CHECK

STAGE II (STEP 1) REVIEW

BOARD-APPROVED ACCREDITATION

Abbreviations: NDA/FP = national designated authority or focal point, OAS = online accreditation system.

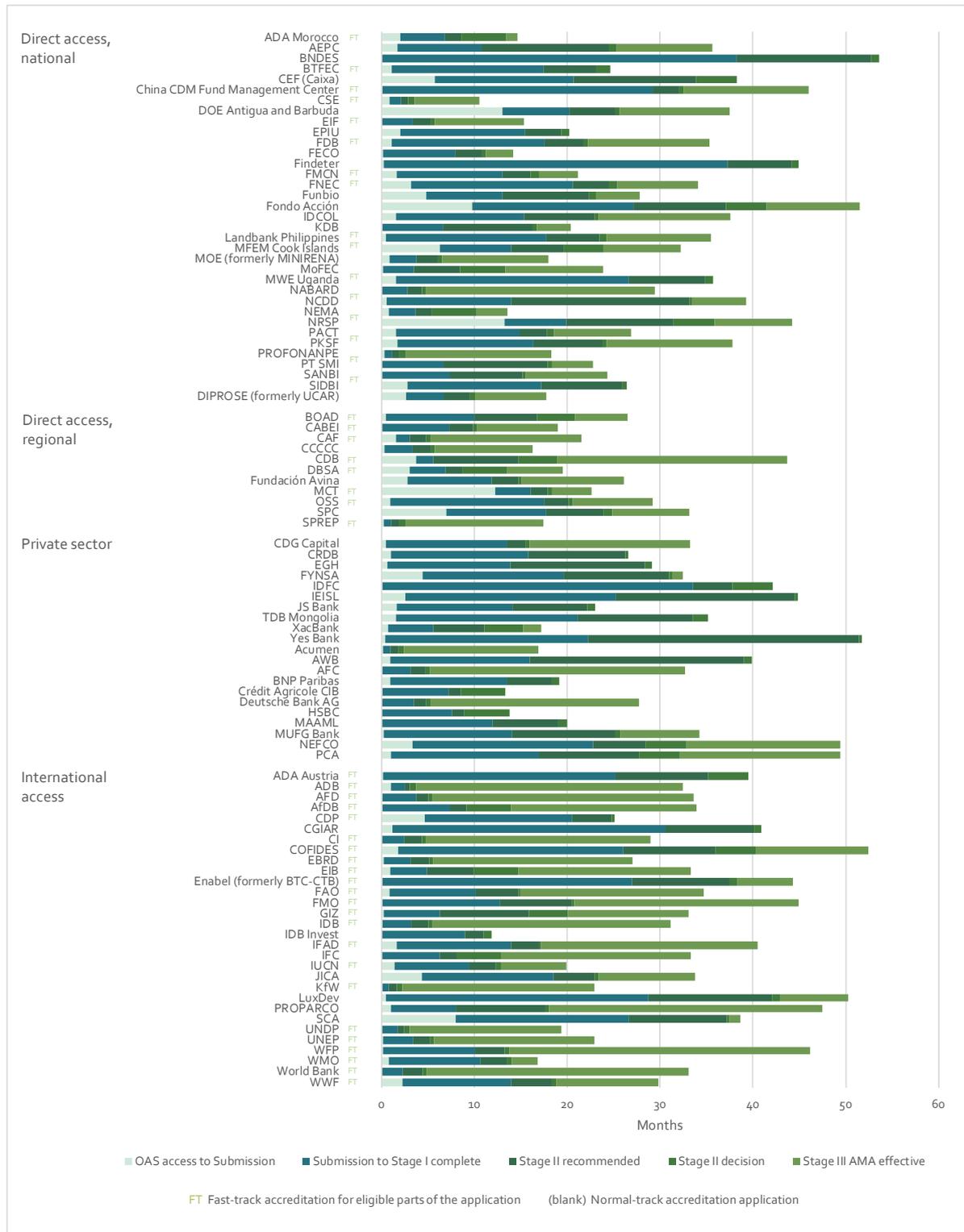
18. The time taken to process applicants has varied and depends on the entity's capacity and the modalities for which it is applying, in addition to factors such as resources available to process applications, the workload from the growing pipeline of applicants and the increase in new or amended GCF 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.¹ 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 20.5 months on average to accredit the 97 AEs – noting that 48 of them were fast-tracked and 49 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 19.0 months; however, the active time for review per application is significantly shorter.² 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.

¹ "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.

² 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 97 accredited entities (as at 30 June 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), BT FEC = Bhutan Trust Fund for Environmental Conservation, CABEI = 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 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, DIPROSE (formerly UCAR) = General Directorate of Sectoral and Special Programmes and Projects of the Under-Secretariat of Administrative Management of the Ministry of Agriculture, Livestock and Fisheries (formerly Unidad para el Cambio Rural (Unit for Rural Change) of Argentina), 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, NCDD = National Committee for Sub-National Democratic Development, 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, L.P., 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, TDB Mongolia = Trade and Development Bank of Mongolia, 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.

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. This decision having expired on 12 March 2020, the review of accreditation applications has defaulted to a first-come, first-complete basis.

21. 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, the Secretariat is working with NDAs and focal points to identify entities that may be nominated to seek accreditation to GCF in line with the role of an AE.

4.2 Accelerating direct access

22. The Secretariat is continuing to support subnational, national and regional public and private sector entities interested in seeking, or that are in the process of applying for, 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 227 direct access entities nominated by the NDAs or focal points of 95 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 tool³ 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 30 June 2020, 1,943 users, including NDAs/focal points considering nominating entities and entities themselves, had completed the questionnaire; and
- (d) Engaging a roster of institutions that will provide technical and capacity-building support to both applicant and accredited direct access entities in environmental, social and gender aspects.
23. Regarding the pre-accreditation support to the entities indicated in paragraph 22(b) above, as at 30 June 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-one 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, National Fund for the Environment of Benin, the National Rural Support Programme and the Pacific Community) have been accredited; and
 2. Two entities are in Stage II (Step 1);
 3. Eleven entities are in Stage I; and
- (ii) In addition, the other 11 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.
24. 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.

³ The tool, developed with Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH and the World Resources Institute, is available at <<https://www.greenclimate.fund/accreditation/self-assessment>>.

V. Overview of the portfolio of accredited entities

25. The Board has accredited 97 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, B.24/12 and B.BM-2020/05. Out of the 97 entities accredited by the Board, 68 have fully completed the accreditation process to become AEs by having signed and effective AMAs. Further details on AMAs are contained in the limited distribution document titled “Status of accreditation master agreements and funded activity agreements” (to be published).⁴

26. 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.⁵

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 30 June 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 | 54 | 36 | 36 | 25 | 26 | 59 | 51 | 20 | 59 | 37 |
| EE | 28 | 18 | 19 | 15 | 16 | 30 | 27 | 16 | 30 | 23 |
| LAC | 51 | 41 | 31 | 23 | 25 | 53 | 45 | 23 | 53 | 33 |
| LDCs | 51 | 37 | 29 | 21 | 22 | 54 | 47 | 21 | 54 | 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 <<https://www.greenclimate.fund/document/initial-fiduciary-principles-and-standards-fund>>. 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 <<https://www.greenclimate.fund/document/initial-fiduciary-principles-and-standards-fund>>. 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.

⁴ To be considered by the Board at B.26.

⁵ Available at <<https://www.greenclimate.fund/about/partners/ae>>.

27. 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 (EWPs), 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.

28. 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.26/03/Add.01), which is reported to the Board for information purposes in accordance with decision B.10/06, paragraph (e).

5.1 Entity work programmes

29. The Secretariat is continuing to engage with 13 regional direct access AEs and 39 international access AEs to update or develop their multi-annual EWPs.⁶ As at 30 June 2020, the Secretariat received 2 draft multi-annual EWPs from regional direct access AEs and 19 draft multi-annual EWPs from international access AEs. The Climate Investment Committee has considered 4 out of the 21 draft EWPs and endorsed a set of recommendations for the respective AEs to take into account when revising their EWPs, while the remaining 17 draft EWPs are under various stages of the review process by the Secretariat or by the AEs. The Secretariat is continuing to provide feedback and guidance to AEs on their EWPs through targeted missions, visits by AEs to GCF Headquarters, and regular calls and email exchange. Since the twenty-fifth meeting of the Board, such targeted missions and visits by AEs to GCF Headquarters have not taken place due to the coronavirus disease 19 (COVID-19) pandemic, however, the Secretariat has held discussions with various AEs on instead holding virtual workshops.

5.2 Support for accredited direct access entities

30. 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.

31. 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. Such technical assistance has been provided to more than 20 entities since its inception with support for four entities currently under implementation.

32. The Secretariat is also engaging with direct access AEs on readiness support that may be needed, addressing accreditation conditions, and preparing and submitting Project Preparation Facility (PPF) applications. Regarding PPF, as at 30 June 2020, the Secretariat was working on a pipeline of 49 active PPF applications with no-objection letters from the NDAs/focal points. Out of these 49 applications, 31 have been approved. Among the 29

⁶ The EWPs of direct access AEs are contained in country programmes.

approved PPFs, 21 (68 per cent) are from direct access entities. The total approved amount for PPF applications was USD 19.7 million, of which USD 12.6 million had been disbursed. Of the 18 PPF applications not yet approved, 17 are pending their associated concept notes being strengthened and cleared as per GCF investment criteria to enable PPF support, and 1 is under PPF revision prior to approval.

33. Further details on assistance to direct access entities to help them to strengthen their concept notes and associated PPF applications are contained in the document GCF/B.26/Inf.XX titled “Status of the GCF pipeline, including the status of Project Preparation Facility requests” (to be published).⁷

5.3 Accredited entity monitoring and reporting

34. 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.⁸ The relevant institutional-level monitoring and reporting requirements will commence upon AMA effectiveness.

5.3.1 Monitoring and accountability framework: accredited entity level reporting

35. The MAF establishes the main monitoring and evaluation tools related to AEs on two levels:⁹

- (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.

36. AE compliance comprises annual self-assessments, a midterm review and, if needed, ad hoc compliance reviews. AEs that are entering into or are in the third year of their accreditation term are requested to complete the midterm review. This midterm review replaces the annual self-assessment for the third year of the accreditation term.

37. 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.

38. Twenty-nine AEs were required to provide their annual self-assessment for calendar year 2019 and 24 AEs were required to undertake the midterm review. The Secretariat provided those AEs with the relevant templates that have been developed in consultation with AEs, requesting them to submit the completed reports by 28 February 2020 in line with AMA requirements.

39. Although the deadline for calendar year 2019 reporting was 28 February 2020, the Secretariat issued extensions at the request of some AEs and also considering the challenges resulting from the COVID-19 pandemic. A total of 28 of the 29 AEs (96 per cent) required to submit their annual self-assessment reports and a total of 23 of the 24 AEs (96 per cent) required to submit their midterm review reports to the Secretariat have submitted the relevant reports as at 30 June 2020.

⁷ To be considered by the Board at B.26.

⁸ Decision B.23/11, paragraph (a).

⁹ Decision B.11/10.

40. The Secretariat and the AP are in the process of finalizing the review of the reports and supporting documents received from AEs and will report to the Board on the outcomes of the review at the twenty-seventh meeting of the Board (B.27).

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

41. 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.

42. 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 the calendar year 2019. The Secretariat provided those international access AEs with the relevant template requesting them to submit the completed reports by 28 February 2020 in line with AMA requirements.

43. Although the deadline for calendar year 2019 reporting was 28 February 2020, the Secretariat issued extensions at the request of some international access AEs and also considering the challenges resulting from the COVID-19 pandemic. As at 30 June 2020, all 22 international access AEs had submitted reports on the support they provided to direct access entities in calendar year 2019.

44. The Secretariat is in the process of finalizing the review of the reports received from AEs and will report to the Board on the outcomes of the Secretariat’s review at B.27.

5.4 Re-accreditation of accredited entities

45. In decision B.24/13, para. (a) and annex XXVI to the decision, the Board adopted the re-accreditation process. The accreditation term for an AE is five years.¹⁰ The accreditation term begins upon completion of the three-stage institutional accreditation process; that is, when the signed accreditation master agreement (AMA) entered into between GCF and an AE becomes effective.¹¹ Per para. 3 of the re-accreditation process contained in annex XXVI, an AE may submit an application either for re-accreditation in the same categories as their accreditation scope during the initial accreditation (including upgrades in accreditation scope, if any), or for accreditation in higher categories (i.e. combining both the re-accreditation application with an upgrade application), no later than six months prior to the end of their accreditation term (e.g. at 4.5 years of their 5-year accreditation term).

46. The Secretariat may issue a one-time extension to the accreditation term by a period of six months if further time is required to complete the re-accreditation review process and consideration by the Board, provided that the AE has submitted the complete re-accreditation application no later than six months prior to the end of its accreditation term. During this extended period, the AE shall not be able to submit any new funding proposals to GCF for consideration.

47. Starting in the third quarter of 2020, two AEs will need to submit their re-accreditation application in order to maintain their status as an AE. In the first quarter of 2021, four AEs will

¹⁰ Decision B.11/10, annex I, paragraph 6, states, “The accreditation of an entity to the GCF is valid for a fixed term of five years or less, depending on the terms of accreditation, in accordance with decision B.10/07.”

¹¹ Decision B.23/11, paragraph (a).

need to submit their re-accreditation applications, followed by another nine AEs that would also need to submit throughout the remainder of 2021.

48. Due to the COVID-19 pandemic, some AEs have conveyed impacts such as delays in their activities, including potentially on seeking re-accreditation on time. The one-time extension to the accreditation term for a period of six months mentioned above can be provided by the Secretariat only in cases where the AE has already submitted its complete re-accreditation application to GCF at 4.5 years of the AE's accreditation term. In order to provide flexibility during the COVID-19 pandemic, annex I contains a proposal for the Secretariat to issue a one-time six-month extension to the deadline by which the AE must seek re-accreditation (e.g., the AE may submit its re-accreditation application at 5 years instead of their accreditation term, rather than at 4.5 years as is the current requirement).

49. During this extended period, the AE shall not be able to submit any new funding proposals or Project Preparation Facility requests (given that such requests are linked to a funding proposal) to GCF for consideration. The AE may, through the relevant national designated authority(ies) seek support through the Readiness Programme, for example, for strengthening institutional capacities, addressing accreditation conditions, etc. The Secretariat may still issue the extension indicated in paragraph 48 above should GCF require additional time for review and consideration of re-accrediting an AE.

VI. Applications in Stage II (Step 1) review

50. 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).

51. Three new applicants (applicants 099, 100 and 101) are to be presented by the AP for consideration for accreditation by the Board at B.26. They include one direct access, private sector entity and two international access entities (one of which is a private sector entity).

52. In addition, one international access AE, Pegasus Capital Advisors, L.P., is recommended by the AP for an upgrade in its accreditation type.

53. 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) Two applicants are being recommended for small-scale,¹² and the other two (including one upgrade) for large-scale¹³ projects or activities within a programme;
- (b) Using resources to manage and implement projects in the case of one applicant, and through on-lending and/or blending for loans, equity and/or guarantees in the case of two applicants;
- (c) With capacities to manage projects/programmes with medium environmental and social risk (category B/intermediation 2 (I-2))¹⁴ (two applicants) and high

¹² 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".

¹³ As per annex I to decision B.08/02, "large" is defined as "total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US\$ 250 million for an individual project or an activity within a programme".

¹⁴ 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

environmental and social risk (category A/intermediation 1 (I- 1))¹⁵ (one applicant);
and

(d) Two of the three new applicants meet the gender requirements of GCF.

54. 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, for example, 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 fiduciary standards and E&S standards in order to strengthen the effectiveness of the applicants' systems for managing executing entities, procurement processes, anti-money laundering and prohibited practices systems and E&S management and monitoring systems. In cases of lack of track record, the AP has also recommended conditions, for example, to be addressed through monitoring and reporting of GCF-funded projects/programmes to be met on an annual basis for a certain number of years.

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

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

57. The three new applicants and one AE seeking an upgrade in its accreditation scope are presented in this document, as contained in annexes III–VI, 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.

58. 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 conditions. The AP will thereafter assess whether the conditions have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes.

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”.

¹⁵ As per annex I to decision B.07/02, category A is defined as “Activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented” and intermediation 1 is defined as “When an intermediary’s existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented”.

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 | |
| APL099 La Banque Agricole (LBA) | Direct access, national, private sector (Senegal) | Small | Basic fiduciary standards; and Specialized fiduciary standard for on-lending and/or blending (for loans) | Medium (intermediation 2 (I-2)) | <p><u>Conditions to be met with the submission of the first funding proposal to GCF:</u></p> <ol style="list-style-type: none"> 1. Provision of evidence by the applicant of the adoption of procedures to oversee and assess the procurement processes of executing entities and beneficiaries of GCF projects/programmes; 2. Provision of evidence by the applicant of the adoption of procedures for evaluating the loan portfolios of executing entities for GCF projects/programmes; 3. Provision of evidence by the applicant of applying the updated tools and procedures of the updated ESMS/E&S Policy Note in the development of its first funding proposal submitted to GCF. Relevant evidence includes the environmental and social management framework or environmental and social management plan, showing E&S risk and impact identification, assessment and management, and E&S information disclosure; 4. Provision of evidence by the applicant that it has developed gender procedures and tools; 5. Provision of evidence by the applicant of applying the gender procedures and tools in the development of the first funding proposal submitted to GCF. Relevant evidence includes an adequate project-/programme-level gender action plan and associated budget; and |

| Applicant number | Access modality | Accreditation type being recommended under the fit-for-purpose approach | | | Accreditation conditions (in each case in a form and substance satisfactory to GCF) |
|---|--|---|--|---|--|
| | | Size ^a | Fiduciary functions ^b | Environmental and social risk category ^c | |
| | | | | | <p>6. Provision of evidence by the applicant of building its gender mainstreaming capacity. Relevant evidence must include at least:</p> <ul style="list-style-type: none"> a. Designation of a gender focal point with gender expertise within the applicant's organization; b. Establishment of a gender committee (e.g. adoption by senior management of the terms of references for the gender committee); and c. Provision of a gender capacity development plan for the headquarter and branch-levels and evidence of the initiation of the implementation of the gender capacity development plan. Relevant evidence must include evidence from at least one gender training activity. |
| APL100 Sumitomo Mitsui Banking Corporation (SMBC) | International access, private sector | Large | Basic fiduciary standards; and Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees) | High risk (intermediation 1 (I-1)) | <p><u>Conditions to be met prior to the signature of the accreditation master agreement during Stage III of the accreditation process:</u></p> <ul style="list-style-type: none"> 1. Provision by the applicant of evidence showing that its procurement policies are publicly disclosed on its website; and 2. Provision by the applicant of evidence showing that the terms of reference of its investigation function are publicly disclosed on its website; |

| 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 | |
| | | | | | <p><u>Condition to be met prior to effectiveness of the accreditation master agreement during Stage III of the accreditation process:</u></p> <ol style="list-style-type: none"> 1. Provision by the applicant of a letter of comfort executed by external counsel stating that: <ol style="list-style-type: none"> a. It has been retained by the applicant to assist in the applicant's response to address the requirements of the Written Agreement with the Board of Governors of the United States Federal Reserve System dated 23 April 2019; and b. The applicant complies with the necessary requirement of the Written Agreement to submit the written quarterly reports to the United States Federal Reserve Bank of New York, "detailing the form and manner of all actions taken to secure compliance with the provisions of the Written Agreement and the results thereof"; <p><u>Condition to be met with the submission of the first funding proposal involving at least one of the following products: financial intermediary on-lending, and/or guarantee and/or equity structures:</u></p> <ol style="list-style-type: none"> 1. Provision by the applicant of E&S assessment reports for its on-lending, guarantee and equity structures which include: <ol style="list-style-type: none"> a. E&S risk and impact identification; |

| 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 | |
| | | | | | <ul style="list-style-type: none"> b. E&S risk and impact mitigation management measures; c. Monitoring and evaluation plans including E&S matters; d. Public consultations and E&S information consultations and disclosure; and e. Project-level grievance redress mechanism; and <p><u>Conditions to be met within three (3) years starting from the first disbursement by GCF for the first approved project/programme:</u></p> <ul style="list-style-type: none"> 1. Provision by the applicant of at least two (2) sample reports on the assessment of the procurement procedures/practices of beneficiary institutions/executing entities in relation to GCF-funded projects/programmes; and 2. Provision by the applicant of evidence showing that procurement awards from at least two (2) projects/programmes have been publicly disclosed on its website. |
| APL101 United Nations Industrial Development Organization (UNIDO) | International access | Small | Basic fiduciary standards; and Specialized fiduciary standard for project management | Medium (category B) | <p><u>Conditions to be met with the submission of the first funding proposal to GCF:</u></p> <ul style="list-style-type: none"> 1. Provision by the applicant of evidence that it has incorporated into its standard contracts with its executing entities and third parties for GCF projects/programmes the definition of money- |

| 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 | |
| | | | | | <p>laundering and financing of terrorism as prohibited practices, requiring executing entities and third parties not to engage, directly or indirectly, in activities undertaken for the purpose of money-laundering or financing of terrorism;</p> <p>2. Provision by the applicant of evidence of either the establishment of a policy or the inclusion in an existing policy or policies of the requirement to establish a project/programme-specific grievance redress mechanism; and</p> <p>3. Provision by the applicant of evidence of either the establishment of a policy or the inclusion in an existing policy or policies of the requirement that its executing entities for GCF projects/programmes either:</p> <p>a. Establish their own project/programme-specific grievance redress mechanism; and/or</p> <p>b. Use the applicant's grievance redress mechanism as updated in accordance with paragraph 58(b)(i)(2) of annex V of this document for GCF projects/programmes.</p> |
| Pegasus Capital Advisors, L.P. (PCA) (upgrade) | International access, private sector | Large (upgrade) | Basic fiduciary standards (no change); Specialized fiduciary standard for project management (no change); | Medium (category B/intermediation 2 (I-2)) (no change) | None. |

| 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 | |
| | | | and Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees) (no change) | | |

^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 to document GCF/B.07/11).

Annex I: Draft decision of the Board

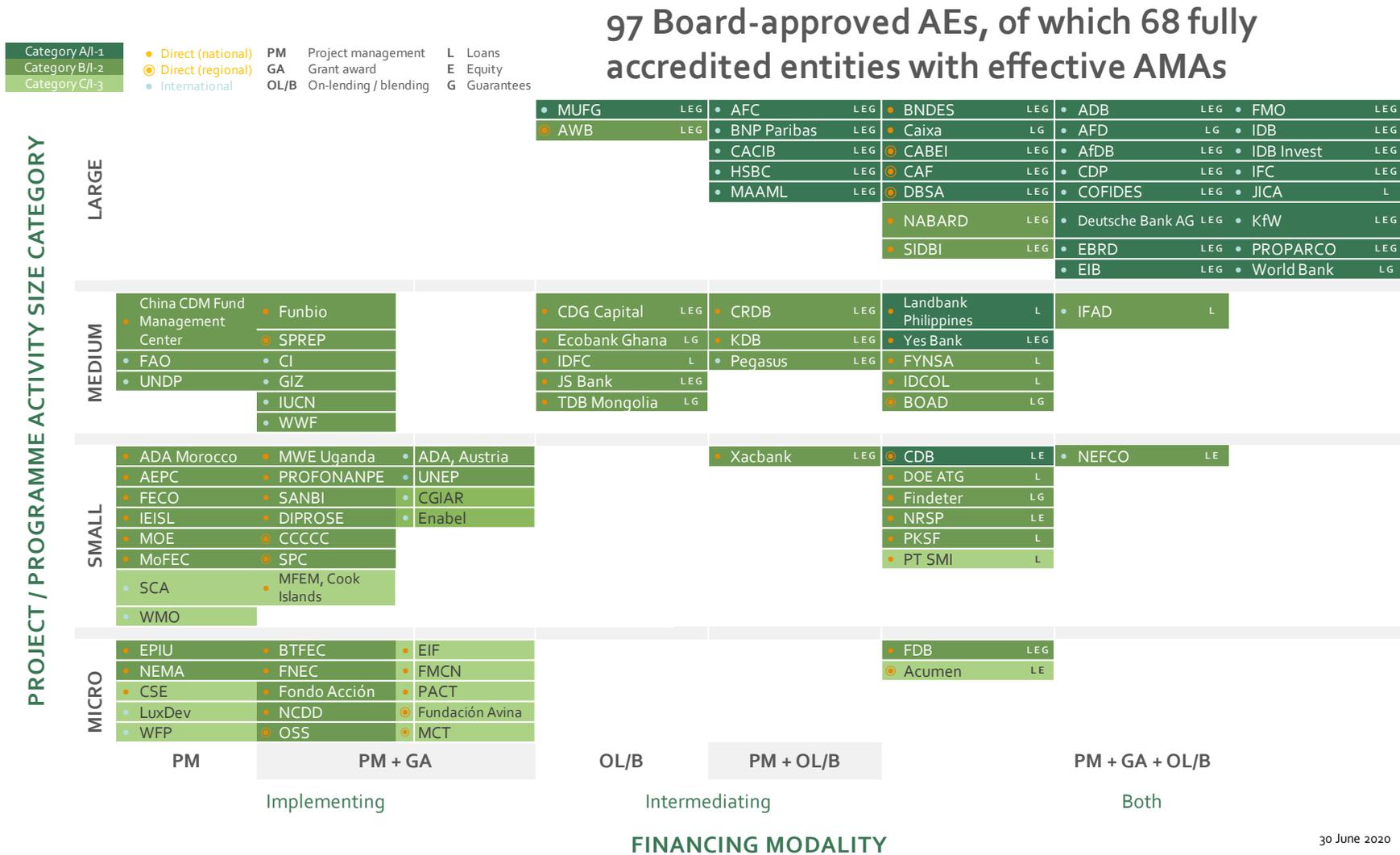
The Board, having considered document GCF/B.26/03 titled “Consideration of accreditation proposals”:

- (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 099 (APL099) is La Banque Agricole (LBA) based in Senegal, as contained in annex III;
 - (ii) Applicant 100 (APL100) is the Sumitomo Mitsui Banking Corporation (SMBC) based in Japan, as contained in annex IV; and
 - (iii) Applicant 101 (APL101) is the United Nations Industrial Development Organization (UNIDO) based in Austria, as contained in annex V;
- (b) *Approves* the accreditation of applicants APL099, APL100 and APL101, 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) Pegasus Capital Advisors, L.P. (PCA) based in the United States of America, as contained in annex VI;
- (d) *Agrees* to upgrade the accreditation type of the Pegasus Capital Advisors, L.P. as contained in decision B.21/16, paragraph (b), subject to, and in accordance with, the assessment by the Accreditation Panel contained in annex VI;
- (e) *Takes note* that, pursuant to decision B.08/03, paragraph (k), the Secretariat, in consultation with the Accreditation Panel, is proposing that the eligibility to apply under the fast-track accreditation process be extended to those entities listed in annex VII; and
- (f) *Decides* that those entities referred to in annex VII are also eligible to apply under the fast-track accreditation process for the standards of GCF in accordance with decision B.08/03, paragraph (g), for entities under the Adaptation Fund;
- (g) *Decides*, pursuant to decision B.24/13, paragraph (a) and on an extraordinary basis due to the coronavirus disease 19 pandemic, that the Secretariat may issue a one-time extension for a period of six months to the deadline for submission of a re-accreditation application, subject to a justified request from the accredited entities to GCF;
- (h) *Agrees* that during the extended period referenced in paragraph (g) above, the accredited entity shall not be able to submit any new funding proposals or Project Preparation Facility requests to GCF for consideration. The accredited entity may, through the relevant national designated authority(ies) seek support through the Readiness Programme; and
- (i) *Decides* that the Secretariat may still issue the extension established in paragraph 18 of annex XXVI to decision B.24/13 should GCF require additional time for review and consideration of re-accrediting an AE.

Annex II: Accredited entities and accreditation categories

1. A mapping of the 97 accredited entities and their accreditation scope (e.g. financing modalities, size category and environmental and social risk category) as at 30 June 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, B.24/11, B.25/12, and B.BM-2020/05 and their relevant annexes for further details.

Figure 1: Mapping of GCF accredited entities and their accreditation scopes (as at 30 June 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), BTFEC = Bhutan Trust Fund for Environmental Conservation, CABEI = 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 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, DIPROSE (formerly UCAR) = General Directorate of Sectoral and Special Programmes and Projects of the Under-Secretariat of Administrative Management of the Ministry of Agriculture, Livestock and Fisheries (formerly Unidad para el Cambio Rural (Unit for Rural Change) of Argentina), 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, NCDD = National Committee for Sub-National Democratic Development, 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, L.P., 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, TDB Mongolia = Trade and Development Bank of Mongolia, 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 099 (APL099)

I. Introduction

1. Applicant 099 (APL099), La Banque Agricole (LBA) (formerly, Caisse Nationale de Crédit Agricole du Sénégal (CNCAS)), is a direct access, private sector entity based in Senegal. The applicant specializes in the financing of agricultural value chains with the aim of promoting activities in rural areas of Senegal and improving economic, social and environmental development and sustainability. The applicant promotes responsible and sustainable investments, resulting in an increased number of projects to upgrade agricultural infrastructures with increased resource efficiency and greater adoption of clean and environmentally sound technologies. In order to contribute to the priority sectors of Senegal's economy, the applicant provides investments in the areas of clean energy, energy generation and access, agricultural practices, infrastructure modernization, waste management and resource efficiency, clean technologies and adaptation to climate change.

2. The applicant submitted its application for accreditation to the Secretariat via the online accreditation system on 5 June 2018. Accreditation fees were received from the applicant on 28 January 2019, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 7 February 2020 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 Senegal;
- (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; and
 - (ii) Specialized fiduciary standard for on-lending and/or blending (for loans); and
- (e) **Maximum environmental and social risk category:** minimal to no risk (intermediation 3 (I-3)).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:

- (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);

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), 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".

- (b) “Guidelines for the operationalization of the fit-for-purpose accreditation approach” (decision B.08/02);
- (c) “Interim Policy on Prohibited Practices” (Exhibit A of the accreditation master agreement considered in decision B.12/31);
- (d) “Policy on Prohibited Practices” (decision B.22/19);
- (e) “Anti-Money Laundering and Countering the Financing of Terrorism Policy” (decision B.18/10);
- (f) “Policy on the Protection of Whistleblowers and Witnesses” (decision B.BM-2018/21);
- (g) “Environmental and social management system: Environmental and Social Policy” (decision B.19/10);
- (h) “Comprehensive Information Disclosure Policy of the Fund” (decision B.12/35) regarding the disclosure of environmental and social (E&S) information;
- (i) “Gender Policy and Action Plan” (decision B.09/11); and
- (j) “Updated Gender Policy and Gender Action Plan 2020–2023” (decision B.24/12).

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 (formerly, CNCAS) was established as a public limited company under the Dakar Trade and Personal Property Credit Register (Ref. SN-DKR84/B/130).

5. As part of the implementation of the applicant’s strategic plan titled “Synergie 2022”, the applicant has changed its corporate name, logo and signature to La Banque Agricole to better reflect and reaffirm its commitment to contributing to the sustainable growth of Senegal’s economy, particularly through the growth of its operations in the agriculture sector and climate finance. The applicant’s change of name was certified under the Dakar Trade and Personal Property Credit Register on 11 September 2019 (Ref. No. 2712/2019). The applicant has confirmed that the change of its name does not affect its policies, operational procedures and internal organizational structure and capacities compared with those in effect under CNCAS. As part of the Stage III legal arrangements, should the Board accredit the applicant, the Secretariat will seek a legal opinion to confirm the statement provided by the applicant and any other relevant matters, such as its independent legal status prior to signing the accreditation master agreement.

2.2 Institutional presence and relevant networks

6. The applicant, with over 300 employees and 38 local offices and agencies, has a broad national network to fulfil its mission of financing and improving the rural economy in Senegal. The applicant has developed partnerships with various stakeholders (e.g. governments, local enterprises, non-governmental organizations and international financial institutions) to diversify its sources of funds and investments.

7. The applicant is strongly committed to the realization of the nationally determined contributions of Senegal. In order to assist the country to achieve its objective of reducing national greenhouse gas emissions by 21 per cent and reducing the vulnerability of Senegal’s economy, which is heavily reliant on agriculture and fisheries, the applicant aims to actively participate in projects covering adaptation, mitigation and cross-cutting areas with a focus on agriculture, land-use management, conservation of natural resources, and fisheries.

8. In order to advance the objectives of GCF, the applicant intends to leverage GCF finance to undertake the following activities:
- (a) Developing, constructing, operating and maintaining, for a period of 25 years, an independent kinetic power plant of 5-megawatt capacity. The project will facilitate the transfer of new technology to Senegal, which could contribute to the improvement of the energy mix and increase the share of renewable energies in electricity generation;
 - (b) Installing a solar energy supply solution for the Guédé Chantier pumping station to enable full solarization of two of the four existing pumps using a photovoltaic pumping system to achieve a significant decrease in the cost of energy based on actual average consumption;
 - (c) Partially renewing a fleet of trucks to mitigate carbon dioxide emissions, reduce pollution and the risk of accidents, and increase energy efficiency;
 - (d) A project to transition from diesel pumps to solar pumping equipment for agricultural irrigation: the applicant aims to scale-up an existing pilot project under implementation in the Niayes Arrondissement to other areas in Senegal in order to address the needs expressed by farmers and contribute to greenhouse gas emissions reductions;
 - (e) Promoting young women- and women-owned start-up companies in the climate change resilient space by funding innovative technologies in the production and processing of agricultural and forestry products; and
 - (f) Scaling-up the applicant's biodigester installation programme in rural zones with funding from small- and medium-sized enterprises specializing in the production of domestic gas for cooking and lighting, as well as the production of organic fertilizers marketed by producers.
9. In addition, the applicant plans to stimulate additional adaptation initiatives by utilizing GCF resources and sharing its experience in the agriculture and forestry fields (particularly in adaptative technologies in the process of products, such as the use of improved seeds), with its stakeholders. It also plans to develop a partnership with other GCF accredited entities and implement an action plan focused on achieving Senegal's climate change objectives using GCF resources with the support of the Ministry of Environment and Sustainable Development of Senegal.

2.3 Track record

10. The applicant is strongly committed to responsible and sustainable investments. It promotes clean energy investments that are applicable to the agriculture sector and supports innovative projects that have a transformative impact across the entire value chain, from land management to processing and marketing of agricultural products.

11. The applicant's track record in financing sustainable development to date includes implementing – in line with its environmental and social management system and sustainable governance objectives – the following projects:

- (a) USD 31.17 million (loans) for the Textile Fibres Development Corporation (La SA SODEFITEX) for a cotton farming project in Senegal;
- (b) USD 13.1 million (loans) for an agricultural project by La SA SODEFITEX in Senegal;
- (c) USD 8.6 million (loans) for the SEDAB Limited Liability Company for a fertilizer marketing project in Senegal; and

- (d) USD 6.9 million (loans) for an agricultural project in Senegal as part of the implementation of the Banque Ouest Africaine du Développement (West African Development Bank) special programme for food security in the West African subregion.

III. Stage II accreditation review assessment

12. The applicant applied under the normal track accreditation process. Its application has been assessed by the Accreditation Panel (AP) during Stage II (Step 1) against the standards of GCF in accordance with the accreditation requirements set out in the GCF policies and standards identified in paragraph 3 above.

13. During and as an outcome of the Stage I assessment, the Secretariat recommended that the applicant consider applying for the medium E&S risk category (intermediation 2 (I-2))⁴, including minimal to no risk (I-3). Following further discussion between the applicant and the AP during Stage II (Step 1), the applicant decided to apply for the medium risk category. As such, the Stage II (Step 1) AP review was conducted against the medium risk category (I-2).

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

3.1 Fiduciary standards

3.1.1 Basic fiduciary standards: key administrative and financial capacities

15. LBA is a limited company licensed to operate as a bank in Senegal. It is regulated by the Central Bank of West African States (Banque Centrale des États de l'Afrique de l'Ouest (BCEAO)) and is fully compliant with BCEAO and the West African Monetary Union (WAMU) banking rules and regulations. Prior to September 2019, the applicant was known as CNCAS. As indicated in section 2.1 above, the name of the applicant was changed to LBA to better reflect the nature of its business. As such, the change was for branding purposes and the applicant has stated that all the policies and procedures that applied to CNCAS apply equally to LBA following the name change.

16. While LBA is majority-owned by State-controlled entities, it is managed as a private company. Shareholders include the State of Senegal, BCEAO, Banque Ouest Africaine du Développement (the West African Development Bank) and the Agence Française de Développement. LBA has 11 directors on its board, including a chairperson. Most directors are representatives of the shareholders, but there are currently two non-shareholder directors. Both the Senegalese Minister of Economy and Minister of Agriculture are board directors. Under new BCEAO regulations, one third of the directors must be independent. LBA is currently recruiting new independent directors to ensure compliance with this regulation by June 2020, when the number of board directors will be increased to 12, with 4 of them being independent. Directors serve for a three-year term and receive a modest fee for each meeting they attend.

17. There are three sub-committees of the LBA board: audit; risk and portfolio supervision; and organization and human resources. Each sub-committee has a minimum of three members, including at least one independent member with specific knowledge of the respective discipline. The applicant is managed by a team headed by a General Manager who is appointed by the

⁴ As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), 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".

board. There are four key management committees covering internal audit; compliance, control and risk; quality control; and strategy. There is also an ethics committee, established in July 2018 with four members, which reports to the General Manager and is operationally under the board audit committee.

18. LBA has provided a comprehensive 2018–2022 business plan outlining its mission to be the leader in agricultural value chains, as well as the chosen partner of the State of Senegal in the structural transformation of the economy while providing excellent service to its customers and employees. The online information technology platform Synergie 2022 is used to record and facilitate implementation and progress of the various projects in the annual action plans resulting from the strategy, and to align them with associated budgets. The platform allows deliverables to be shared with staff and is used to generate weekly reports for departmental managers and semi-annual and annual reports for senior management and the board. The applicant’s management produces a pre-established schedule of steering committee meetings to implement, monitor and evaluate departmental objectives and targets.

19. The applicant’s financial accounts and annual reports are prepared in accordance with the accounting rules of the Organisation pour l’Harmonisation en Afrique du Droit des Affaires (Organization for the Harmonization of Business Law in Africa (OHADA)) as required within WAMU. The OHADA accounting rules are fully aligned with the International Financial Reporting Standards (IFRS). A financial report application called “SAP Business Object” is used to produce detailed financial management reports on a regular basis. The internal audit function is governed by a comprehensive charter in accordance with the WAMU Banking Commission’s rules on internal controls of credit institutions and consistent with the guidelines of the Institute of Internal Auditors. LBA’s audit committee is responsible for reviewing and monitoring the findings and recommendations of the internal auditors. Detailed internal audit plans have been provided by the applicant for 2016–2018 and demonstrate how progress on the implementation of recommendations is closely monitored.

20. Information on detailed procurement policies and procedures has been provided by the applicant, together with two sets of procurement documents which demonstrate an effective track record of applying adequate procurement processes. However, LBA does not currently have procedures to oversee and assess the procurement processes of executing entities.

21. The AP finds that the applicant’s policies, procedures and capacity, supported by evidence of its track record, partially meet the GCF basic fiduciary standards on key administrative and financial capacities. The relevant gap is identified in paragraph 20 above and is reflected by the corresponding condition for accreditation in section 4.2.

3.1.2 Basic fiduciary standards: transparency and accountability

22. The applicant’s comprehensive code of conduct addresses conflicts of interest, disclosure procedures and protection of whistleblowers, fraud management and prohibited practices. The code of conduct is provided to all staff and contractors who work for and with the applicant and who are all required to sign a certificate confirming that they will adhere to the code. As such, LBA is an organisation with a culture conducive to high ethical standards. There have been no breaches of the code in the past three years and only one previous minor case of conflicts of interest involving family members working in the same area, which was resolved when the persons involved resigned.

23. LBA has sound policies and procedures for detecting possible fraud, and the applicant’s management has committed to upholding the GCF Policy on Prohibited Practices.⁵ The applicant has not been able to demonstrate a track record of managing investigations because, as mentioned in paragraph 22 above, there have been no breaches of its code of conduct or reported cases of fraud to investigate. However, the applicant has provided information on the

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

detailed procedures for handling investigations of possible fraud and malpractice. Possible incidences of fraud can be reported via various dedicated means, including on the applicant's website. This sets in motion a process where the management rules, steps, risks, controls, key documents and players are identified at the outset. A preliminary investigation is then conducted, followed by interviews and an in-depth analysis of the facts and findings. The investigation function is headed by the Director of Audit and Inspection who reports to the General Manager and the audit sub-committee of the board. As a result of the GCF accreditation process, the applicant's information technology department is in the process of publishing the terms of the applicant's investigations process on the LBA website.

24. The applicant's policy on anti-money-laundering and countering the financing of terrorism (AML/CFT) meets the requirements of the GCF Policy on Prohibited Practices. Together with its associated "know-your-customer" (KYC) procedures, the applicant complies with local and international banking regulations in this area. The applicant provided copies of electronic fund transfers that demonstrated the fully functional monitoring system for fund transfers.

25. LBA has a successful track record of working as a financial intermediary with three international development agencies: the West African Development Bank, the Arab Bank for Economic Development in Africa and Agence Française de Développement.

26. 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 the Protection of Whistleblowers and Witnesses,⁶ the GCF Policy on Prohibited Practices and the GCF AML/CFT Policy.⁷

3.1.3 Specialized fiduciary standard for project management

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

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

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

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

29. LBA is licensed in Senegal to provide on-lending as part of its activities as a financial institution. As mentioned in paragraph 25 above, LBA has a successful track record of channelling on-lending funds from international development agencies to end beneficiaries, primarily for agricultural and energy efficiency projects in Senegal. LBA has provided information on its policies and procedures for financial management and on-lending, including its sustainable and responsible investment policy and credit instruction procedures. The examples of on-lending due diligence provided by the applicant demonstrate its effective credit assessment and processes.

30. LBA reviews the credit portfolios of intermediaries and develops refinancing relationships in accordance with its credit risk assessment procedures. LBA also analyses the financial statements of intermediaries and reviews the nature and volume of credits provided by the intermediary. However, LBA does not currently have formal procedures for evaluating the loan portfolios of executing entities, but is willing to establish a framework for such evaluations for GCF-funded projects/programmes.

31. The applicant has provided its investment management policy, which has been reviewed by the AP. However, the applicant is not regularly active in investing in market securities. When it does, it only invests in fixed-income securities that can be refinanced with

⁶ Decision B.21/25 and annex II thereto.

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

the Central Bank of West Africa. As such, the applicant's investment management policy is conservative and low risk. Risk assessment and management are part of the applicant's overall control framework. The risk management policy has been provided by the applicant and reviewed by the AP together with the applicant's risk management strategies for recent years.

32. Evidence has been provided of the monitoring and evaluation function of projects supported by the applicant's on-lending programmes. The reports indicate the final beneficiaries of the funds provided. The on-lending programmes are well supported by sound asset liability management policies. The applicant has an effective and well-functioning asset liability committee and minutes of a recent committee meeting have been provided. The committee will meet at the end of June 2020 to review the half-year results. The applicant also provided details of the adequate segregation of duties of the treasury function from lending and operations.

33. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, partially meet the GCF specialized fiduciary standard for on-lending and/or blending for loans. The relevant gap is identified in paragraph 30 above and is reflected by the corresponding condition for accreditation in section 4.2.

3.2 Environmental and social safeguards

3.2.1 Environmental and social policy

34. The applicant's "Environmental and Social Management System Environmental and Social Policy Note" (ESMS/E&S Policy Note) of 2018, was updated in May 2020. It outlines the applicant's commitment to sustainable development and related principles. The focus of the ESMS/E&S Policy Note is on complying with national and international requirements, applying International Finance Corporation (IFC) Performance Standards 1 to 8 (PS 1-8), analysing E&S risks in all credit operations and within all partnerships, and preventing or minimizing negative E&S impacts. The ESMS/E&S Policy Note describes the roles, responsibilities and procedures. The applicant also provided a copy of some related policies (e.g. the sustainable and responsible investment policy of 2018). All staff have been informed about the ESMS/E&S Policy Note, which is available on the applicant's website.

35. The AP finds that the applicant's ESMS/E&S Policy Note, supported by evidence of its track record, fully meets the GCF Environmental and Social Policy⁸ and GCF interim environmental and social safeguards (ESS) standards for a maximum E&S risk category I-2 projects/programmes with respect to GCF performance standards 1-8.

3.2.2 Identification of E&S risks and impacts

36. The ESMS/E&S Policy Note provides an exclusion list similar to that of IFC; a proposal will be rejected if it includes activities listed on the exclusion list. Allowable projects then undergo an E&S screening procedure. The risks under each performance standard are assessed and assigned a score. All risk scores and the scale and nature of the proposed activity are considered when classifying a project from I-1⁹ (high risk/activities that are likely to have significant adverse E&S effects) to I-3 (low risk or activities with little to no negative E&S impacts). The ESMS/E&S Policy Note contains the E&S screening form. Project officers complete the intranet version of the screening form, which records the screening results. The project category is then reviewed by the Environmental Unit. The applicant provided two I-2 project examples of applying its screening and categorization framework (namely, a project on the

⁸ Decision B.19/06 and annex X thereto.

⁹ As per annex I to decision B.07/02, intermediation 1 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented".

production of organic bananas funded through a loan using a line of credit from Agence Française de Développement, and a solar pump energy project).

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

3.2.3 Management programme

38. The ESMS/E&S Policy Note describes the institutional process for E&S management and provides a flow chart showing all the steps, stages and decision points. The stages include initial review (as described in section 3.2.2 above), due diligence, credit decision, disbursement and monitoring. The due diligence on projects/programmes categorized as I-3 entails checking whether the activity/client includes activities listed on the exclusion list and whether the client complies with the applicant's E&S requirements. The due diligence on projects/programmes categorized as I-2 also entails an in-depth analysis, including a site visit by the applicant's E&S staff and a comprehensive desk review (e.g. a review of the client's environmental and social impact assessment, E&S performance, stakeholder engagement and labour practices). External experts can be hired to support the E&S due diligence in the case of higher-risk projects. The recommendations and environmental and social action plan (ESAP) are documented on the E&S screening form and shared with management and stakeholders.

39. The applicant's decision-making body (Credit Committee) considers the E&S findings when making the funding decision. All loan contracts include generic E&S provisions to ensure compliance with the exclusion list and national laws. The Environmental Unit and the legal officer ensure that E&S conditions and the ESAP (where relevant) are annexed to the loan contract. The ESMS/E&S Policy Note provides a template to develop an ESAP. The applicant provided two sample ESAP reports (e.g., for a project on the production of organic bananas and solar pump project).

40. The ESMS/E&S Policy Note was updated in 2020 to provide more detailed tools and procedures to cover the IFC PS 1–8, the GCF Environmental and Social Policy and the GCF interim ESS standards. For instance, the ESMS/E&S Policy Note now explicitly requires the applicant to assess cumulative impacts and the impacts of associated facilities and use a mitigation hierarchy to manage negative impacts. This represents a gap and the applicant will need to demonstrate a track record of applying the updated tools and procedures of the updated ESMS/E&S Policy Note.

41. The AP finds that the applicant's environmental management programme fully meets the GCF Environmental and Social Policy and GCF interim ESS standards for a maximum E&S risk category I-2 projects/programmes with respect to GCF performance standards 1–8. However, the applicant needs to demonstrate a track record of implementing the updated tools and procedures. The relevant gap is identified in paragraph 40 above and is reflected by the corresponding condition for accreditation in section 4.2.

3.2.4 Monitoring and review

42. The E&S monitoring objectives include assessing the E&S impacts of projects/programmes, assessing the client's progress in, and compliance with, the ESAP, and identifying and reporting on changes that could lead to new impacts. The ESMS/E&S Policy Note provides the related tools (e.g. performance indicators) and templates (e.g. a template to monitor E&S performance covering IFC PS 1–8 and a template to report on ESAP implementation).

43. E&S issues are monitored by the applicant's project staff and E&S staff on an annual basis (or according to the frequency stipulated in the loan contract). The E&S staff manage and follow up on the monitoring process. An external consultant or the local national agency may

assist with E&S monitoring in the case of higher-risk projects. Various types of reports are prepared, including an annual report on the performance of the ESMS/E&S Policy Note, an annual E&S performance monitoring report and accident reports. The three types of E&S reports document lessons learned.

44. The applicant provided two sample E&S monitoring reports on the implementation of the ESAP for a project on the production of organic bananas and one E&S monitoring report for a solar pump project (two E&S risk category I-2 projects). The applicant provided a recent example of an external review on the implementation of the ESAP showing lessons learned from a project financed by Agence Française de Développement.

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

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

46. The applicant provided its general complaints management procedure. The ESMS/E&S Policy Note contains the E&S complaints mechanism: "Mechanism for handling complaints and grievances related to Bank financing". The E&S complaints mechanism provides the timelines for processing inquiries and complaints. The applicant's code of conduct and E&S complaints mechanism provide whistleblower protection, including protection from retaliation and provisions for preserving confidentiality.

47. All inquiries and complaints received by physical or electronic mail are sent to the General Manager, who then forwards the matter to the Audit and Inspection Division (DAI). DAI maintains the inquiry/complaints register. Both DAI and the Compliance and Control Division (DCCP) respond to a complaint. The investigators within DAI and DCCP operate and act independently, and separately from project/programme operations. If there is a serious E&S issue, the project officer may need to investigate the matter further and discuss with the client whether to implement a corrective action plan. Where needed, the applicant can also contract an independent expert to resolve a complicated matter. The applicant provided the curriculum vitae of the five officers from DAI and DCCP who manage the E&S complaints mechanism.

48. The E&S complaints mechanism applies to all partners, including financial intermediaries, and requires the establishment of a project-level complaints mechanism. Complainants are in general encouraged to resolve issues at the project level; if a grievance cannot be resolved at the project level, it can be submitted to the applicant's entity-level channel. The applicant indicated that in line with its ESMS/E&S Policy Note, it builds the capacity of its clients to establish an independent, project-level complaints mechanism, where needed.

49. The applicant provided a register of complaints for 2017 to 2019. The register shows the date of receipt of the complaint, the name of the complainant, the issue raised, the date of transmission to the General Manager and the decision/resolution. To date, the applicant has not received any E&S project-level complaints on its external communications channel.

50. The principles of the applicant's communications policy are in line with best practices for information disclosure (e.g. the need for clarity, transparency, comprehensiveness, relevance, timeliness and interaction). The communications channels include the applicant's website, social networks, reports, seminars, public information displays and press releases. The ESMS/E&S Policy Note commits the applicant and its executing entities to establishing and implementing a stakeholder engagement plan based on IFC PS 1–8. The updated ESMS/E&S Policy Note contains a revised information disclosure policy in line with the requirements of the

GCF Information Disclosure Policy¹⁰ for category I-2 projects/programmes. This represents a gap in track record and the applicant will need to demonstrate implementation of the revised information disclosure policy when it submits its first GCF project/programme.

51. The AP finds that the applicant's system of external communications, consultations, information disclosure and grievance redress mechanism at the institutional level, supported by evidence of its track record, partially meets the GCF Environmental and Social Policy, GCF interim ESS standards and GCF Information Disclosure Policy regarding E&S information disclosure requirements for a maximum E&S risk category I-2 projects/programmes with respect to GCF performance standards 1–8. The gap related to track record is identified in paragraph 50 above and is reflected by the corresponding condition for accreditation in section 4.2.

3.2.6 Organizational capacity and competency

52. The applicant provided its organizational chart, showing the reporting lines for E&S-related matters. The ESMS/E&S Policy Note summarizes the E&S responsibilities over the loan cycle (e.g. from initial review to disbursement). In brief, the applicant's executive board and/or senior management ensure the availability of E&S human and financial resources. The Inspection and Audit Department ensures compliance with policies, while the Compliance and Control Division ensures compliance with operational procedures.

53. The Management Control, Studies and Strategy Department implements, monitors and continuously improves the ESMS/E&S Policy Note. Specifically, the Head of the Department assesses E&S impacts; reviews E&S documents; determines E&S loan clauses; conducts site visits on higher-risk projects; compiles data for the E&S reports; provides or coordinates E&S training; and supports other departments to conduct E&S tasks. The E&S monitoring and evaluation officer monitors and ensures compliance with E&S requirements. The applicant provided the curriculum vitae of the Head of the Department and the curriculum vitae of the E&S monitoring and evaluation officer to demonstrate its E&S capacity.

54. The loan officer reviews the ESAP with the client, conducts E&S compliance field visits and ensures the integration of E&S considerations into credit procedures.

55. All staff receive general training on the ESMS/E&S Policy Note; some staff receive in-depth E&S training, based on their E&S role. The ESMS/E&S Policy Note contains the generic training plan. The applicant also provided its E&S training plan for 2020. The training plans list the targets of the training (e.g. the Audit Department or project officer) and the applicable training modules (e.g. E&S risk categorization and IFC PS 1–8). The applicant provided two training reports, with participant lists, to demonstrate E&S capacity development. The applicant confirmed that in line with its ESMS/E&S Policy Note, the capacity of its executing entities to implement E&S requirements will be appraised during the due diligence process related to potential projects/programmes seeking GCF financing, and strengthened, where needed.

56. 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 I-2 projects/programmes with respect to GCF performance standards 1–8.

3.3 Gender

57. The applicant provided its gender policy adopted in 2018. The policy principles include: reducing gender inequalities; establishing a chain of accountability; and allocating human and

¹⁰ Decision B.12/35 and annex XXIX thereto.

financial resources. The gender policy also includes a gender action plan. The strategy to implement the gender policy consists of three components:

- (b) Institutionalizing gender (e.g. conducting gender training; establishing a focal point system; conducting gender analysis; and integrating gender into policies, procedures, results, evaluations and reporting);
- (c) Mainstreaming gender at the decentralized level (e.g. supporting each branch to develop and monitor a gender action plan); and
- (d) Disseminating gender knowledge and good practices.

58. The applicant implements a non-discrimination policy by implementing the related provisions of its code of ethics, code of conduct and gender policy. The three documents highlight that staff must avoid all forms of discrimination based on gender. They also recommend prioritizing vulnerable people and indicate that salary and benefits are governed by job classification, merit and the applicant's salary scale.

59. The applicant provided the terms of reference and curriculum vitae of the gender consultant hired to develop its gender policy; the same gender expert continues to provide the applicant with gender expertise on an ad hoc basis. The interim gender focal point is the focal point for environment-and-climate-related matters, who coordinated the development of the gender policy. This represents a capacity gap and the applicant will need to strengthen its gender mainstreaming capacity by designating a permanent gender focal point, establishing a gender committee, and conducting gender training, as foreseen in its gender policy.

60. The applicant is reviewing existing gender resources and tools (e.g. GCF guidance on mainstreaming gender in GCF projects). The applicant will need to adapt and adopt gender tools and procedures to implement its gender policy and comply with the Updated GCF Gender Policy (e.g. gender screening tool; gender analysis/assessment guidelines). The applicant will also need to provide a dedicated budget line to implement its gender policy.

61. The applicant has financed projects with gender elements for 30 years. For instance, it provided financing to women's groups and young people in its Federation of Maize Producers project. Its Fédération des organisations productrices BIO (FOPROBIO) project supported equitable conditions for small and medium-sized producers of hibiscus, baobab, dates and moringa, with this work mainly implemented through a women's cooperative of producers and processors. Its Kuwait Fund for Economic Development project provided micro credits and small loans to women for agricultural processing, storage and marketing of food products (e.g. a woman's yoghurt business).

62. The AP finds that the applicant's gender policy, procedures and capacities partially meet the Updated GCF Gender Policy. The relevant capacity gap identified in paragraph 59 above and the tools and procedural gaps identified in paragraph 60 above are reflected by the corresponding conditions for accreditation in section 4.2.

IV. Conclusions and recommendation

4.1 Conclusions

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

- (a) The applicant partially meets the requirements of the GCF basic fiduciary standards, the GCF Policy on the Protection of Whistleblowers and Witnesses, the GCF Policy on Prohibited Practices, the GCF AML/CFT Policy and the specialized fiduciary standard for on-lending and/or blending for loans. As reflected in paragraphs 20 and 30 above, the applicant does not currently have procedures to oversee and assess the procurement

processes of executing entities; and does not have formal procedures for evaluating the loan portfolios of executing entities. The related gaps are addressed in the corresponding conditions for accreditation in section 4.2;

- (b) The applicant partially meets 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 I-2. The gaps related to the need to demonstrate a track record of applying the tools and procedures of the updated ESMS/E&S Policy Note are reflected in paragraphs 40 and 50 above and addressed in the corresponding conditions for accreditation in section 4.2; and
- (c) The applicant has demonstrated that it partially meets the requirements of the Updated GCF Gender Policy. The gaps relate to strengthening its gender mainstreaming capacity and to developing and applying gender tools and procedures and are reflected in paragraphs 59 and 60 above and addressed in the corresponding conditions for accreditation in section 4.2.

4.2 Recommendation on accreditation

64. The AP recommends, for consideration by the Board, applicant APL099 for accreditation as follows:

- (a) **Accreditation type:**
 - (i) **Maximum size of an individual project or activity within a programme:** small (including micro¹¹);
 - (ii) **Fiduciary functions:**
 1. Basic fiduciary standards; and
 2. Specialized fiduciary standard for on-lending and/or blending (for loans); and
 - (iii) **Maximum environmental and social risk category:** medium risk (I-2) (including minimal to no risk (I-3)); and
- (b) **Conditions:** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the conditions. The AP will thereafter assess whether the conditions have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes:
 - (i) Conditions to be met with the submission of the first funding proposal to GCF:
 1. Provision of evidence by the applicant of the adoption of procedures to oversee and assess the procurement processes of executing entities and beneficiaries of GCF projects/programmes;
 2. Provision of evidence by the applicant of the adoption of procedures for evaluating the loan portfolios of executing entities for GCF projects/programmes;
 3. Provision of evidence by the applicant of applying the updated tools and procedures of the updated ESMS/E&S Policy Note in the development of its first funding proposal submitted to GCF. Relevant evidence includes the environmental and social management framework or environmental

¹¹ 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".

- and social management plan, showing E&S risk and impact identification, assessment and management, and E&S information disclosure;
4. Provision of evidence by the applicant that it has developed gender procedures and tools;
 5. Provision of evidence by the applicant of applying the gender procedures and tools in the development of the first funding proposal submitted to GCF. Relevant evidence includes an adequate project-/ programme-level gender action plan and associated budget; and
 6. Provision of evidence by the applicant of building its gender mainstreaming capacity. Relevant evidence must include at least:
 - a. Designation of a gender focal point with gender expertise within the applicant's organization;
 - b. Establishment of a gender committee (e.g. adoption by senior management of the terms of references for the gender committee); and
 - c. Provision of a gender capacity development plan for the headquarter and branch-levels and evidence of the initiation of the implementation of the gender capacity development plan. Relevant evidence must include evidence from at least one gender training activity.
65. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 64 above, and agrees to the recommendation.

4.3 Remarks

66. The applicant may wish to seek, through a Readiness and Preparatory Support Programme proposal made by the national designated authority, support to address the accreditation conditions identified in paragraph 64(b)(ii)(4) to (6) above.
67. The applicant is already taking steps to meet the conditions identified in paragraph 64(b)(ii)(1) and (2) above.

Annex IV: Accreditation assessment of applicant 100 (APL100)

I. Introduction

1. Applicant 100 (APL100), the Sumitomo Mitsui Banking Corporation (SMBC), is an international access, private sector entity based in Japan. The applicant aims to improve corporate value by providing high-quality services to its customers while putting significant efforts into addressing environmental and social (E&S) issues. The applicant offers a broad range of financial services including deposit taking, lending, securities brokering and trading, and securities investment. The applicant contributes to climate change and environmental protection by leveraging its financial services, focusing on the areas of environment management, renewable energy development and technologies, water security and natural resources management.

2. The applicant submitted its application for accreditation to the Secretariat via the online accreditation system on 21 October 2016. Accreditation fees were received from the applicant on 13 March 2017, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 23 October 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:** international access;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or activity within a programme:** large;¹
- (d) **Fiduciary functions:**²
 - (i) Basic fiduciary standards; and
 - (ii) Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees); and
- (e) **Maximum environmental and social risk category:** high risk (intermediation 1 (I-1)).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:

- (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);

¹ As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), “large” is defined as “total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above 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), intermediation 1 is defined as “When an intermediary’s existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented”.

- (c) “Interim Policy on Prohibited Practices” (Exhibit A of the accreditation master agreement considered in decision B.12/31);
- (d) “Policy on Prohibited Practices” (decision B.22/19);
- (e) “Anti-Money Laundering and Countering the Financing of Terrorism Policy” (decision B.18/10);
- (f) “Policy on the protection of whistleblowers and witnesses” (decision B.BM-2018/21);
- (g) “Environmental and social management system: Environmental and Social Policy” (decision B.19/10);
- (h) “Comprehensive Information Disclosure Policy of the Fund” (decision B.12/35) regarding the disclosure of E&S information; and
- (i) “Gender Policy and Action Plan” (decision B.09/11).

2.1 Legal status, registration, permits and licences

4. The applicant provided documents on its establishment and licences to operate, if any and where relevant, as a part of the application. The operations of the applicant’s predecessor banks extended back over 140 years and the applicant operates under the provision of Article 4(1) of the Banking Act issued by the Banking Bureau (Notice No. 1177). The applicant was formed through the merger of Sakura Bank and Sumitomo in 2001 and the applicant established the Sumitomo Mitsui Financial Group Inc. (SMFG) by shares transfer in 2002, through which it has become a wholly owned subsidiary of SMFG.

2.2 Institutional presence and relevant networks

5. With a vision to become a global financial group that aims to lead the growth of Japan and the Asia region by earning the highest trust of its customers, the applicant has a strong global presence. It offers personal, corporate and investment banking services through a network of 130 branches that extends across 40 countries and regions in Africa, Asia, North and Latin America, Europe and the Middle East. Such worldwide operations enable the applicant to provide clients with global solutions. The applicant also establishes partnerships with commercial banks and supports start-up companies and industries taking advantage of its network with governments, major companies, universities and research institutions.

6. The applicant is strongly committed to contributing to the Paris Agreement and has announced its support of the Task Force on Climate-related Financial Disclosures at the One Planet Summit in 2017. The applicant is also committed to continuously support its customers to reduce greenhouse gas emissions and promote the introduction of environment-friendly technologies through its business operations. In addition, the applicant intends to continuously identify the sectors with assets that might suffer loss due to abnormal weather and assets that are vulnerable to climate change.

7. In order to advance the objectives of GCF, the applicant intends to provide support to the following initiatives:

- (a) Projects/programmes that contribute to the mitigation of the impact of climate change, including those related to renewable energy and green buildings;
- (b) Investments made by companies to increase their energy efficiency; and
- (c) Projects/programmes to improve infrastructure for the creation of cities and communities that are resilient to climate change, and efforts to establish sustainable lifestyles.

2.3 Track record

8. The applicant has been promoting actions towards the achievement of the United Nations Sustainable Development Goals and has been contributing to those efforts through its businesses and operations. The applicant, through its retail, wholesale, international and global markets, has focused on establishing loan policy and businesses taking into consideration E&S risks; taking initiatives toward financial inclusion; promoting eco-business; and reducing environmental impacts through issuing green bonds. The applicant has a track record in providing financing for renewable energy, transport, buildings, infrastructure and food and water security in countries around the world.

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

- (a) USD 67 million (total debt amount, loans) for the Huatacondo Solar Project in Chile as financial advisor and mandated lead arranger;
- (b) USD 665 million (total debt amount, loans) for the Sweihan Photovoltaic Project in the United Arab Emirates as mandated lead arranger;
- (c) Euro 867 million (total debt amount, loans) for the Norther Offshore Wind Farm Project in Belgium as mandated lead arranger; and
- (d) 50 billion Japanese yen (JPY) (total amount, equity) for the establishment of the Mirai Creation Fund II as a limited partner to promote intelligent technologies, robotics and a hydrogen-powered society.

2.4 Potential support for direct access entities

10. The applicant has been communicating with and supporting national designated authorities to promote low-emission and climate-resilient development pathways. For example, the applicant has engaged with government entities and relevant intermediaries to discuss finance opportunities for potential GCF projects.

11. In addition, the applicant aims to support national and regional entities in improving their institutional functions. The applicant plans to support direct access entities in E&S risk assessment and monitoring to meet GCF standards, such as by building the capacity of entities' leaders and staff on sustainable finance and climate financing issues; supporting entities to develop pilot initiatives to promote sustainable finance among the key players in the banking sector; and supporting entities to implement training programmes on sustainable finance.

III. Stage II accreditation review assessment

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

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

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

3.1 Fiduciary standards

3.1.1 Basic fiduciary standards: key administrative and financial capacities

14. The applicant provided an organizational chart that lays out the applicant's key areas of authority, responsibilities and reporting lines. Its Board of Directors is comprised of directors with various backgrounds and diverse expertise and experience. To enable it to function effectively and efficiently, the Board of Directors has an Audit and Supervisory Committee. It assists the Board of Directors in fulfilling its oversight role with regard to financial reporting, internal control, internal and external audits and regulatory compliance. The terms of reference of the Audit and Supervisory Committee and sample minutes of the Committee's meetings provided by the applicant show that the Committee carries out its functions effectively and in accordance with its mandate.

15. The applicant has a formal process for setting objectives and ensuring that the objectives support and are aligned with its mission. The applicant's objectives focus on three financial targets: capital efficiency, cost efficiency and financial soundness.

16. The applicant's annual financial statements are prepared in accordance with the provisions of the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (the Japanese Generally Accepted Accounting Principles). In addition, the parent company, SMFG, files financial statements to both the Japanese authorities and the United States Securities and Exchange Commission. Complete sets of the applicant's audited consolidated financial statements for the past three years were provided. A review of the financial statements shows that the applicant has been successful in maintaining sound financial performance.

17. The applicant has well-developed procedures for disbursement of funds to the projects it finances. The Internal Audit Unit carries out audits of disbursement of funds to projects as well as payments for the applicant's approved expenditures.

18. The applicant has an internal audit function guided by its Internal Audit Charter. Internal audits are carried out in accordance with the internationally recognized standards, such as those prescribed by the Institute of Internal Auditors. The Internal Audit Unit is independent and able to perform its respective duties objectively. An external review is carried out every five years to evaluate the internal audit function's effectiveness and conformance with the standards of the Institute of Internal Auditors. Audit plans for each of the past three years were provided by the applicant along with the status of execution of the audit plans. Copies of samples of internal audits carried out recently were provided to the AP through a secure data room to preserve confidentiality.

19. The applicant's annual financial statements are audited by a local franchise of KPMG, a global audit firm. All the external auditor's reports confirm that the annual financial statements are audited in accordance with the recognized international auditing standards. The information provided in the audited financial statements confirms that the external auditor prepares regular reports of observations/recommendations with respect to accounting systems, internal financial controls, and administration and management of the organization. Evidence provided by the applicant shows that the progress reports on actions taken on external audit observations/recommendations are regularly reviewed by the Audit and Supervisory Committee.

20. The applicant has an adequate control framework. Its main purpose is to ensure the appropriateness and effectiveness of business operations and the achievement of the organization's objectives. The framework is evaluated at general shareholder meetings to ensure continued relevance and effectiveness.

21. The applicant's procurement policies and guidelines generally conform to international best practice in procurement. They include provisions for different types of procurement managed by the applicant, such as consultants, contractors and other service

providers. Information provided on procurement undertaken recently demonstrates compliance with the applicant's procurement policies, procedures and guidelines. The applicant's procurement guidelines were recently revised to include procedures and methodologies for overseeing and assessing the procurement procedures and practices of executing entities of projects/programmes that could be funded by GCF. However, the applicant has not demonstrated effective implementation of the revised guidelines. Evidence of assessments of the procurement procedures of beneficiary institutions, executing entities or project sponsors in relation to GCF-funded projects/programmes would be provided only after implementation of GCF-funded projects/programmes has commenced. In addition, evidence showing that the applicant's procurement policies and awards are publicly disclosed on its website has not been provided.

22. The AP finds that the applicant's policies, procedures, and capacity partially meet the GCF basic fiduciary standards on key administrative and financial capacities, and that evidence of the applicant's track record is insufficient. The relevant gaps identified in paragraph 21 above are reflected by the corresponding conditions for accreditation in section 4.2.

3.1.2 Basic fiduciary standards: transparency and accountability

23. The applicant has adequate policies and procedures and capacity to prevent or deal with financial mismanagement and other forms of malpractice. In this context, the applicant has:

- (a) Corporate Governance Guidelines which define the expected conduct by its management and staff and all individuals with whom the applicant has a functional and/or contractual relationship. The Corporate Governance Guidelines are published on the applicant's website.
- (b) Oversight of the applicant's ethics function is undertaken by a Compliance Committee. The information provided on the roles and membership of the Compliance Committee as well as minutes of recent meetings of the Committee demonstrate that the Committee exercises effective oversight over the ethics function;
- (c) A clear policy of zero tolerance for fraud, financial mismanagement and other forms of malpractice. The policy is detailed in a document titled "Standard Policy on Compliance and Risk",⁴ which is accessible to all employees via the applicant's intranet. To ensure continuous compliance with the policy, employees are required to study the contents of the document independently through an e-learning system and take proficiency tests. The applicant has an item on its website indicating the system under which violations of its Standard Policy on Compliance and Risk and suspected cases of fraud and forms of misconduct may be reported;
- (d) A conflict of interest policy, rules, and procedures which are published on the applicant's website. Adequate information was provided on the applicant's conflict of interest review and resolution procedures. The applicant also provided, through a secure data room, owing to the confidential nature of the information, examples of practice where a conflict of interest has been reviewed and resolved;
- (e) A whistleblowing policy and associated mechanisms for protecting whistleblowers and witnesses; and
- (f) An investigation function under which cases of reported or suspected fraud and other forms of misconduct are investigated by the Internal Audit Department. The information provided by the applicant shows that the function has adequate procedures for: (i) processing cases of fraud and mismanagement; (ii) undertaking the necessary investigative activities; and (iii) generating periodic reports for information and follow-

⁴ The document title in English has been translated from Japanese.

up by the ethics function. The investigation function has a defined process for periodically reporting case trends. Information on cases of fraud investigated and resolved in the past three years was provided. However, the applicant has not provided evidence to show that the terms of reference of its investigation function are publicly available by publishing them on its website.

24. The applicant has a comprehensive anti-money-laundering and countering the financing of terrorism (AML/CFT) policy, which is based on:

- (a) The applicant's Internal Rules and Regulations for Preventing Money Laundering and Terrorist Financing;
- (b) The International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation of the Financial Action Task Force;
- (c) Recommendations of the Financial Action Task Force; and
- (d) Japan's AML/CFT laws and regulations.

25. In addition to its AML/CFT policy and procedures, the applicant has an Economic Sanctions Regulations Compliance Policy whose objective is to ensure compliance with various legal and regulatory requirements in the jurisdictions where it operates, for example the economic and trade sanctions laws administered by the Office of Foreign Assets Control of the United States Department of the Treasury.

26. The applicant's "know-your-customer" due diligence procedures to combat money laundering and financing of terrorism were examined by the AP and found to be satisfactory. The AP reviewed sample "know-your-customer" due diligence reports, with undisclosed client information, and found that the procedures are effectively followed in the due diligence process. The applicant has mechanisms in place to trace/monitor electronic transfer of funds. The applicant's Anti-Money Laundering and Financial Crime Prevention Department and related departments monitor such transfers to detect and investigate potentially suspicious transactions, and, where warranted, reports the suspicious transactions to the country's Financial Intelligence Unit.

27. During the assessment of the application the AP established, through the review of publicly available information, that enforcement actions had been taken against the applicant by the United States Federal Reserve Bank in relation to deficiencies of the applicant's New York branch regarding risk management and compliance with the applicable federal and state laws, rules and regulations on AML policies and procedures, including the United States Bank Secrecy Act, the rules and regulations issued by the United States Department of the Treasury, and the regulations issued by the Office of Foreign Assets Control. The enforcement actions were in the form of Written Agreements, one issued in January 2007 and the other in April 2019, under which the applicant was required to address the identified deficiencies. The applicant provided information on the actions it has taken and is taking in this regard. As a result of the measures taken by the applicant, the enforcement action in the first Written Agreement dated 22 January 2007 was terminated by the United States Federal Reserve Board on 6 May 2010.

28. The enforcement action in the second Written Agreement dated April 2019 is still in force and the applicant has taken measures to enhance its United States Bank Secrecy Act and AML-related sanctions compliance programmes, policies and procedures, and to strengthen its management oversight of those programmes. The AP has not found evidence to show that the deficiencies identified in the Agreement have been addressed, as the remediation actions by the applicant are still ongoing.

29. The AP finds that the applicant's policies, procedures and capacity partially meet the GCF basic fiduciary standards on transparency and accountability, the GCF Policy on the

Protection of Whistleblowers and Witnesses,⁵ the GCF Policy on Prohibited Practices⁶ and the GCF AML/CFT Policy.⁷ The relevant gaps are identified in paragraphs 23(f) and 28 above and are reflected by the corresponding conditions for accreditation in section 4.2.

3.1.3 Specialized fiduciary standard for project management

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

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

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

3.1.5 Specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees

32. The applicant offers a broad range of financial services centred on banking with an emphasis on project finance, which is its core business, and arranging and structuring of syndicated loans. The financing provided by the applicant is effected either through the use of its own resources, on-lending of funds from different sources or blending of such funds with its own resources to finance projects in several sectors including conventional power, energy, natural resources infrastructure and renewables through its headquarters and branches in Japan, Asia Pacific, Europe, the Middle East and, Africa, and North and Latin America.

33. In addition to the use of the above instruments, the applicant undertakes equity investments primarily through investment in funds. Examples of such funds include: the Mirai Creation Fund II, which invests in companies and projects to boost innovation in the areas of intelligent technology, robotics, technologies for a hydrogen-powered society, electrification, and new materials; and the "Vertex Master Fund II, which invests in firms possessing technology with high growth potential in sectors experiencing rapid technological innovation via leading venture capital funds. The applicant also provides various guarantee instruments including: guarantee of bonds issued in the domestic market, and credit loss protection to support cross-border customer activities. The examples of criteria for assessing equity investment proposals are the potential investee's investment strategy, the track record and capability of the fund manager. The applicant provided evidence of undertaking equity investments and providing guarantees in the form of equity financing contracts and guarantee agreements.

34. The financing provided by the applicant using the above instruments is supported by a set of policies and procedures, which include due diligence guidelines for assessing the capabilities of the counterparties seeking financing, and a comprehensive risk management framework. The latter contains provisions for implementing risk management strategies to mitigate a broad range of risks including credit risk, liquidity risk, exchange rate risk and operational risk.

35. The applicant's decisions on applications for financing using any of the above instruments depend on whether the applying organization meets certain eligibility criteria including, among others: creditworthiness of the applying organization, risk profile, record of compliance with laws and regulations and the proposed project/programme's potential social and economic benefits. The applicant does not usually provide financing for end users that have a negative impact on the environment, are involved in activities with negative social impacts or are in conflict with public order and morals. Additional eligibility criteria for equity investments are outlined in paragraph 33 above. Credit Departments, including the Area Credit Department, Credit Department, Corporate Credit Department, Global Credit Department, and four divisions

⁵ Decision B.BM-2018/21 and annex I thereto.

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

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

of the Credit Department (e.g., Asia Pacific; Europe, Middle East and Africa; the Americas, and East Asia) is responsible for approving applications for financing.

36. The applicant has recently developed an information disclosure policy for projects/programmes that could be funded by GCF. The policy includes a provision for making available to the public, via its website, information on its decisions on GCF-funded on-lending and/or blending, equity and guarantee operations, and beneficiaries and results of GCF-funded projects/programmes. However, the applicant has not demonstrated effective implementation of this policy as required by the GCF specialized fiduciary standard for on-lending and/or blending for loans, blending, undertaking equity investments and providing guarantees, since the policy is new and applicable only to GCF-funded projects/programmes.

37. The applicant has adequate systems and procedures in place for ensuring that the financing it provides is channelled transparently and used effectively. In this regard, the applicant: follows its Rules on Verification of Fund Utilization and Tracing of Funds, requires borrowers to submit annual budgets and records of annual expenditure, and ensures that loan agreements contain covenants that require borrowers to provide periodic reports on project progress. Annual external audits of the applicant's annual financial statements include reviews of the deployment of the applicant's financial resources. The applicant has an Asset and Liability Management Committee whose role is to address the risk due to a mismatch between the applicant's assets and liabilities. Sample minutes of the Asset and Liability Management Committee meetings provided show that the Committee carries out its responsibilities effectively.

38. The applicant has a proven track record and capacities for on-lending and blending with resources from international sources such as the Japan Bank for International Cooperation to support the applicant's lending to overseas small and medium-sized enterprises. It also has institutional experience in co-financing projects with major multilateral development banks such as the International Finance Corporation (IFC), the European Bank for Reconstruction and Development, the African Development Bank and the Asian Development Bank.

39. The applicant has been rated by all three major rating agencies. Its long-term credit rating by Standard & Poor's, Moody's and Fitch is A, A1 and A, respectively, while its outlook is rated "positive" by Standard & Poor's and "stable" by both Moody's and Fitch.

40. The AP finds that the applicant's policies, procedures and capacity partially meet the GCF specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees. The relevant gap is identified in paragraph 36 above and is reflected by the corresponding condition for accreditation in section 4.2.

3.2 Environmental and social safeguards

3.2.1 Environmental and social policy

41. The applicant's environmental and social management system (ESMS) comprises a number of E&S policies addressing mitigation and management of E&S risks, environmental reporting and compliance on greenhouse gas emissions, and initiatives to combat climate change, among others, which are available on the applicant's website. The ESMS includes a comprehensive statement of the applicant's E&S objectives and principles guiding its institution with an overarching approach to contribute to the realization of a sustainable society globally, and a long-term vision up to 2050 to counter global warming and promote environmental protection by leveraging its financial functions. The ESMS follows the Equator Principles⁸ which

⁸ See <<https://equator-principles.com>>.

comprise a set of guidelines developed by private financial institutions for managing E&S issues related to project-based financing based on the E&S standards and guidelines of the IFC.⁹

42. The practical application of the ESMS was first implemented in 2006 to conform to the Equator Principles I and documented in the applicant's Procedures for Environmental and Social Risk Assessment; it was further revised in 2019 to conform to the Equator Principles III. During the applicant's accreditation assessment in Stage II (Step 1), the applicant further revised and issued the Procedures for Environmental and Social Risk Assessment for GCF-funded Projects/Programmes (ESRA Procedures) in April 2020 to fully conform to the GCF Environmental and Social Policy and the GCF interim environmental and social safeguards (ESS) standards. The ESRA Procedures explicitly address the requirements for E&S assessment for direct loans, financial intermediary clients, transactions involving financial guarantees and equities structures; and E&S assessment information disclosure requirements in line with the GCF Information Disclosure Policy, particularly the requirements on the disclosure duration (number of days) of the disclosure for E&S risk category A/I-1 and category B/intermediation 2 (I-2),¹⁰ and a grievance redress mechanism (GRM) including its independence at the entity and project levels for the projects of the applicant's executing entities.

43. The SMBC Group released a statement via a press release¹¹ on 16 April 2020 on its consideration of environmental and social governance (ESG risks), which revises some of the Group's previous ESG-related policies. On the topic of coal-fired power generation, it states that "Support for newly planned coal-fired power plants, in principle, is not provided. Exceptions may be considered for those projects which use environmentally friendly technologies, such as ultra-supercritical pressure and for those projects which have been provided support before the revision."

44. On 1 April 2020, the applicant published its statement on sustainability and the SMBC Group's GREEN×GLOBE 2030 vision, in which a target of JPY 10 trillion has been set for green finance to be achieved by the end of the financial year 2029 starting from the financial year 2020.

45. The Head of the applicant's Environmental and Social Risk Analysis Department (ESAD), supported by other staff of ESAD, is responsible for ensuring conformance and execution of the applicant's E&S policies and ESRA Procedures. The ESRA Procedures have been approved by the applicant's General Manager of ESAD and the General Manager of the Planning Department, International Business Unit. The ESRA Procedures have been communicated to all levels of the applicant's organization including the Structured Finance Department, Growth Industry Cluster Department, Financial Solution Department, and Credit and Investment Planning Department.

46. The AP finds that the applicant's ESMS comprising its E&S Policies and ESRA Procedures, 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 I-1 projects/programmes with respect to the GCF performance standards 1–8.

3.2.2 Identification of E&S risks and impacts

47. The ESRA Procedures describe the applicant's institutional process for the identification of E&S risk and impacts for projects/programmes as they evolve over the project life cycle,

⁹ See <https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/ehs-guidelines>.

¹⁰ As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), intermediation 2 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented".

¹¹ See <https://www.smfg.co.jp/news_e/e110150_01.html>.

consistent with the GCF performance standards 1-8. The applicant's clients are primarily responsible for integrating E&S considerations in projects/programmes financed by the applicant. The applicant reviews and assesses the E&S risks and impacts to confirm its client's compliance with the ESRA Procedures. The process starts with the applicant's lending branch reviewing the potential E&S risk factors based on project-related information provided by the applicant's client. The lending branch documents its findings in an environmental screening form and submits it to ESAD for a more detailed E&S risk and impacts assessment. ESAD reviews the environmental screening form and the project-related information to determine and assign one of the following E&S risk categories to the project/programme: I-1, I-2 or intermediation 3 (I-3).¹² It then notifies the lending branch accordingly and, as necessary, the Credit Department. If there is insufficient project-related information at the environmental screening stage, the lending branch obtains additional information from the client and promptly submits it to ESAD.

48. The applicant provided via a secure data room, a sample of confidential E&S risk screening forms, with some parts redacted so that clients cannot be identified, for review by the AP, including on categorization for E&S risk categories I-1, I-2 and I-3 for projects/programmes with direct loans. However, as the applicant does not have experience with E&S risk assessment for projects/programmes involving guarantees and equities structures, the applicant could not provide evidence of its track record for the identification of E&S risks and impacts for projects/programmes involving guarantees and equities for E&S risk categories I-1, I-2 and I-3. The applicant has agreed to conduct E&S risk and impacts identification for such GCF-funded projects/programmes, in line with the ESRA Procedures.

49. The AP finds that the applicant's system of identification of E&S risks and impacts as described in the ESRA Procedures fully meets the GCF Environmental and Social Policy and GCF interim ESS standards for a maximum E&S risk category I-1 projects/programmes with respect to the GCF performance standards 1-8. However, the AP finds that the applicant's track record related to E&S risk and impacts identification for its projects/programmes involving guarantees and equities structures for maximum E&S risk category I-1 is not sufficient. The relevant gap is identified in paragraph 48 above and is reflected by the corresponding condition for accreditation in section 4.2.

3.2.3 Management programme

50. The ESRA Procedures describe the applicant's institutional process for managing mitigation measures and actions stemming from the E&S risk identification process, distinguishing between different E&S risk categories. ESAD reviews the project-related information and evaluates whether an appropriate E&S risk assessment has been conducted by the applicant's client including appropriate stakeholder engagement. ESAD then prepares an environmental review sheet on the evaluation of the project's E&S compliance and sends it to the lending branch and the Credit Department (as necessary) to inform them of the results of the E&S risk assessment review.

51. According to the ESRA Procedures, E&S risk category I-1 projects/programmes with significant adverse impacts require a comprehensive environmental and social impacts assessment (ESIA) and environmental and social management plan (ESMP) in line with the guidelines contained in the annexes to the ESRA Procedures. E&S risk category I-2 projects/programmes with limited and reversible impacts require a fit-for-purpose ESIA and ESMP. The ESIA and ESMP describe potential impacts, as well as appropriate mitigation management, and monitoring and evaluation reporting. E&S risk category I-3 projects/programmes expected to have minimal or no adverse E&S impacts do not require an

¹² As per annex I to decision B.07/02, 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".

E&S assessment, although a pre-assessment screening is conducted to confirm that the proposed project activities are indeed correctly classified as category I-3. ESAD instructs the lending branch to incorporate environmental and/or social covenants in the loan agreements, as relevant. The lending branch then negotiates the covenants with the client. The lending branch subsequently circulates the revised environmental screening form and the environmental review sheet within the branch and sends them to the Credit Department for its evaluation and approval of financing before informing the client. Lastly, the applicant discloses the E&S assessment documents in its website for the designated duration according to the requirements of the GCF Information Disclosure Policy.

52. As evidence of its track record on mitigation management, the applicant provided, via a secure data room for review by the AP, a sample of several confidential ESIA and ESMPs for its loans for E&S risk categories I-1 and I-2 and E&S audit reports for E&S risk category I-1, with some parts redacted so that clients cannot be identified. However, in its review, the AP noted the complaints¹³ filed on 18 September 2018 by Market Forces¹⁴ (an affiliate project of Friends of the Earth Australia) with the Organisation for Economic Co-operation and Development (OECD) Watch¹⁵ network (a global network of civil society organizations), against the applicant's projects in the coal-fired power sector. The complainants allege that SMBC, among other financiers for these projects, has breached the OECD guidelines for multinational enterprises.¹⁶

53. In response to the request of the AP, the applicant indicated that the relevant ESIA of these projects were disclosed by the Japan Bank for International Cooperation, which was one of the co-financiers of these projects. All the ESIA documents are in the local language only. The applicant indicated that it conducts E&S risk assessments based on its reviews of the ESIA reports and the due diligence reports prepared by E&S consultants assigned to the projects, in accordance with the Equator Principles and the IFC Performance Standards. The applicant indicated that it also complied with the requirement of the Equator Principles, which require that project-level grievance redress mechanisms (GRMs) are set up by the project company or project sponsors. The applicant explained that as part of its standard practice, if its due diligence identifies any important gaps against international standards (e.g. a proper GRM, stakeholder public consultation process), the applicant instructs the project company to close the gaps while following the applicant's proposed action plans.

54. The applicant provided for review by the AP in a secure data room, a limited sample of its confidential E&S assessment for projects in the coal-fired power sector, with undisclosed client information. While the AP finds the applicant's E&S assessment for these projects to be comprehensive, the AP is unable to fully assess the applicant's track record on E&S risks and impacts mitigation management for its projects in the coal-fired power sector. The applicant has stated that owing to its information disclosure policy and confidential agreement with its clients of the aforementioned projects, it is unable to disclose additional project-specific details. The AP thus finds the applicant's track record on its E&S risk and impact mitigation management for its projects in the coal-fired power sector to be insufficient.

55. Furthermore, as stated in section 3.2.2 above, the applicant does not have experience with the identification of E&S risk and impacts for projects/programmes involving guarantees and equities structures, and could not provide evidence of its track record on E&S mitigation and management measures for projects/programmes involving guarantees and equities structure for maximum E&S risk I-1. The applicant has agreed to conduct an E&S risks and impacts

¹³ See <https://complaints.oecdwatch.org/cases/Case_535>.

¹⁴ See <<https://www.marketforces.org.au/>>.

¹⁵ See <<https://www.oecdwatch.org/>>.

¹⁶ See <<http://www.oecd.org/corporate/mne/>>.

assessment incorporating E&S mitigation management measures for such GCF-funded projects/programmes.

56. The AP finds that the applicant's management programme as described in the ESRA Procedures fully meets the GCF Environmental and Social Policy and GCF interim ESS standards for a maximum E&S risk category I-1 projects/programmes with respect to the GCF performance standards 1–8. However, the AP finds that evidence of the applicant's track record related to E&S risk and impact mitigation management for its projects/programmes particularly for those involving guarantees and equities structures for a maximum E&S risk category I-1, and, due to its confidentiality, for the coal-fired power projects mentioned in paragraph 52 above, is not sufficient. The relevant gaps are identified in paragraphs 54 and 55 above and are reflected by the corresponding conditions for accreditation in section 4.2.

3.2.4 **Monitoring and review**

57. The ESRA Procedures describe the applicant's internal processes to support an E&S monitoring programme that tracks and ensures completion of E&S mitigation and performance improvement measures. The applicant conducts E&S monitoring to confirm its clients' compliance with the E&S covenants guided by the ESRA Procedures. In cases where a client is found not to be in compliance with its E&S covenants, the applicant works with the client to bring it back into compliance to the extent feasible, and if the client fails to re-establish compliance, the applicant reserves the right to take remedial action, as considered appropriate. The frequency of E&S monitoring is conducted according to the category of the project, as follows: for E&S risk category I-1 projects/programmes and, as appropriate, category I-2 projects/programmes, the applicant conducts monitoring annually using the information provided by its clients and through independent monitoring by the E&S consultant(s). For some category I-2 projects/programmes with limited impacts and category I-3 projects/programmes, the applicant conducts monitoring remotely based on the desk review of the information provided by its clients.

58. The applicant's reporting requirements for GCF-funded projects/programmes will include annual performance reports and interim and final evaluation reports during the project implementation phase. These reports will specify the project/programme's compliance with the applicant's ESRA Procedures and provide information on specific applicable E&S provisions contained in the legal agreement for the project. If necessary, monitoring and reporting may include an E&S audit, which may include site visits and consultations with the project beneficiaries, communities, and national designated authorities.

59. The applicant provided via a secured data room for review by the AP a sample of confidential E&S audits and E&S supervision/monitoring reports for projects/programmes in E&S risk categories I-1 and I-2 for its direct loans, with undisclosed client information. However, as stated in sections 3.2.2 and 3.2.3 above, the applicant does not have experience with E&S risk and impacts identification for projects/programmes involving guarantees and equities structures, and could not provide evidence of its track record of E&S monitoring for projects/programmes involving guarantees and equities structures for a maximum E&S risk category I-1. The applicant has agreed to conduct E&S monitoring for such GCF-funded projects/programmes in line with the ESRA Procedures.

60. The AP finds that the applicant's system of monitoring and review as reflected in the ESRA Procedures fully meets the GCF Environmental and Social Policy and GCF interim ESS standards for a maximum E&S risk category I-1 projects/programmes with respect to the GCF performance standards 1–8. However, the AP finds that evidence of the applicant's track record of E&S monitoring of its projects/programmes involving guarantees and equities structures for a maximum E&S risk category I-1 is not sufficient. The relevant gap is identified in paragraph 59 above and is reflected by the corresponding condition for accreditation in section 4.2.

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

61. The ESRA Procedures describe the applicant's external communication system in the form of a website to receive and register external enquiries including grievances from the public or project-affected people, as well as its competency to screen, assess and address issues raised and to provide, track and document responses. The ESRA Procedures include a sample E&S complaints registration form to be used for GCF-funded projects/programmes.

62. The ESRA Procedures describe the requirement for the applicant's clients regarding stakeholder engagement including consultations with project-affected communities. The clients are required to develop and provide a stakeholder engagement plan and report on their progress throughout the implementation phase of the project. Projects affecting indigenous peoples will be subject to a process of free, prior and informed consent and will comply with the rights and protections for indigenous peoples contained in relevant national law, including laws implemented as part of the host country's obligations under international law and consistent with the special circumstances described in IFC Performance Standard 7 on indigenous peoples.

63. The ESRA Procedures also describe the applicant's requirements related to disclosure on its website of E&S assessment information for its projects/programmes in E&S risk categories I-1 and I-2, including the specific provision on the duration (number of days) of the disclosure and the language requirements for the disclosure of E&S information, in line with the requirements contained in the GCF Information Disclosure Policy on consultation and disclosure for a maximum E&S risk category I-1.

64. The ESRA Procedures include a detailed description of the grievance redress mechanism at the applicant's institutional level and at the project level for executing entities' projects overseen by the applicant. The applicant's Quality Management Department is responsible for managing the applicant's institutional level GRM, which meets the requirements of the GCF performance standards 1-8. The applicant has agreed to publish its GRM procedure for GCF-funded projects/programmes on its website, once it is accredited. The applicant provided via a secure data room for review by the AP a sample of confidential project documents in E&S risk categories I-1 and I-2 which include evidence of E&S consultations and disclosure of E&S assessments, as well as the GRM in place for the executing entity's projects, with undisclosed client information. However, as indicated in section 3.2.3 above, specifically in paragraph 54, due to the applicant's information disclosure policy and confidential agreements with its clients, the applicant could not provide evidence of its GRM for its projects in the coal-fired power sector. The AP thus finds the applicant's application of its GRM for its projects in the coal-fired power sector to be insufficient. Furthermore, as indicated in sections 3.2.2, 3.2.3 and 3.2.4 above, the applicant does not have experience with E&S risk and impacts identification for its projects involving guarantees and equities structures, and could not provide evidence of E&S consultations and disclosure and a GRM for its projects involving guarantees and equities structures for a maximum E&S risk category I-1. The applicant has agreed to include E&S consultations and disclosure and a GRM for such potential GCF-funded projects/programmes.

65. The AP finds that the applicant's system of external communications, consultations, information disclosure and grievance redress mechanism fully meets the GCF Environmental and Social Policy, GCF interim ESS standards and GCF Information Disclosure Policy regarding E&S information disclosure requirements for a maximum E&S risk category I-1 projects/programmes with respect to the GCF performance standards 1-8. However, the AP finds that evidence of the applicant's track record on E&S consultations and disclosure and a GRM for its projects/programmes for a specific set of projects in the coal-fired power sector and on guarantees and equities structures for a maximum E&S risk category I-1 is not sufficient. The relevant gap is identified in paragraph 64 above and is reflected by the corresponding condition for accreditation in section 4.2.

3.2.6 Organizational capacity and competency

66. The ESRA Procedures describe the applicant's organizational structure that defines the roles, responsibilities, reporting lines and authority to implement its ESMS. The ESRA Procedures contains an inter-departmental procedural flow chart describing the responsibilities of the applicant's lending branch, ESAD and Credit Department, as described in section 3.2.2 above. The flow chart includes the following activities:

- (a) Collecting the project-related information;
- (b) Conducting environmental screening to decide on the E&S risk category of the project/programme and whether an environmental review is required;
- (c) Conducting an environmental review to evaluate the project/programme's compliance with the Equator Principles and the GCF Environmental and Social Policy and GCF interim ESS standards;
- (d) Reviewing the environmental screening and environmental review results for credit approval by the Credit and Investment Planning Department; and
- (e) Monitoring the project's compliance with the E&S covenants.

67. ESAD focuses in particular on the ESIA and ESMP reports, summary of consultations and stakeholder engagement plan, gender assessment and action plan, monitoring and evaluation plan, map(s) indicating the location of the proposed interventions, independent review report, (draft) loan agreement or term sheet, and Equator Principles action plan. The applicant provided the curriculum vitae of its technical staff, including a sample of their work as well as evidence of the E&S training they have received. The applicant provided evidence of the relevant staff having undergone the training on E&S matters. The AP finds that the applicant's staff who have direct responsibility for the projects/programmes E&S performance have the knowledge, skills and experience necessary to understand and ensure implementation of the IFC Performance Standards 1-8 for a maximum E&S risk category I-1.

68. 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 I-1 projects/programmes with respect to the GCF performance standards 1-8.

3.3 Gender

69. The applicant provided both its institutional level and project level gender policies. The applicant's institutional level gender policy, which is available on its website, focuses on the promotion of women's participation and advancement in the SMBC Group companies and provides numerical targets and an institutional-level action plan for the appointment of women in managerial positions. The applicant's project level gender policy is available in its "Gender Policy for GCF-funded Projects/Programmes)". The gender policy was approved in April 2020 by the applicant's General Manager of ESAD and the General Manager of the Planning Department, International Business Unit. The gender policy recognizes that gender relations, roles and responsibilities exercise important influences on women's and men's access to and control over decisions, assets, resources, information, and knowledge. The gender policy reinforces the applicant's responsiveness to the culturally diverse context of gender equality to better address and account for the links between gender equality and climate change.

70. The applicant's gender policy defines the principles for achieving gender equality and women's empowerment through a gender action plan and supporting technical guidance, operational requirements for stakeholder involvement in the design of funding proposals, and implementation and evaluation of GCF-funded projects/programmes. The gender policy also

recognizes that the impacts of climate change can exacerbate existing gender inequalities and that women and vulnerable communities are part of the solution to climate change and should therefore be effectively engaged in discussions and decisions that affect them. The gender policy is closely aligned with the United Nations Sustainable Development Goals, which make explicit commitments to achieving gender equality, both as a standalone goal on gender equality and women's empowerment (namely through Sustainable Development Goal 5: Achieve gender equality and empower all women and girls) and as a cross-cutting theme across all the Goals.

71. At the funding proposal preparation stage, the applicant is committed to:
 - (a) Ensuring that concept notes and funding proposals submitted to GCF meet the principles and requirements of the gender policy;
 - (b) Submitting as a part of the funding proposal:
 - (i) A gender assessment, along with appropriate E&S assessments (as may be required according to the level of risk and impact); and
 - (ii) A project-level gender action plan; and
 - (c) Integrating an analysis of the contextual and sociocultural factors underlying climate change that exacerbate gender inequality, and optimizing the potential contributions of women and men of all ages to build both individual and collective resilience to climate change.
72. At the monitoring and reporting stage, the applicant is committed to taking the necessary measures to implement the project-level gender action plan submitted as part of the funding proposal approved by GCF. The applicant also provided information on a procedure, including a checklist to mainstream gender aspects in its project preparation, appraisal and monitoring and evaluation phases.
73. The applicant provided the curriculum vitae of the Head of ESAD who, along with the other E&S experts of ESAD, will be responsible for implementation of the gender policy. The gender policy has been consulted and disseminated to the relevant departments of the applicant's organization, including the Structured Finance Department, Growth Industry Cluster Department, Financial Solution Department, and Credit and Investment Planning Department. The applicant provided evidence of the relevant staff having undergone the training on E&S matters, including gender.
74. The applicant provided via a secured data room for review by the AP a sample of confidential project documents that show evidence of mainstreaming gender equality and equity, and non-discriminatory practices in terms of benefits and remuneration for both men and women employees, with undisclosed client information.
75. The applicant's ESAD and Structured Finance Department are responsible for implementation of the gender policy at the project level in accordance with the indicators included in the gender action plan.
76. The AP finds that the applicant's gender policy, procedures and capacities, supported by evidence of its track record, fully meet the GCF Updated Gender Policy.

IV. Conclusions and recommendation

4.1 Conclusions

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

- (a) The applicant partially meets the requirements of the GCF basic fiduciary standards, the GCF Policy on the Protection of Whistleblowers and Witnesses, the GCF Policy on Prohibited Practices, the GCF AML/CFT Policy and the specialized fiduciary standard for on-lending and blending for loans, equity and guarantees. The applicant has not provided evidence to show that:
- (i) Assessments of the procurement procedures of beneficiary institutions, executing entities or project sponsors in relation to GCF-funded projects/programmes are carried out. Such assessments would be undertaken only after implementation of GCF-funded projects/programmes has commenced;
 - (ii) The applicant's procurement policies and awards are publicly disclosed on its website;
 - (iii) The terms of reference of the applicant's investigation function are publicly available by publishing them on its website;
 - (iv) An independent assessment of the adequacy of the measures taken by the applicant in addressing the deficiencies identified in the Written Agreement with the United States Federal Reserve Bank has been undertaken; and
 - (v) Information on the applicant's decisions on GCF-funded on-lending and/or blending, equity and/or guarantee operations, and beneficiaries and results of GCF-funded projects/programmes is publicly available.

The relevant gaps are identified in paragraphs 21, 23(f), 28 and 36 above and are addressed in the corresponding conditions for accreditation in section 4.2;

- (b) The applicant partially meets the GCF Environmental and Social Policy, GCF interim ESS standards and GCF Information Disclosure Policy on disclosure of E&S information in relation to high E&S risk (I-1). Evidence of the applicant's track record on E&S assessment, including identification of E&S risks and impacts, mitigation management, monitoring and reporting, consultations and disclosure, and a grievance redress mechanism for its projects/programmes involving on-lending, guarantees and/or equities structures for a maximum E&S risk category I-1 is not sufficient. The relevant gaps are identified in paragraphs 48, 54, 55, 59 and 64 above and are addressed in the corresponding conditions for accreditation in section 4.2; and
- (c) The applicant has demonstrated that it has a policy, procedures and competencies in order to implement its gender policy, which is found to be consistent with the GCF Updated Gender Policy and has demonstrated that it has experience with gender considerations in the context of climate change.

4.2 Recommendation on accreditation

78. The AP recommends, for consideration by the Board, applicant APL100 for accreditation as follows:

- (a) **Accreditation type:**

- (i) **Maximum size of an individual project or activity within a programme:** large (including micro,¹⁷ small¹⁸ and medium¹⁹);
 - (ii) **Fiduciary functions:**
 - 1. Basic fiduciary standards; and
 - 2. Specialized fiduciary standard for on-lending and blending (for loans, equity and guarantees); and
 - (iii) **Maximum environmental and social risk category:** high risk (I-1) (including lower risk I-2 and I-3); and
- (b) **Conditions:** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the conditions. The AP will thereafter assess whether the conditions have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes:
- (i) Conditions to be met prior to the signature of the accreditation master agreement during Stage III of the accreditation process:
 - 1. Provision by the applicant of evidence showing that its procurement policies are publicly disclosed on its website; and
 - 2. Provision by the applicant of evidence showing that the terms of reference of its investigation function are publicly disclosed on its website;
 - (ii) Condition to be met prior to effectiveness of the accreditation master agreement during Stage III of the accreditation process:
 - 1. Provision by the applicant of a letter of comfort executed by external counsel stating that:
 - a. It has been retained by the applicant to assist in the applicant's response to address the requirements of the Written Agreement with the Board of Governors of the United States Federal Reserve System dated 23 April 2019; and
 - b. The applicant complies with the necessary requirement of the Written Agreement to submit the written quarterly reports to the United States Federal Reserve Bank of New York, "detailing the form and manner of all actions taken to secure compliance with the provisions of the Written Agreement and the results thereof";
 - (iii) Condition to be met with the submission of the first funding proposal involving at least one of the following products: financial intermediary on-lending, and/or guarantee and/or equity structures:
 - 1. Provision by the applicant of E&S assessment reports for its on-lending, guarantee and equity structures which include:

¹⁷ As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "micro" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of up to and including US\$ 10 million for an individual project or an activity within a programme".

¹⁸ As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "small" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 10 million and up to and including US\$ 50 million for an individual project or an activity within a programme".

¹⁹ As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "medium" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above USD 50 million and up to and including US\$ 250 million for an individual project or an activity within a programme".

- a. E&S risk and impact identification;
 - b. E&S risk and impact mitigation management measures;
 - c. Monitoring and evaluation plans including E&S matters;
 - d. Public consultations and E&S information consultations and disclosure; and
 - e. Project-level grievance redress mechanism; and
- (iv) Conditions to be met within three (3) years starting from the first disbursement by GCF for the first approved project/programme:
1. Provision by the applicant of at least two (2) sample reports on the assessment of the procurement procedures/practices of beneficiary institutions/executing entities in relation to GCF-funded projects/programmes; and
 2. Provision by the applicant of evidence showing that procurement awards from at least two (2) projects/programmes have been publicly disclosed on its website.
79. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 78 above, and agrees to the recommendation.

Annex V: Accreditation assessment of applicant 101 (APL101)

I. Introduction

1. Applicant 101 (APL101), the United Nations Industrial Development Organization (UNIDO), is an international organization based in Austria. The applicant is a specialized agency of the United Nations that promotes and leads international efforts on industrial development for poverty reduction, inclusive globalization and environmental sustainability. With a mandate to promote and accelerate inclusive and sustainable industrial development in developing countries and economies in transition, the applicant has identified four programmatic fields, which include: creating shared prosperity for all; advancing economic competitiveness; safeguarding the environment; and strengthening knowledge and institutions. Each of these programmatic fields contains a number of individual programmes including, but not limited to, agribusiness and rural development, women and youth in productive activities, competitive trade capacities and corporate responsibility, resource-efficient and low-carbon industrial production, clean energy access for productive use, and implementation of multilateral environmental agreements.

2. The applicant submitted its application for accreditation to the Secretariat via the online accreditation system on 31 July 2015. Accreditation fees were received from the applicant on 17 August 2015, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 23 February 2020 and the applicant was progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of GCF:

- (a) **Access modality:** international access;
- (b) **Track:** fast-track under the Global Environment Facility (GEF);
- (c) **Maximum size of an individual project or activity within a programme:** small;¹
- (d) **Fiduciary functions:**²
 - (i) Basic fiduciary standards; and
 - (ii) Specialized fiduciary standard for project management; and
- (e) **Maximum environmental and social risk category:** medium risk (category B).³

II. Stage I institutional assessment and completeness check

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

- (a) “Guiding framework and procedures for accrediting national, regional and international implementing entities and intermediaries, including the Fund’s fiduciary principles and standards and environmental and social safeguards” (decision B.07/02);
- (b) “Guidelines for the operationalization of the fit-for-purpose accreditation approach” (decision B.08/02);
- (c) “Interim Policy on Prohibited Practices” (Exhibit A of the accreditation master agreement considered in decision B.12/31);
- (d) “Policy on Prohibited Practices” (decision B.22/19);
- (e) “Anti-Money Laundering and Countering the Financing of Terrorism Policy” (decision B.18/10);
- (f) “Policy on the Protection of Whistleblowers and Witnesses” (decision B.BM-2018/21);
- (g) “Environmental and social management system: Environmental and Social Policy” (decision B.19/10);
- (h) “Comprehensive Information Disclosure Policy of the Fund” (decision B.12/35) regarding the disclosure of environmental and social (E&S) information;
- (i) “Gender Policy and Action Plan” (decision B.09/11); and
- (j) “Updated Gender Policy and Gender Action Plan 2020–2023” (decision B.24/12).

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. UNIDO was established in 1966 by United Nations General Assembly resolution 2152 (XXI) and its constitution was adopted in 1979 at the United Nations Conference on the Establishment of the United Nations Industrial Development Organization as a Specialized Agency at its second session held in Vienna, Austria.

5. The constitution established UNIDO as a specialized agency of the United Nations with the objective of promoting and accelerating industrial development in developing countries and with the capacity to extend assistance to developing countries and assist them, at the request of the governments of those countries, in obtaining external financing for specific industrial projects.

2.2 Institutional presence and relevant networks

6. As an international organization, the applicant has 170 Member States and maintains a field network comprising 48 regional and country offices operating in all regions around the world. In addition, the applicant has created various platforms, centres, forums and networks in order to fulfil its mandate and mission to promote industrial development in developing countries and economies in transition. It has established partnerships with entities, national governments, United Nations agencies, civil society organizations and development banks to identify project concepts aligned with national priorities.

7. In order to advance the objectives of GCF, the applicant intends to maintain its field network to actively and proactively engage with national designated authorities and other stakeholders to identify and implement projects that are aligned with countries’ nationally determined contributions under the Paris Agreement. In addition, the applicant intends to contribute to GCF programming by supporting efficient and environmentally sustainable industrial resource utilization patterns. With regard to climate change mitigation, the applicant intends to implement programmes aimed at helping developing countries to increase the

competitiveness of their industries by reducing industrial energy intensity and to enhance the viability of their enterprises by increasing access to modern and renewable energy services. With regard to climate change adaptation, the applicant intends to build resilience in areas related to agro value chains and in various industrial sectors, thus benefiting not only the rural poor, but also the growing populations in urban and industrialized areas.

8. In addition, the applicant intends to generate projects by crowding in enterprise-level investments, utilizing GCF funding by partnering with private sector entities to stimulate private sector finance and ultimately leading to a paradigm shift towards low-emission and climate-resilient development. It intends to collaborate with GCF on addressing the need for innovative and transformative programmes and to bridge the gap between public and private finance, national development priorities and climate change commitments, and enterprise needs and private sector interests. It aims to unlock markets for climate technology innovation, low-emission transport and e-mobility, industrial energy efficiency, and urban-industrial symbiosis and infrastructure.

2.3 Track record

9. The applicant is accredited by the GEF with no accreditation conditions. Starting with the fourth replenishment of resources to the GEF Trust Fund (GEF-4) in 2006 and continuing into the GEF-7 replenishment period since 2018, the applicant has demonstrated its ability to manage projects across various focal areas, such as renewable energy, energy efficiency, water management, clean technology, climate resilience, sustainable cities and institutional capacity-building. The applicant has developed revolving funds and other financial mechanisms with third-party national and regional financial institutions in the context of its GEF projects. No reflows are usually expected from GEF grant-funded projects.

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

- (a) USD 3.3 million (grants) for Integrated Solutions for Energy, Water, Food, and Ecosystem Security under Rapid Global Change at the global level;
- (b) USD 19.2 million (grants) for facilitating access to finance for low carbon and climate resilient projects and businesses across 27 countries in Africa, South East Asia and the Caribbean. This support is under a multi-donor trust fund, which, in 2019, raised USD 232 million in investment for Private Finance Advisory Network-supported projects and businesses;
- (c) USD 87.4 million (grants and – through local financial institutions – loans) for Improving Energy Efficiency and Promoting Renewable Energy in the Agro-Food and other Small and Medium Enterprises in Ukraine; and
- (d) USD 156 million (grants and – through public and private sector co-investment – loans and equity) for the Global Cleantech Innovation Programme for accelerating cleantech start-ups/entrepreneurs and assisting governments in building an enabling ecosystem for the commercialization of home-grown climate technology and resilience innovation in Cambodia, Indonesia, Kazakhstan, Moldova, Morocco, Nigeria, South Africa, Turkey, Ukraine and Uruguay.

2.4 Potential support for direct access entities

11. Over the past decades, UNIDO has developed a track record in capacity-building at the global, regional, national and subnational levels through its projects and programmes. The applicant engages and collaborates with developing country institutions and local service

providers to propagate best practices for industrial development. If accredited to GCF, the applicant aims to continue undertaking various capacity-building exercises and providing direct technical support to increase the capacity of enterprises, governments, environmental service providers, intergovernmental entities and other stakeholders in order to assist them to adopt holistic environmental management policies and standards and promote investments in more resource-efficient and cleaner patterns of production.

12. The applicant also intends to strengthen the capacity of potential subnational, national and regional direct access entities in their accreditation to GCF. Through its field offices, the Global Network of Regional Sustainable Energy Centres, the Climate Technology Centre and Network and the Global Network for Resource Efficient and Cleaner Production (RECPnet), the applicant intends to proactively partner with direct access entities to also assist in building their capacity for the design, development, submission and implementation of paradigm-shifting mitigation and adaptation projects and programmes.

13. Both accredited and applicant direct access entities would be provided with information on a vast range of climate technologies; offered opportunities for South-South knowledge transfer and peer learning from members of these networks; invited to participate in the applicant's climate-related events as well as policy and technical training courses that can be tailored to the specific country and recipient needs. As such, the applicant aims to establish its own special support programme with the objective of supporting various national and regional centres and RECPnet members, where nominated by their national designated authorities, in seeking GCF accreditation and becoming involved in project execution.

14. Furthermore, the applicant intends to utilize the expertise of the Private Financing Advisory Network to provide guidance to direct access entities in the areas of economic feasibility, project structure, investment and financing, and preparation of bankable projects. UNIDO would also closely work with national designated authorities to identify partners at the national and sub-national levels that may become candidates for accreditation as direct access entities.

III. Stage II accreditation review assessment

15. The applicant is eligible for, and applied under, the fast-track accreditation process as a GEF agency. Its application has been assessed by the Accreditation Panel (AP) during Stage II (Step 1) against the accreditation standards of GCF and the gaps identified in decision B.08/03, and in accordance with the accreditation requirements set out in the GCF policies and standards identified in paragraph 3 above.

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

3.1 Fiduciary standards

3.1.1 Basic fiduciary standards: key administrative and financial capacities

17. As per paragraph 15 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 Basic fiduciary standards: transparency and accountability

18. As per paragraph 15 above, the basic fiduciary standards concerning transparency and accountability, with the exception of items regarding prohibited practices and whistleblowers and witnesses, and anti-money-laundering (AML) and countering the financing of terrorism (CFT) policies, have been met by way of fast-track accreditation.

19. The applicant's relevant policies, including its Code of Ethics, Fraud Prevention Policy and Conflict of Interest Policy, define prohibited practices in a manner that is consistent with the definitions of such practices contained in the GCF Policy on Prohibited Practices. However, AML/CFT is not explicitly defined as a prohibited practice in the applicant's policies; an explicit definition is required for full compliance with the GCF Policy on Prohibited Practices.

20. The applicant's Protection Against Retaliation for Reporting Misconduct or Cooperating with Audits or Investigations Policy (whistleblower policy) satisfies the requirements of the GCF Policy on the Protection of Whistleblowers and Witnesses. In addition to its whistleblower policy, the applicant provided its internal audit charter and its investigation guidelines which further ensure that the applicant's organizational policies and procedures comply with the requirements of the GCF Policy on the Protection of Whistleblowers and Witnesses.

21. The applicant's operations are not materially exposed to AML/CFT risks. Its operating environment is positively influenced by the recognized entities from which it receives funding, the due diligence procedures implemented to evaluate private sector partners, the control procedures implemented for the disbursement of funds and the independent oversight exercised by the applicant's Internal Audit Department.

22. The applicant has not adopted a specific AML/CFT policy; nevertheless, as indicated above, it has the required internal control and due diligence procedures, as well as the oversight exercised by independent audit units, that demonstrate its overall capacity to appropriately prevent the use of its operations for money-laundering or the financing of terrorism. Due to the absence of an AML/CFT-specific policy, the applicant would only partially comply with the requirements of the GCF AML/CFT Policy.⁴

23. The applicant could benefit from implementing a specific AML/CFT policy. However, considering:

- (a) The adequacy of the applicant's control procedures and oversight units;
- (b) The appropriate AML/CFT enhancements the applicant is implementing; and
- (c) The low AML/CFT risk environment in which it operates;

the AP concludes that the applicant can meet, in the absence of a specific AML/CFT policy, the GCF basic fiduciary standard concerning transparency and accountability pertaining to AML/CFT and the GCF AML/CFT Policy. The AP's conclusion is contingent upon the applicant's inclusion of AML/CFT-specific clauses and the definition of AML/CFT as a prohibited practice in the general conditions of the agreements it enters into with executing entities and third parties.

24. The applicant demonstrated that it exercises appropriate due diligence procedures when selecting project executing entities. The applicant's due diligence procedures are defined in its manual for the approval of private sector project partners and in its manual for the closing and management of project implementation arrangements with its partner organizations.

25. As per paragraph 15 above, the basic fiduciary standards concerning transparency and accountability are considered to have been met by way of fast-track accreditation. The AP finds that the applicant's policies, procedures and capacity meet the GCF Policy on the Protection of Whistleblowers and Witnesses,⁵ and partially meet the GCF Policy on Prohibited Practices⁶ and the GCF AML/CFT Policy. The relevant gaps are identified in paragraphs 19 and 23 above and are reflected by the corresponding conditions for accreditation in section 4.2.

3.1.3 Specialized fiduciary standard for project management

⁴ Decision B.18/10 and annex XIV thereto.

⁵ Decision B.BM-2018/21 and annex I thereto.

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

26. As per paragraph 15 above, the specialized fiduciary standard for project management is considered to have been met by way of fast-track accreditation.

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

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

3.1.5 **Specialized fiduciary standard for on-lending and/or blending (for loans, equity and/or guarantees)**

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

3.2 Environmental and social safeguards

3.2.1 Environmental and social policy

29. The applicant's environmental and social management system is incorporated in its Environmental and Social Safeguards Policies and Procedures (ESSPP), issued in January 2015 and last updated in July 2017. The ESSPP is a comprehensive document with well-articulated objectives and principles, based on the E&S safeguards requirements and policies of the GEF,⁷ the GCF Environmental and Social Policy and the GCF interim environmental and social safeguards (ESS) standards, as well as the United Nations Framework for Advancing Environmental and Social Sustainability in the United Nations System.⁸ The ESSPP is accessible to the applicant's staff and the general public both through the applicant's intranet and its external website. Responsibility for its implementation lies with the applicant's Partnerships Coordination Division, Department of Programme and Partnership Coordination under the Directorate of Programmes, Partnerships and Field Coordination.

30. The ESSPP (July 2017) applies to all UNIDO projects and, following the applicant's accreditation, will thus also apply to GCF projects. It states that the applicant is committed to promoting inclusive and sustainable industrial development to harness the full potential of industry's contribution to the achievement of sustainable development and lasting prosperity for all. In addition, the ESSPP sets out the applicant's belief that E&S sustainability is a fundamental aspect of achieving outcomes consistent with its mandate, and recognizes that projects that foster E&S sustainability rank among the highest priorities of the applicant's activities. The ESSPP includes a section on an Integrated Safeguard Policy Statement, which lays out the policy principles and describes the common objectives of the applicant's safeguards. The standards adopted in the ESSPP are consistent with the International Finance Corporation's environmental and social performance standards 1-8.

31. The AP finds that the applicant's environmental and social management system, comprising the ESSPP, fully meets the GCF Environmental and Social Policy and GCF interim ESS standards for a maximum E&S risk category B projects/programmes with respect to GCF performance standards 1-8.

3.2.2 Identification of E&S risks and impacts

32. The ESSPP describes the applicant's procedure for E&S risk and impact identification, including categorization of projects, and is consistent with good international industry practice and the GCF interim ESS standards. The applicant uses well-developed E&S risk screening templates and rigorous review processes to enable E&S issues to be carefully mainstreamed into project design and implementation. In particular, the section of the ESSPP on environmental and social safeguard tools provides the applicant's project development teams with the tools to screen projects for E&S risks. There are several layers of review within the

⁷ Available at <<https://www.thegef.org/documents/environmental-and-social-safeguard-standards>>.

⁸ Available at <<https://sustainabledevelopment.un.org/content/documents/2738sustainabilityfinalweb-pdf>>.

Department of Programme and Partnership Coordination before final conclusions are reached. The outcome allows the applicant to both analyse risk and maximize E&S opportunities, depending on whether the project is classified as category A, B or C.

33. The AP reviewed the E&S assessment documents for category B and C projects implemented by the applicant comprising a tannery, a small hydropower, a bamboo plantation, a husk-fired power plant, and non-combustion facilities for polychlorinated biphenyls and persistent organic pollutants. All these projects underwent the E&S risk and impact identification and assessment procedure in line with the ESSPP.

34. The AP also reviewed the applicant's experience with an E&S risk category A project. The applicant submitted documents related to a project launched in 2015 that is still being implemented, titled "Mainstreaming Climate Change Adaptation through Water Resource Management in Leather Industrial Zone Development". The project has included the construction of a central effluent treatment plant; taking into consideration the potential significant impacts on the environment and affected peoples of such an intervention, the project has been classified as category A. Among other outputs, as a result of the E&S screening conducted, a full environmental and social impact assessment and environmental and social management plan were developed in line with the applicant's policies. The applicant should continue to document its E&S assessment experience with implementing category A projects, including newer projects that it will be developing in the future, so as to enable the applicant to apply for an upgrade at a later time.

35. 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 GCF interim ESS standards for a maximum E&S risk category B projects/programmes with respect to GCF performance standards 1-8.

3.2.3 Management programme

36. The applicant's ESSPP includes sections on operational safeguards, which consist of a set of 10 programmatic and two framework safeguards requirements that the applicant's project development teams should follow when addressing E&S impacts and risks, and a section on the ESS steps that are part of the applicant's project cycle, which provides guidance on the specific procedures that the applicant's E&S team should follow to ensure that operations meet the requirements of the operational safeguards at each stage of the project cycle.

37. The management of mitigation measures is guided by the above-mentioned sections of the ESSPP and the applicant has provided reports and assessments from the projects referred to in paragraph 33 above and from the category A project cited in paragraph 34 above to illustrate this.

38. As observed in paragraphs 33 and 34 above, the AP was able to assess several category B projects and one category A project implemented by the applicant. The applicant, as evidenced through the project monitoring and assessment reports it has provided, has shown that it is able to manage the mitigation measures of such projects.

39. The AP finds that the applicant's management programme fully meets the GCF Environmental and Social Policy and GCF interim ESS standards for a maximum E&S risk category B projects/programmes with respect to GCF performance standards 1-8.

3.2.4 Monitoring and review

40. The ESSPP describes the applicant's process related to its E&S monitoring and reporting system. Issues identified by the applicant during the environmental and social impact assessment or in the environmental and social management plan are managed and monitored during project implementation. Commitments are followed up in regular monitoring reports as

part of annual project implementation reports and midterm reviews, and assessed within the context of terminal evaluations.

41. Monitoring and compliance functions to track projects and ensure compliance with the ESSPP and with agreed ESS mitigation measures are embedded within the context of the applicant's Department of Programme and Partnership Coordination.

42. The applicant provided E&S monitoring and assessment reports for the projects identified in paragraph 33 above. As observed in paragraphs 33 and 34 above, the AP was able to assess several category B projects and one category A project being implemented by the applicant. The applicant, as evidenced through the project monitoring and assessment reports it has provided, has shown that it is able to monitor and review E&S impacts and actions.

43. The AP finds that the applicant's system of monitoring and review fully meets the GCF Environmental and Social Policy and GCF interim ESS standards for a maximum E&S risk category B projects/programmes with respect to GCF performance standards 1–8.

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

44. The applicant has a well-developed external communications system. Its website provides clear and updated information on its projects. It also has a web page dedicated to the submission of complaints, including for adverse E&S impacts of its projects, which provides a clear description of the complaints procedure.

45. The applicant has a well-developed Information Disclosure and Public Consultation Policy among its operational safeguards, which describes in detail the norms and procedures related to implementation of the policy, including free and prior informed consent and other best practices in stakeholder engagement. Of particular interest is the Open Data Platform developed by the applicant. It displays an interactive world map with detailed information on the applicant's programmes and projects.

46. The applicant has a well-developed grievance procedure. Complaints, including on E&S issues, are handled by a compliance officer, the Internal Oversight Division, or, if necessary, by the UNIDO grievance mechanism (which includes a grievance panel), which is the applicant's institutional-level grievance redress mechanism. There is, however, a gap in this system in that the applicant does not specifically require its executing entities to establish a grievance mechanism at the project level itself, but rather to promote and utilize the UNIDO mechanism.

47. 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, partially meet the GCF Environmental and Social Policy, GCF interim ESS standards and GCF Information Disclosure Policy for a maximum E&S risk category B projects/programmes with respect to GCF performance standards 1–8. The relevant gap is identified in paragraph 46 above and is reflected by the corresponding condition for accreditation in section 4.2.

3.2.6 **Organizational capacity and competency**

48. Implementation of the ESSPP is under the direct responsibility of the Director General of UNIDO, with the Directorate of Programmes, Partnerships and Field Coordination taking the lead in implementing ESSPP-related mandates and processes. Under the Directorate and within the Department of Programme and Partnership Coordination, the responsibility for compliance related tasks with the ESSPP lies with the Partnership Coordination Division.

49. The applicant also has several technical offices that work on E&S and climate projects, including the Climate Technology and Innovation Division, the Energy Systems and Infrastructure Division and the Energy Technologies and Industrial Applications Division in the Directorate of Environment and Energy.

50. The AP reviewed the organizational chart provided by the applicant and the curriculum vitae of the managers and staff performing ESS functions and finds these to be adequate. The applicant has also implemented several ESS training programmes for managers and staff, which are integrated into the applicant's human resources programme.

51. 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 projects/programmes with respect to GCF performance standards 1–8.

3.3 Gender

52. The applicant updated its Policy on Gender Equality and the Empowerment of Women in 2019. More recently, the applicant also adopted the Strategy for Gender Equality and the Empowerment of Women (2020–2023), as requested by its Member States. The policy outlines clear gender equality roles and responsibilities of all personnel, while the strategy elaborates on the applicant's approach to and implementation of gender equality and women's empowerment both through targeted actions following a unified theory of change, as well as through gender mainstreaming in all policies, projects, programmes and organizational practices. Both documents are intended to guide the applicant's work on gender equality, which is also guided by best practices in the United Nations system.

53. Among other things, the applicant seeks to identify and integrate the different needs, constraints, contributions and priorities of women and men into its project designs and implementation. Where possible, according to its gender strategy, the applicant will enhance the positive gender impacts of projects by developing mitigation measures to reduce any potential gender-specific and disproportionate adverse impacts on gender. It has adopted strategic objectives for the implementation of its gender policy, which in turn have led the applicant to identify additional objectives, develop tools (e.g. its Gender Analysis Tool, Gender Marker Guide and Gender Compliance and Marker Form) and establish mechanisms and procedures (for mainstreaming gender considerations, such as the gender review conducted by the applicant and incorporated in its project development and approval process) to implement its gender policy and strategy.

54. The applicant has an Office for Gender Equality and Empowerment of Women, which has a multi-annual budget. It also has several positions for gender experts at the headquarters, which are supported by the work of the applicant's Gender Focal Point Network, as well as Gender Experts at the project and national levels. In addition, training sessions to build gender capacity have been held by the applicant, including on the nexus of gender and energy.

55. The applicant provided evidence of its experience in incorporating gender into climate/environment projects, namely energy efficiency projects in Africa and a tannery project in Asia, where gender issues and mainstreaming strategies were specifically incorporated into the projects based on the gender tools adopted by the applicant. For those projects, a gender analysis was conducted to develop indicators that would demonstrate the projects' impact on empowering women.

56. The AP finds that the applicant's gender policy, procedures and capacities, supported by evidence of its track record, fully meet the Updated GCF Gender Policy.⁹

IV. Conclusions and recommendation

⁹ Decision B.24/12 and annex XXIII thereto.

4.1 Conclusions

57. 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 and the specialized fiduciary standard for project management; and partially meets the GCF Policy on Prohibited Practices and the GCF AML/CFT Policy. The applicant provided sufficient evidence that the money-laundering and financing of terrorism risk implicit in its operations is low. However, the applicant must provide evidence that it has included AML and CFT clauses in the general conditions of the agreements entered into for project procurement and with project executing entities for GCF-funded projects. The relevant gaps are identified in paragraphs 19 and 23 above and are reflected by the corresponding conditions for accreditation in section 4.2;
- (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). The relevant gap relates to the applicant's policy on a grievance redress mechanism identified in paragraph 46 above and is reflected by the corresponding conditions for accreditation in section 4.2; and
- (c) The applicant has demonstrated that it has a policy, procedures and competencies 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 consideration in the context of climate change.

4.2 Recommendation on accreditation

58. The AP recommends, for consideration by the Board, applicant APL101 for accreditation as follows:

- (a) **Accreditation type:**
 - (i) **Maximum size of an individual project or activity within a programme:** small (including micro¹⁰);
 - (ii) **Fiduciary functions:**
 1. Basic fiduciary standards; and
 2. Specialized fiduciary standard for project management; and
 - (iii) **Maximum environmental and social risk category:** medium risk (category B) (including lower risk (category C¹¹)); and
- (b) **Conditions:** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the conditions. The AP will thereafter assess whether the conditions have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes:

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

¹¹ 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".

- (i) Conditions to be met with the submission of the first funding proposal to GCF:
1. Provision by the applicant of evidence that it has incorporated into its standard contracts with its executing entities and third parties for GCF projects/programmes the definition of money-laundering and financing of terrorism as prohibited practices, requiring executing entities and third parties not to engage, directly or indirectly, in activities undertaken for the purpose of money-laundering or financing of terrorism;
 2. Provision by the applicant of evidence of either the establishment of a policy or the inclusion in an existing policy or policies of the requirement to establish a project/programme-specific grievance redress mechanism; and
 3. Provision by the applicant of evidence of either the establishment of a policy or the inclusion in an existing policy or policies of the requirement that its executing entities for GCF projects/programmes either:
 - a. Establish their own project/programme-specific grievance redress mechanism; and/or
 - b. Use the applicant's grievance redress mechanism as updated in accordance with paragraph 58(b)(i)(2) above for GCF projects/programmes.

59. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 58 above, and agrees to the recommendation.

4.3 Remarks

60. The applicant could benefit from implementing an AML/CFT policy providing institutional guidance pertaining to money-laundering and financing of terrorism risks, as well as defining these activities as prohibited practices. The AP also recommends that the applicant consider including the provisions indicated in paragraph 58(b)(i)(1) above in all of its legal agreements entered into for project procurement and with project executing entities, beyond those for GCF-funded projects/programmes as required by the condition.

Annex VI: Accreditation assessment of upgrade application from the Pegasus Capital Advisors, L.P.

I. Introduction

1. Pegasus Capital Advisors, L.P. (PCA), is a private alternative asset management and private equity firm based in the United States of America, aiming to provide strategic growth capital to middle-market companies operating in the sustainability and wellness sectors. PCA focuses its investments on the health and wellness, built environment, renewable energy, waste and recycling, food and agriculture sectors.

2. The applicant was accredited by the Board on 20 October 2018 in decision B.21/16, paragraph (b), and signed its accreditation master agreement with GCF on 30 March 2020, which became effective on 13 April 2020, for the following parameters, as recommended by the Accreditation Panel (AP), under the fit-for-purpose approach of GCF:

- (a) **Access modality:** international access;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or activity within a programme:** medium;¹
- (d) **Fiduciary functions:**²
 - (i) Basic fiduciary standards;
 - (ii) Specialized fiduciary standard for project management; and
 - (iii) Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees); and
- (e) **Maximum environmental and social risk category:** medium risk (category B/intermediation 2 (I-2)).³

3. The applicant was accredited with conditions. As reported in document GCF/B.25/13/Add.01 titled “Status of the fulfilment of accreditation conditions”, PCA fulfilled and closed one environmental and social safeguards (ESS) condition to be met prior to submission of the first funding proposal to GCF. The remaining fiduciary, ESS and gender conditions had been fulfilled and closed by the applicant as at 1 April 2020.

4. The applicant submitted its application for an accreditation upgrade to the Secretariat via the online accreditation system on 28 February 2020. 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 4 May 2020 and the applicant was progressed to the Stage II (Step 1) accreditation review, which has been

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”.

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 GCF:

- (a) **Access modality:** international access;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or activity within a programme:** large;⁴ and
- (d) **All other criteria for which the applicant was accredited:**⁵ no change.

II. Stage I institutional assessment and completeness check

5. 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:

- (c) “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);
- (d) “Guidelines for the operationalization of the fit-for-purpose accreditation approach” (decision B.08/02);
- (e) “Policy on Prohibited Practices” (decision B.22/19);
- (f) “Anti-Money Laundering and Countering the Financing of Terrorism Policy” (decision B.18/10); and
- (g) “Policy on the Protection of Whistleblowers and Witnesses” (decision B.BM-2018/21).

3.1 Legal status, registration, permits and licences

6. The applicant provided documents on its establishment and licences to operate, if any and where relevant, as a part of the original accreditation application. PCA was created in the form of a limited liability company on 30 March 1999. As indicated in paragraph 2 above, GCF and PCA have entered into an accreditation master agreement.

3.2 Institutional presence and relevant networks

7. The applicant has a strong international presence through its portfolio companies and investments based in Israel, Peru, Singapore, Thailand and the United Kingdom of Great Britain and Northern Ireland covering activities in Asia, Latin and Central America, the Middle East and Africa. PCA has also been involved in climate change-related initiatives with partners such as R20 Regions of Climate Action, Ceres, Principles for Responsible Investment, the Global Impact Investing Network, Confluence Philanthropy, the United States Agency for International Development (e.g. Power Africa) and the Tony Blair Africa Governance Initiative.

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

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

⁵ For example, the fiduciary functions and environmental and social risk category.

intends to address, measure and continue investment in the following areas for both mitigation and adaptation:

- (a) Investing in renewable energy solutions that help governments and businesses avoid lock-in of long-lived, high-emission infrastructure;
- (b) Increasing the number of households with access to low-emission energy;
- (c) Increasing the use of low-carbon transport;
- (d) Improving waste management, thereby contributing to greenhouse gas (GHG) emission reductions;
- (e) Reducing vulnerability by enhancing adaptive capacity and resilience for populations affected by the proposed activity, focusing in particular on the most vulnerable population groups and applying a gender-sensitive approach;
- (f) Strengthening institutional and regulatory systems for climate-responsive planning and development; and
- (g) Strengthening awareness of climate threats and risk reduction processes (e.g. through environmental and social impact assessments conducted for PCA investments and collaboration with applicable local authorities).

3.3 Track record

9. As a private alternative asset management and private equity firm, the applicant targets the provision of scalable, replicable, innovative, financially sustainable and viable solutions to companies focused on, among other things, climate change mitigation and adaptation. In addition, the applicant has taken a leadership role in global environmental and social initiatives that drive a potential paradigm shift through knowledge-sharing among multi-stakeholder groups. It has also worked closely with municipal governments in developing strategies to achieve aggressive climate change goals.

10. The applicant's track record in financing climate change-related investments covers projects in Africa, Asia Pacific, Europe, Latin America and North America. The applicant has undertaken equity investments and raised five private equity funds, four of which have invested more than USD 250 million with a focus on the sustainability and wellness, building technologies and energy solutions, biofuels, built environment and agriculture sectors. The Secretariat has reviewed the relevant track record provided by the applicant to demonstrate its experience with large-sized programme activities (e.g. investees/portfolio companies).

11. In addition, the applicant provided the following project examples in its original accreditation application:⁶

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

⁶ See annex XI to document GCF/B.21/17 titled "Consideration of accreditation proposals".

3.4 Potential support for direct access entities

12. The applicant intends to leverage its experience to help subnational, national and regional implementing entities and intermediaries to raise awareness about opportunities and requirements of GCF accreditation through workshops. In addition, it intends to continue to engage with such entities and intermediaries to identify opportunities to support their objectives through day-to-day business. The applicant also aims to explore opportunities to develop collaborative projects with such entities and to provide additional resources and capacity-building support.

13. The applicant has been committed to working with subnational, national and regional implementing entities and intermediaries globally to identify sustainable economic development and wellness opportunities. It aims to continue providing policy, technical and financial advice to national and subnational governments, financial institutions, technology providers, academic institutions, corporations and non-governmental organizations to implement low-carbon economic development projects in sectors that measurably reduce GHG emissions.

II. Stage II accreditation review assessment

14. The applicant applied under the normal track accreditation process. Its application has been assessed by the AP during Stage II (Step 1) against the standards of GCF in accordance with the accreditation requirements and GCF policies and standards identified in paragraph 5 above.

15. As per decision B.24/13, paragraph (a), and annex XXVI thereto, the applicant will be assessed against the GCF 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.

16. As part of this assessment, the AP consulted the website of the United States Securities and Exchange Commission (SEC) to review the applicant's ADV filing on 30 March 2020.

2.1 Fiduciary standards

2.1.1 Basic fiduciary standards: key administrative and financial capacities

17. This applicant is seeking an upgrade in its accreditation scope to the "large" size category of projects/programmes it can present for GCF consideration. The applicant's strategy, governance structure and organization are the same as at the time of its original accreditation application. This assessment focuses on the applicant's policies, procedures and track record and their capacity to manage large-sized projects/programmes, such as private equity funds, as well as large-sized portfolio company investments.

18. The applicant's capacity to meet the requirements of the GCF basic fiduciary standards on key administrative and financial capacities was demonstrated at the time of its original accreditation application.

19. To support its application for an upgrade in the project/programme activity size category for which it is accredited, the applicant provided detailed portfolio reports for three private equity funds that it is currently managing. All three funds fall within the range of large-scale programmes; specifically, the average capital invested by these funds far exceeds the "large" size threshold. The applicant also provided evidence of its track record in managing large-sized portfolio company investments.

20. As stated in the original accreditation recommendation by the AP, the applicant's governance structure is appropriate for the management of a private equity fund. The regulatory requirements of the relevant federal regulations of the United States of America, enforced under SEC supervision, provide the framework for effective governance of investment advisers such as the applicant. The applicant's track record demonstrates that its governance structure is adequate for effective oversight and management of large-sized private equity funds and large-sized portfolio company investments.

21. The applicant's main governance bodies are the Investment Committees of each of the funds and the applicant's Compliance Committee. The Partners and Principals are members of the Investment Committees for each of the funds managed by the applicant. The applicant's track record demonstrates that the operation of its oversight committees and the supervision exercised by its Principals are appropriate for the management of large-sized funds and large-sized portfolio company investments.

22. As concluded in the original accreditation recommendation, the applicant's strategic planning capacity, as well as its accounting systems, audit arrangements, and payment and disbursement systems, are appropriate for the management of private equity funds. The applicant's strategic planning capacities are appropriate for the design and management of large-sized private equity funds. To complement this upgrade application, the applicant provided updated audited financial statements for one of the private equity funds it manages, as well as examples of its track record with large-sized portfolio company investments.

23. For the assessment of its upgrade application, the applicant also provided updated copies of its accounting manual (dated February 2020) and of its compliance manual (dated August 2019), which establish the general guidelines for an internal control framework, based on both the fiduciary obligations pertaining to the third-party assets it manages and compliance with United States federal regulatory requirements. The applicant's internal control framework is appropriate for a private equity fund manager. Furthermore, the applicant's track record demonstrates that its internal control framework is appropriate for the management of large-sized private equity funds and large-sized portfolio company investments.

24. The applicant has fulfilled the condition pertaining to procurement established in the original accreditation recommendation and adopted in decision B.21/16 to accredit PCA. The applicant's procurement policy and procedures satisfy the relevant requirements of the GCF basic fiduciary standard on key administrative and financial capacities, including for large-sized private equity funds and large-sized portfolio company investments.

25. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the GCF basic fiduciary standards on key administrative and financial capacities. Furthermore, these policies, procedures and capacity are appropriate for the management of large-sized private-equity funds and large-sized portfolio company investments.

2.1.2 **Basic fiduciary standards: transparency and accountability**

26. The applicant's updated compliance manual includes the applicant's code of ethics, which has been developed based on the requirements of the private equity industry and the requirements of the SEC. The Advisers Act requires that the applicant's code of ethics establishes a fiduciary duty towards clients, regulatory compliance, disclosure of securities transactions, and reporting of violations of the code of ethics. It also requires the code of ethics to be communicated to all relevant parties. Additionally, the applicant has included provisions for the protection of whistleblowers, as well as periodic training on and assessment of the knowledge of relevant parties on the code of ethics. The applicant's Compliance Officer provides guidance on specific ethical questions that may arise.

27. The applicant's framework for communication and management of prohibited practices is described in the original accreditation recommendation. Additionally, the applicant's regulatory framework, enforced under SEC supervision, the applicant's compliance manual and the contractual agreements of the private equity funds managed by the applicant include and cover the requirements of the GCF Policy on Prohibited Practices.⁷

28. The applicant's capacity to effectively undertake investigations is described in the original accreditation recommendation. Given that the applicant has a track record of managing large-sized private equity funds, and based on the original accreditation recommendation, the AP finds that the applicant's investigations capacity is appropriate for large-sized private equity funds and large-sized portfolio company investments.

29. An important enhancement implemented after the original accreditation is the applicant's decision to outsource a critical component of its anti-money-laundering and countering the financing of terrorism (AML/CFT) activities to a leading-expert service provider. This third-party service provider was retained by the applicant to undertake the due diligence required for onboarding and continuous monitoring of parties that invest in the private equity funds managed by the applicant. The third party undertakes its due diligence exercises based on the guidance provided by the Financial Crimes Enforcement Network, the Bank Secrecy Act, the United States Patriot Act and the guidance notes provided by expert professional associations. Additionally, the applicant provided further detail of the procedures and technology used to authorize, issue and monitor wire transfers. The applicant's AML/CFT capacity, as mentioned in the original accreditation recommendation, is appropriate for effective management of AML/CFT risks. The outsourcing of investor due diligence and monitoring to an expert third party further strengthens the applicant's capacity.

30. 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 the Protection of Whistleblowers and Witnesses,⁸ the GCF Policy on Prohibited Practices and the GCF AML/CFT Policy.⁹ Furthermore, the applicant, in its original accreditation application and in this upgrade application, has demonstrated that its policies, procedures and track record are fit for the management of large-sized private equity funds, as well as large-sized investments in portfolio companies.

2.1.3 Specialized fiduciary standard for project management

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

32. The original accreditation recommendation concluded that the applicant has the capacity to design, prepare and successfully manage a medium-sized private equity fund. Furthermore, the size of the investments made in portfolio companies is expected to remain, on average, the same under a large-sized fund as is the case under a medium-sized fund; the difference is that more financial resources will be available to increase the number of investments that can be made. The capacity demonstrated by the applicant during the original accreditation application, together with evidence of the applicant's track record as reviewed by the AP during this upgrade accreditation application, validate the applicant's capacity and experience to manage large-sized private equity funds and large-sized portfolio company investments.

⁷ Decision B.22/19 and annex XIV thereto.

⁸ Decision B.21/25 and annex II thereto.

⁹ Decision B.18/10 and annex XIV thereto.

33. The applicant's capacity to design, prepare and successfully manage private equity funds was demonstrated during the original accreditation application. Considering that the size of the investments made in portfolio companies is expected to remain, on average, the same under this upgrade accreditation application as under the original accreditation recommendation, the AP concludes that the capacity demonstrated by the applicant during the original accreditation application is appropriate for a large-sized private equity fund. The applicant provided two copies of portfolio investment proposals as part of this upgrade application that reinforce the conclusion of the original accreditation recommendation pertaining to the applicant's capacity to evaluate, structure and manage equity investments in portfolio companies.

34. The applicant's capacity to exercise effective oversight and control over the investments it executes was assessed during the original accreditation assessment. In its upgrade application, the applicant provided information on five private equity funds it manages or has managed in the past. As at the third quarter of 2019, the average total resources invested in portfolio companies by each of the funds managed by the applicant, for which detailed information was provided, exceeded USD 250 million. In this upgrade application, the applicant provided examples of investments that demonstrate its experience with large-sized portfolio company investments.

35. The applicant's capacity to monitor private equity fund investments was addressed in the original accreditation recommendation. As part of this upgrade application, the applicant provided copies of recent investment portfolio reports that provide further evidence of the applicant's track record of managing large-sized private equity funds and its capacity to effectively monitor these portfolios. The investment portfolio reports demonstrate the applicant's capacity to effectively process aggregate fund (as well as investee company) data and generate managerial information required for appropriate decision-making by the relevant Investment Committees.

36. The applicant's capacity to effectively manage investments at risk and its capacity to implement corrective actions were demonstrated in the original accreditation application. For all approved investments, as part of the applicant's core business processes, permanent monitoring of investment performance, identification of risks and implementation of corrective actions are undertaken. The applicant's policies and procedures pertaining to investment management are designed for the effective management of risk and are suited to the management of large-sized investments.

37. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the GCF specialized fiduciary standard for project management in relation to the management of large-sized private equity funds and large-sized portfolio company investments.

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

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

2.1.5 Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees)

39. The applicant, in the original accreditation application, demonstrated that it has the capacity to exercise appropriate due diligence to evaluate investments in portfolio companies. The policies and procedures it applies are appropriate for the effective management of private equity funds. The due diligence policies and procedures are fit for the management of a large-sized private equity fund, as well as for large-sized portfolio company investments.

40. During the original accreditation application, the applicant demonstrated its capacity and experience in deploying equity (as the main financial instrument), loans and guarantees. To

prove its capacity to deploy equity, loans and guarantees at a large scale, the applicant provided evidence that demonstrates its capacity and its track record of managing large-scale private equity funds, as well as large-scale investments in portfolio companies.

41. In the original accreditation application, the applicant provided sufficient evidence to demonstrate that its portfolio management policies and procedures are appropriate for the management of a private equity fund. In this upgrade application, the applicant provided three updated investment portfolio reports that reaffirm its capacity to effectively manage these investments. The investment reports provided are for private equity funds that exceed the large-sized threshold, thus demonstrating the applicant's capacity and track record to support the large-sized upgrade that it is seeking through this upgrade application.

42. The relevant competencies and track record required for satisfying the specialized fiduciary standard for on-lending and/or blending, as assessed during the original accreditation application, remain appropriate for this upgrade application. In terms of the size upgrade, the applicant has provided sufficient evidence of its experience and capacity to manage large-sized private equity funds, as well as large-sized portfolio company investments.

43. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the GCF specialized fiduciary standard for on-lending and/or blending for loans, equity and/or guarantees. Furthermore, the applicant, in its original accreditation application and in this upgrade application, has demonstrated that its policies, procedures and track record are fit for the management of large-sized private equity funds, as well as large-sized investments in portfolio companies.

III. Conclusions and recommendation

3.1 Conclusions

44. 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 Whistleblowers and Witnesses, the GCF Policy on Prohibited Practices, the GCF AML/CFT Policy, the GCF specialized fiduciary standard for project management and the GCF specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees with respect to a maximum "large" size category. This includes large-sized private equity funds and large-sized portfolio company investments.

3.2 Recommendation on accreditation

45. The AP recommends, for consideration by the Board, PCA for an upgrade in its accreditation type, as originally accredited in decision B.21/16, paragraph (b), and annex XI to document GCF/B.21/17, as follows:

- (a) **Accreditation type:**



-
- (i) **Maximum size of an individual project or activity within a programme:** large (including micro,¹⁰ small¹¹ and medium); and
 - (ii) **All other criteria for which the applicant was accredited:**¹² no change.

46. The applicant has been informed of the recommendation for the accreditation upgrade, including the upgrade accreditation type, as identified in paragraph 45 above, and agrees to the recommendation.

¹⁰ 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”.

¹¹ 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”.

¹² Decision B.21/16, paragraph (b), and annex XI to document GCF/B.21/17.

Annex VII: Additional entities of other relevant funds for fast-track accreditation eligibility

I. Background

1. In decision B.08/03, paragraphs (e–g), the Board decided that entities accredited by the Global Environment Facility (GEF), the Adaptation Fund (AF) and the Directorate-General for International Development and Cooperation (DG DEVCO) up to and including 17 October 2014 and in full compliance with those institutions' requirements, as contained in annex V to decision B.08/03 (annex V to document B.08/45), are eligible to apply under the fast-track accreditation process for the accreditation requirements of the GCF identified in the relevant paragraphs of the decision.
2. In decisions B.10/06, B.12/30, B.14/09, B.15/09, B.17/13, B.18/05, B.19/14, B.22/09, B.23/13 and B.24/11, the Board expanded the list of entities eligible to apply under the same fast-track approach, assuming all prerequisite criteria were met to include those under the GEF, the AF and DG DEVCO up to and including 9 July 2015, 9 March 2016, 14 October 2016, 17 December 2016, 6 July 2017, 2 October 2017, 1 March 2018, 28 February 2019, 8 July 2019 and 14 November 2019 respectively.
3. The entity presented below has been accredited by AF since 31 January 2020. No new entities have been accredited by the GEF and DG DEVCO since that time that are seeking to become eligible for fast-track accreditation to GCF.

II. Adaptation Fund

Table 3: The Adaptation Fund – national implementing entities since 31 January 2020^a

| Name | Acronym | Country |
|---|----------------|----------------|
| Fond Interprofessionnel pour la Recherche et le Conseil Agricoles (Interprofessional Fund for Agricultural Research and Advice) | FIRCA | Côte d'Ivoire |

^a The list of the national accredited entities of the Adaptation Fund is available at <<https://www.adaptation-fund.org/apply-funding/implementing-entities/national-implementing-entity/>>. See also Adaptation Fund Board decision B.35.a-35.b/2, available at <https://www.adaptation-fund.org/wp-content/uploads/2020/04/Decision-B.35.a-35.b_2_Accreditation-of-FIRCA.pdf>.

4. The national direct access entity listed in table 3 has been confirmed via evidence provided by the entity regarding its successful accreditation as a National Implementing Entity of the Adaptation Fund (AF Board decision B.35.a-35.b/2) on 29 April 2020.