



**GREEN
CLIMATE
FUND**

Meeting of the Board
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Provisional agenda item 15

GCF/B.28/11
26 February 2021

Consideration of accreditation proposals

Summary

This document presents an overview of accreditation progress up to 31 January 2021; an overview of the pipeline of applicant entities with information on support to direct access entities; and an overview of the portfolio of accredited entities, including the status of accredited entities addressing accreditation conditions. The document also presents accreditation proposals for consideration by the Board.

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I. General mandate

1. In decision B.08/02, paragraph (a), the Board recalled that all entities, including subnational, national, regional and international entities, can apply for accreditation to GCF.
2. Areas of work related to accreditation matters include the following:
 - (a) Initial guidance to national designated authorities and entities interested in engaging with GCF related to the role and responsibilities of the accredited entity (AE), and the accreditation process;
 - (b) The pipeline of entities, particularly to support direct access entities (DAEs) seeking accreditation, AEs in addressing their accreditation conditions and AEs seeking to upgrade their accreditation scope;
 - (c) Relationship management of AEs, including completing their accreditation master agreements (AMAs) with GCF and AE-level monitoring and reporting; and
 - (d) Re-accreditation.
3. In addition to the above, the Secretariat supports the work of the Accreditation Committee and the Accreditation Panel (AP).
4. This document presents an overview of accreditation progress up to 31 January 2021. In particular, it includes an overview of the pipeline of applicant entities with information on support to DAEs 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.28/11 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 (decisions B.24/13 and B.26/01);
 - (d) “Interim Policy on Prohibited Practices” (Exhibit A of the AMA 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 AMA 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, B.BM-2020/05, B.26/01 and B.27/05);
- (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) “Updated strategic plan for the Green Climate Fund: 2020–2023” (decision B.27/06);
- (y) “Strategy on accreditation” (decisions B.13/19 and B.14/08);

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 this 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) “Matters related to the accreditation framework and policy gaps: Co-Chairs’ proposal (decision B.18/04);
- (aa) “Further development of the accreditation framework” (decision B.19/13);
- (bb) “Accreditation framework review, including the project specific framework approach” (document GCF/B.20/17);
- (cc) “Accreditation framework review” (decision B.22/16);
- (dd) “Updated accreditation framework” (decision B.23/11); and
- (ee) “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 31 January 2021, 74 AEs have fully completed the accreditation process by having a signed and effective AMA.⁷ An additional 12 entities have signed AMAs that are yet to become effective to complete the accreditation process. One entity has flagged concerns since reaching a working-level agreement on the text of the AMA and the concerns are being discussed, while two more entities have reached a working-level agreement on their AMA, however, yet to complete the GCF internal approvals. A further 14 have been approved by the Board to be accredited, for which AMAs are in progress. Altogether, the Board has decided to accredit 103 entities, subject to signing and making their AMA effective.

⁵ Paragraph 45 of the Governing Instrument.

⁶ Annex XXVII to decision B.12/31.

⁷ Decision B.23/11, paragraph (a).

11. The Secretariat continues to work closely with entities throughout the stages of accreditation, particularly those that are in Stage I (institutional assessment and completeness check by the Secretariat), or Stage II (Step 1 – AP review). The Secretariat is increasingly focusing on providing guidance on the role and responsibilities of AEs and the accreditation process to assess entities' institutional capabilities for such a role while meeting GCF standards. Such early engagement takes place prior to and during issuance of accounts for the online accreditation system (OAS) (to be replaced by Digital Accreditation Platform (DAP)),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 31 January 2021 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 31 January 2021)

31 January 2021

TOTAL PIPELINE OF ENTITIES SEEKING ACCREDITATION: **123***



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

** 33 applicants (out of 73) are yet to officially start Stage I, as their applications are pending payment of accreditation fees

*** A total of 103 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 74 entities have completed the accreditation process, enabling the entities to fully operationalize their engagement with GCF.

Abbreviations: DAE = direct access entity, IAE = international access entity.

12. A pipeline of 123 entities have submitted accreditation applications (including active and inactive) on the OAS. Of these, 17 applications are under Stage II (Step 1 – AP review) (including those entities being recommended at the twenty-eighth meeting of the Board (B.28)) and 73 applications are under Stage I. A further 33 entities have submitted an application but have yet to pay accreditation application fees in order to begin Stage I.
13. In addition to the entities that have submitted applications, 113 entities (including active and inactive) 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, 12 applications from AEs to upgrade their accreditation types were received between 17 November 2014 and 31 January 2021, of which eight upgrades were approved by the Board.¹¹ The remaining three entities comprise one direct access AE and three international access AEs that 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 62 DAEs have been accredited by the Board. A total of 77 DAEs are in the accreditation pipeline and have submitted an application with nomination letters from the NDAs and focal points, of which 14 are in Stage II (Step 1 – AP review), 42 are in Stage I and 21 have yet to commence the Stage I review pending payment of accreditation fees.
17. Thirty-seven DAEs have received support through the Readiness and Preparatory Support Programme (Readiness Programme) to prepare for accreditation, of which 21 have completed such support activities and submitted an accreditation application. Of these, 9 entities have been accredited by the Board, four entities are in Stage II (Step 1) and an additional 8 are in Stage I in the pipeline. As of 31 January 2021, a total of USD 1,183,763 has been disbursed for the implementation of this support. 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.

¹¹ 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); decision B.BM-2020/05, paragraph (d); and decision B.26/01, paragraph (e).

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

31 January 2021

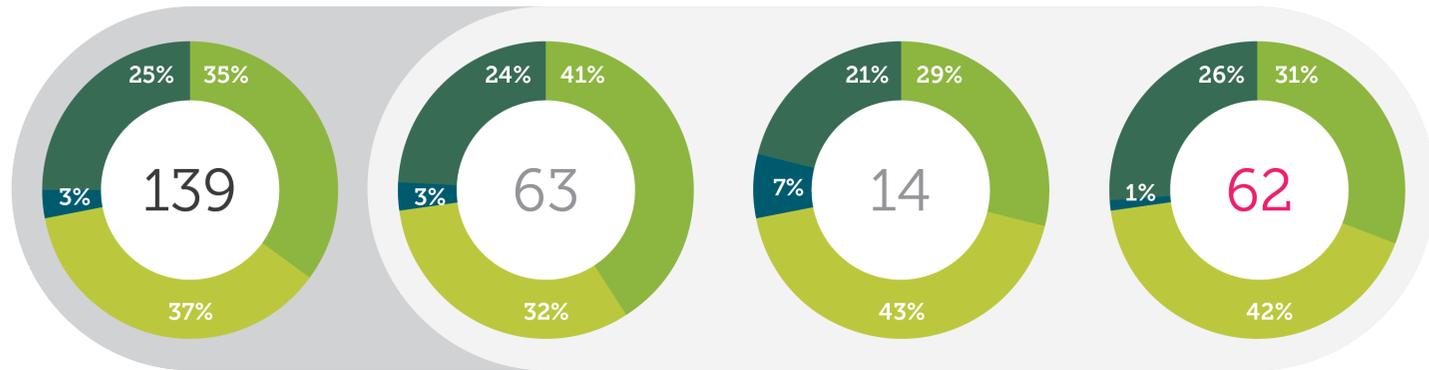
ACCREDITATION STATE OF PLAY DIRECT ACCESS ENTITIES

NDA / FP NOMINATIONS

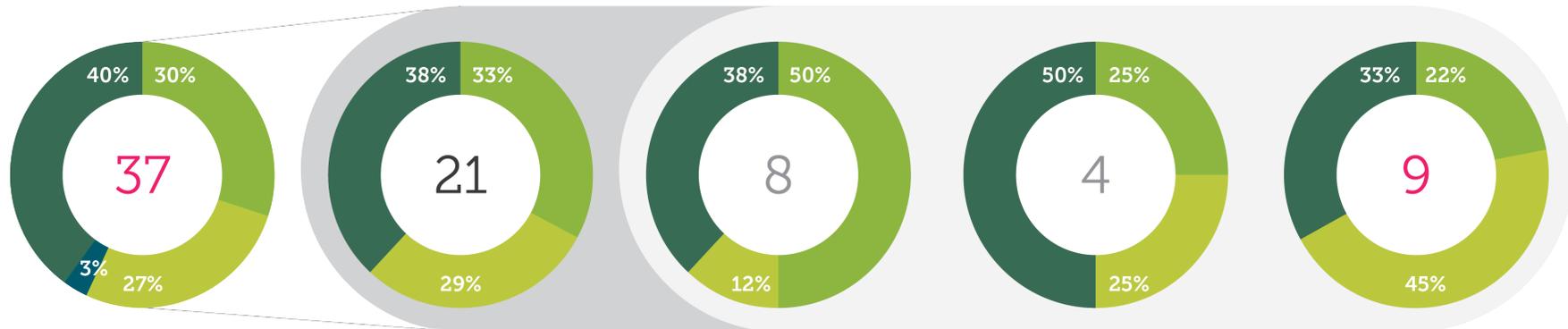
Total **283** nominations*
from **98** countries
for **243** entities

*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.

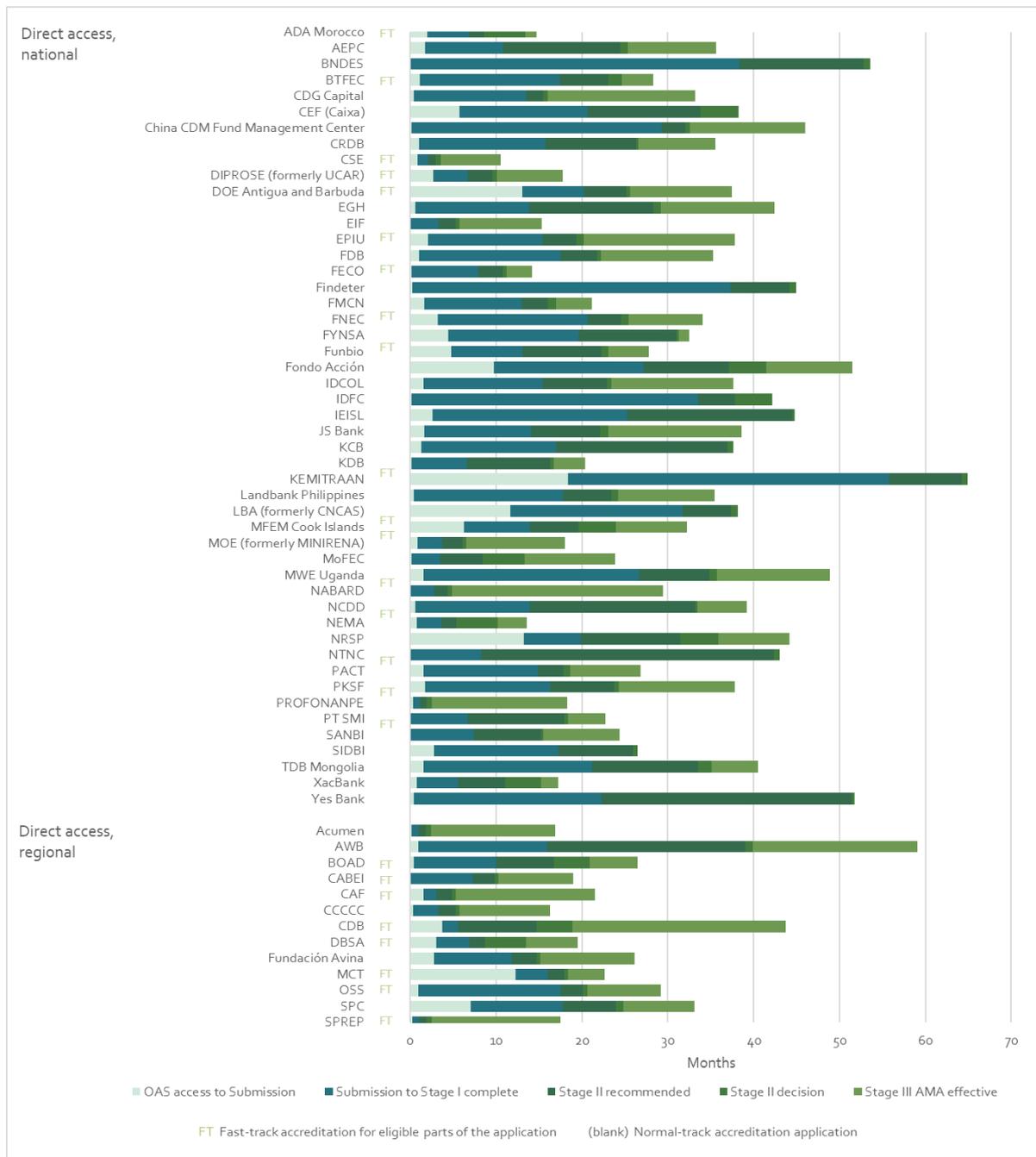
18. The time taken to process applicants has varied and depends on the entity's capacity and the modalities for which it is applying, in addition to factors such as resources available to process applications, the workload from the growing pipeline of applicants and the increase in new or amended GCF 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.¹² 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 22 months on average to accredit the 103 AEs – noting that 50 of them were fast-tracked and 53 were normal-tracked. Of the 103 AEs, it took 24 months on average to accredit 62 DAEs, with 17 months on average to accredit 25 fast-track DAEs and 29 months to accredit the other 37 normal-track DAEs (see figure 3); in addition, it took 17 months on average to accredit 25 fast-tracked IAEs and 23 months on average to accredit 16 normal-track IAEs (see figure 4). In particular, it took 26.3 months on average to accredit 24 private sector entities out of the 103 AEs (see figure 5). This includes an average time frame for application review by the Secretariat and the AP and responses by applicants of 20.5 months; however, the active time for review per application is significantly shorter.¹³ 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 limited number of fiduciary and E&S functions.

¹² "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 this 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.

¹³ 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.

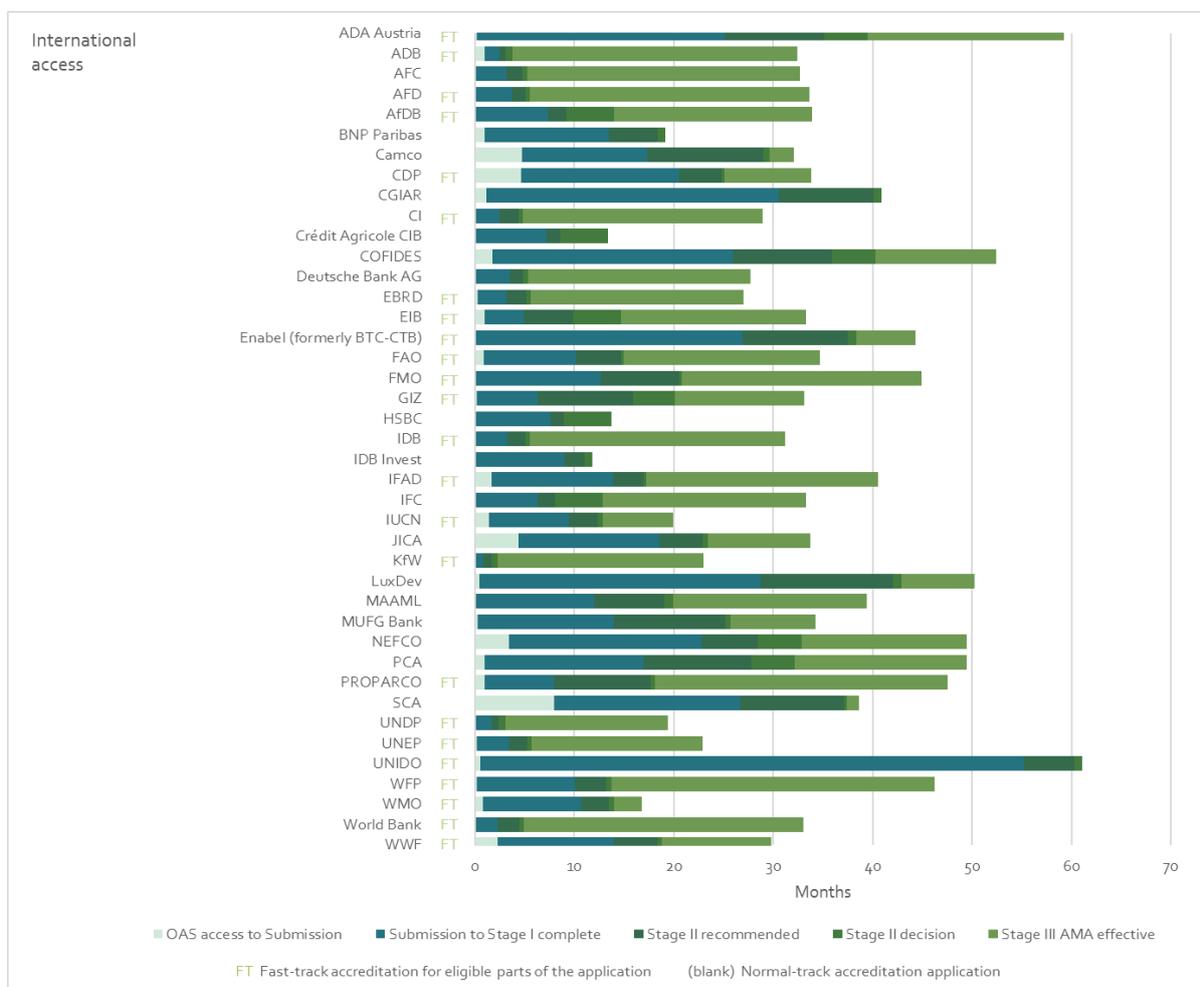
Figure 3: Time frame from online accreditation system access to accreditation for the 62 direct access accredited entities (including private sector) (as at 31 January 2021)



Abbreviations: Acumen = Acumen Fund, Inc., ADA Morocco = Agency for Agricultural Development of Morocco, AEPC = Alternative Energy Promotion Center, AWB = Attijariwafa Bank, BNDES = Banco Nacional de Desenvolvimento Econômico e Social, 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., CEF = Caixa Econômica Federal, China CDM Fund Management Center = China Clean Development Mechanism Fund Management Center, CRDB = CRDB Bank Public Limited Company, CSE = Centre de Suivi Ecologique, DBSA = Development Bank of Southern Africa, DIPROSE (formerly UCAR) = General Directorate of Sectoral and Special Programs and Projects 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, EGH = Ecobank Ghana Limited, EIF = Environmental Investment Fund of Namibia, EPIU = Environmental Project Implementation Unit of the Ministry of Nature Protection of the Republic of Armenia, 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., FNEC = National Fund for the Environment of Benin, Fondo Acción = Fondo para la Acción Ambiental y la Niñez, Fundbio = Fundo Brasileiro para a Biodiversidade, FYNESA = Finanzas Y Negocios Servicios Financieros Limitada, IDCOL = Infrastructure Development Company Limited, IDFC Bank = IDFC Bank Limited, IEISL = IL&FS Environmental Infrastructure and Services Limited, JS Bank = JS Bank Limited, KCB = KCB Bank Kenya Limited, KDB = Korea Development Bank, KEMITRAAN = Kemitraan bagi Pembaraun Tata Pemerintahan, Landbank = Land Bank of the Philippines, LBA (formerly CNCAS) = La Banque Agricole, 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 Ethiopia, MWE Uganda = Ministry of Water and Environment of Uganda, NABARD = National Bank for Agriculture and Rural Development, NCDD = National Committee for Sub-National Democratic Development, NEMA = National Environment Management Authority of Kenya, NRSP = National Rural Support Programme, NTNC = National Trust for Nature Conservation, OAS = online accreditation system, OSS = Sahara and Sahel Observatory, PACT = Protected Areas Conservation Trust, PKSf = Palli Karma-Sahayak Foundation, PROFONANPE = Peruvian Trust Fund for National Parks and Protected Areas, PT SMI = PT Sarana Multi Infrastruktur, SANBI = South African National Biodiversity Institute, 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, XacBank = XacBank LLC, Yes Bank = Yes Bank Limited.

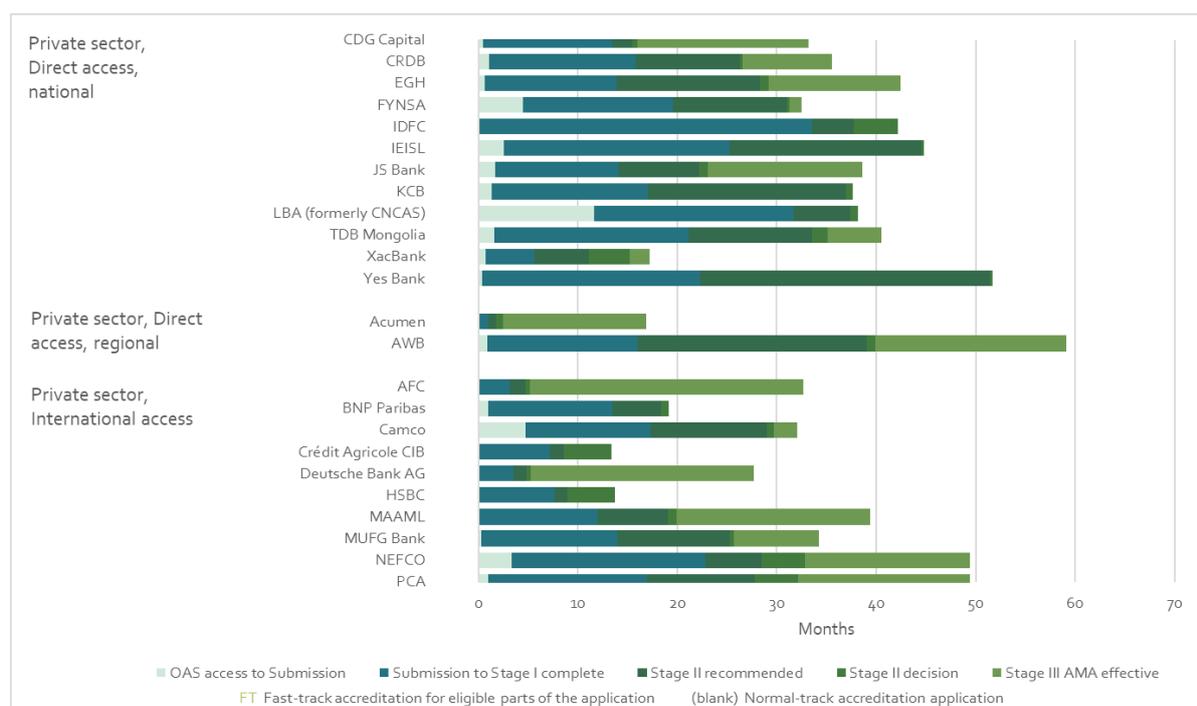
Figure 4: Time frame from online accreditation system access to accreditation for the 41 international access accredited entities (including private sector) (as at 31 January 2021)



Abbreviations: ADA Austria = Austrian Development Agency, ADB = Asian Development Bank, AFC = Africa Finance Corporation, AFD = Agence Française de Développement, AfDB = African Development Bank, BNP Paribas = BNP Paribas S.A., Camco = Camco Management Limited, CDP = Cassa Depositi e Prestiti - Società per Azioni, 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, Deutsche Bank AG = Deutsche Bank Aktiengesellschaft, EBRD = European Bank for Reconstruction and Development, EIB = European Investment Bank,

Enabel = Belgian Development Agency, FAO = Food and Agriculture Organization of the United Nations, FMO = Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V., GIZ = Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, HSBC = HSBC Holdings plc and its subsidiaries, IDB = Inter-American Development Bank, IDB Invest = Inter-American Investment Corporation, IFAD = International Fund for Agricultural Development, IFC = International Finance Corporation, IUCN = International Union for Conservation of Nature, JICA = Japan International Cooperation Agency, KfW = Kreditanstalt für Wiederaufbau, LuxDev = Luxembourg Development Cooperation Agency, MAAML = Macquarie Alternative Assets Management Limited, MUFG Bank = MUFG Bank, Ltd. (formerly Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU)), NEFCO = Nordic Environment Finance Corporation, OAS = online accreditation system, PCA = Pegasus Capital Advisors, L.P., PROPARCO = Société de Promotion et de Participation pour la Coopération Economique, SCA = Save the Children Australia, UNDP = United Nations Development Programme, UNEP = United Nations Environment Programme, UNIDO = United Nations Industrial Development Organization, 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.

Figure 5. Time frame from online accreditation system access to accreditation for the 24 private sector entities (as at 31 January 2021)



Abbreviations: Acumen = Acumen Fund, Inc., AFC = Africa Finance Corporation, AWB = Attijariwafa Bank, BNP Paribas = BNP Paribas S.A., Camco = Camco Management Limited, CDG Capital = CDG Capital S.A., Crédit Agricole CIB = Crédit Agricole Corporate and Investment Bank, CRDB = CRDB Bank Public Limited Company, Deutsche Bank AG = Deutsche Bank Aktiengesellschaft, EGH = Ecobank Ghana Limited, FYNOSA = Finanzas Y Negocios Servicios Financieros Limitada, HSBC = HSBC Holdings plc and its subsidiaries, IDFC Bank = IDFC Bank Limited, IEISL = IL&FS Environmental Infrastructure and Services Limited, JS Bank = JS Bank Limited, KCB = KCB Bank Kenya Limited, LBA (formerly CNCAS) = La Banque Agricole, MAAML = Macquarie Alternative Assets Management Limited, MUFG Bank = MUFG Bank, Ltd. (formerly Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU)), NEFCO = Nordic Environment Finance Corporation, PCA = Pegasus Capital Advisors, L.P., TDB Mongolia = Trade and Development Bank of Mongolia, 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. Upon expiration of said decision at the end of B.25 (i.e. 12 March 2020), the review by the Secretariat and the AP of accreditation applications in Stages I and II (Step 1), respectively, defaulted to a first-come, first-completed basis. Following decision B.27/06, wherein the updated Strategic Plan for the Green Climate Fund: 2020–2023 was adopted, the

Secretariat is reviewing accreditation applications in Stage I, taking into account the key actions regarding improving access to GCF resources contained in the updated Strategic Plan.

21. The Secretariat is continuing to work with DAEs that have submitted applications for accreditation and DAEs 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 243 DAEs nominated by the NDAs or focal points of 98 countries in four regions throughout the application process, including via conference calls;
- (b) Providing institutional gap assessments for 37 DAEs 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 tool¹⁴ in order to assess preparedness for the accreditation process, which may be accessed by any organization, as well as NDAs and focal points, for the purposes of identifying organizations to nominate for accreditation. As at 31 January 2021, 2,153 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 DAEs in environmental, social and gender aspects.

23. Regarding the pre-accreditation support to the entities indicated in paragraph 22(b) above, as at 31 January 2021:

- (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. Nine entities (Caixa Econômica Federal, Central American Bank for Economic Integration, Fondo para la Acción Ambiental y la Niñez, La Banque Agricole, 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. Four entities are in Stage II (Step 1); and
 - 3. Eight 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

¹⁴ 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>>.

with their NDA to seek additional readiness support to close the identified gaps;
and

(b) Readiness support is underway for the remaining five entities.

24. The Secretariat has also compiled a roster of institutions that provide technical and capacity-building support both to applicants and to accredited DAEs in relation to environmental, social and gender aspects of their institutional capacities. Legal arrangements with the institutions selected for the roster were finalized, all assignments completed and payments made. Overall, support was provided to four entities.

4.3 Improving the accreditation process

25. The Secretariat continues its efforts on streamlining the accreditation process by increasing efficiency through improving tools and guidance, increasing transparency, enhancing communications, and implementing digitalization of the workflows.

26. In line with the updated Strategic Plan and decision B.22/16, paragraph (c), the Secretariat continues to support NDAs in developing accreditation strategies and approaches to identifying DAEs that support the country programme and/or align with the country's climate change priorities. The GCF Country Programming Guidance published in January 2021 includes guidance on the identification of DAEs and AEs, as well as accreditation candidates, with substantial potential to support national climate priorities as part of the country programming process with GCF.

27. The Secretariat has launched the Digital Accreditation Platform (DAP) as part of the ongoing digitalization of GCF. This new platform will address all stages in the accreditation lifecycle. It will cover the accreditation of new partners (replacing the current online accreditation system) and re-accreditation of AEs, and allow AEs to apply to upgrade their accreditation types, address accreditation conditions, as well as submit annual and mid-term reports on their continued compliance with GCF standards. The DAP is based on updated accreditation and new re-accreditation application forms, guidance notes to applicants, as well as tailored, fit-for-purposes review checklists to be used by GCF in accreditation application reviews, which were developed by the Secretariat in coordination with the AP. Two modules of the DAP on re-accreditation and AE-level reporting have become operational by 31 December 2020, with the remaining modules to be launched in early 2021.

V. Overview of the portfolio of accredited entities

28. The Board has accredited 103 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.24/11, B.BM-2020/05, B.26/01 and B.27/05. Out of the 103 entities accredited by the Board, 74 have fully completed the accreditation process to become AEs by having signed and effective AMAs as at 31 January 2021.¹⁵ Further details on AMAs are contained in the limited distribution document GCF/B.28/Inf.10/Add.01 titled "Status of accreditation master agreements and funded activity agreements".¹⁶

29. 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).

¹⁵ As at 31 January 2021, a total of 86 AMAs have been signed and 1 additional AMA is pending signature following completion of internal approvals by both the Secretariat and the no-objection review by the Risk Management Committee of the Board.

¹⁶ To be considered by the Board at B.28.

Information on the various accreditation types is contained in annex II. Details of entities accredited by the Board to date have been published on the GCF website, including the names of the entities, their contact details and the accreditation types.¹⁷

Table 1: Range of options for countries to partner with GCF accredited entities per region: the number of accredited entities in each type of capacity (cumulative, as at 31 January 2021)

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	51	31	33	24	27	57	50	21	57	36
AP	58	37	37	26	26	63	53	20	63	38
EE	29	18	19	15	16	31	28	16	31	23
LAC	53	41	32	24	25	55	47	23	55	34
LDCs	55	37	32	22	23	59	51	21	59	33
SIDS	46	33	28	23	22	47	40	21	47	31

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

^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.

30. As the portfolio of AEs grows, further entity relationship management and support to entities, particularly DAEs, 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.

31. 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

¹⁷ Available at <<https://www.greenclimate.fund/about/partners/ae>>.

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.28/11/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

32. The GCF project approval process starts with the preparation of country programmes by NDAs/focal points (Stage 1, Step 1) and entity work programmes (EWP) by AEs (Stage 1, Step 2) to originate transformational initiatives aligned with the mandate of the GCF. EWPs are intended to foster a proactive, strategic and country-owned approach to pipeline development and programming with GCF. They play an important role as a strategic tool in providing insights on project ideas and programmes being developed by regional DAEs and international access entities (IAEs), which will eventually contribute towards high-quality, climate-focused funding proposals at entry. NDAs are requested to integrate the work programmes of their national DAEs into their respective country programmes to ensure full alignment and coherence with the programming plans of the country

33. The Secretariat is continuing to engage with 13 regional direct access AEs and 41 international access AEs to update or develop their multiannual EWPs.¹⁸ As at 31 January 2021, a total of 9 EWPs have been endorsed by the Climate Investment Committee following extensive review processes within the Secretariat: the Caribbean Development Bank, the Agence Française de Développement, Conservation International, Deutsche Gesellschaft für Internationale Zusammenarbeit, European Bank for Reconstruction and Development, the Luxembourg Development Cooperation Agency, Save the Children Australia, United Nations Environment Programme and the World Wildlife Fund, Inc.

34. A further 6 draft multi-annual EWPs from regional direct access AEs and 14 from international access AEs are under various stages of the review process by the Secretariat or by the respective AEs. The Secretariat is continuing to provide feedback and guidance to AEs on their EWPs through regular calls and email exchange. Within the reporting period, in-person missions by the Secretariat to AEs or visits by AEs to the GCF Headquarters have not taken place due to the coronavirus disease 19 (COVID-19) pandemic, however, the Secretariat has held a virtual strategic engagement workshop with three IAEs. The Secretariat continues to engage with DAEs, both directly and via NDAs, to support EWP development.

5.2 Support for accredited direct access entities

35. 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 are contained in section 5.1 above.

36. 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 25 entities since its inception with support for 10 entities currently under implementation.

37. 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 31 January 2021, the Secretariat

¹⁸ The EWPs of national direct access AEs are contained in country programmes.

was working on a pipeline of 56 active PPF applications with letters of no objection from the NDAs/focal points, of which 34 (67 per cent) are from DAEs. Of these 56 applications, 38 have been approved. Among the 38 approved PPFs, 25 (66 per cent) are from DAEs. The total approved amount for PPF applications was USD 24.707 million, of which USD 16.059 million has been disbursed.

38. Further details on assistance to DAEs to help them to strengthen their concept notes and associated PPF applications are contained in the document GCF/B.28/Inf.08 titled “Status of the GCF pipeline, including the status of Project Preparation Facility requests”.¹⁹

5.3 Accredited entity monitoring and reporting

39. 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.²⁰ The relevant institutional-level monitoring and reporting requirements commence upon AMA effectiveness, which marks the start of the accreditation term of an AE with GCF.

5.3.1 Monitoring and accountability framework: accredited entity level reporting

40. The MAF establishes the main monitoring and evaluation tools related to AEs on two levels:²¹

- (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.

41. AE compliance comprises, inter alia, annual self-assessments, a mid-term 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 mid-term review. This mid-term review replaces the annual self-assessment for the third year of the accreditation term.

42. In order to operationalize the MAF regarding institutional-level reporting, the Secretariat identified 46 AEs required to provide their annual self-assessment report for calendar year 2020 and 14 AEs required to undertake the mid-term review.

43. As indicated in paragraph 27 above, the Secretariat launched the DAP, which allows AEs to submit online their annual self-assessment and mid-term reports to GCF. The relevant templates that have been in use since operationalization of the MAF are available on the DAP since 1 January 2021. AEs have been requested to fill in and submit the completed reports to the Secretariat via the DAP by 28 February 2021 in line with AMA requirements.

44. For both the annual self-assessment and the mid-term review (based on the GCF fiduciary standards, interim environmental and social safeguard standards and the gender policy assessed during accreditation), AEs are requested to self-assess whether any changes have occurred since accreditation or the latest institutional-level reporting to the GCF, describe the nature of any changes or modifications identified and indicate how each change or modification impacts the status of accreditation and obligations of the AE as per the AMA.

45. The Secretariat will report to the Board on the outcomes of the annual self-assessment for calendar year 2020 and mid-term review as early as B.29.

¹⁹ To be considered by the Board at B.28.

²⁰ Decision B.23/11, paragraph (a).

²¹ Decision B.11/10.

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

46. 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.

47. In line with their AMAs, 33 international access AEs are required to provide annual reports on the support they intended to provide (and the support provided) to DAEs covering calendar year 2020.

48. For the 2020 reporting cycle, international access AEs will be able to submit annual reports on the support they intended to provide (and the support provided) to DAEs through the DAP (see paragraph 27 above). The template that has been in use since the operationalization of this reporting requirement has been available on the DAP since 1 January 2021. AEs have been requested to fill-in and submit the completed reports to the Secretariat by 28 February 2021, in line with AMA requirements.

49. The Secretariat will report to the Board on the outcomes of this reporting as early as B.29.

5.4 Re-accreditation of accredited entities

50. In decision B.24/13, paragraph (a) and its annex XXVI, the Board adopted the re-accreditation process. The accreditation term for an AE is five years.²² The accreditation term begins upon completion of the three-stage institutional accreditation process, that is, when the signed AMA entered into between GCF and an AE becomes effective.²³ Per paragraph 3 of the re-accreditation process contained in annex XXVI to decision B.24/13, 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 five-year accreditation term).

51. 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. In addition, the extension of the deadline for the AE to submit the re-accreditation application does not extend the five-year accreditation term of the AE, which is fixed to 5 years starting from the date of AMA effectiveness. The Secretariat will continue to work with AEs to minimize any potential gaps between one accreditation term and the next term, which will be subject to a Board decision to re-accredit the entity and involve amending and making effective the amended AMA to account for any new GCF policies, standards or decisions that affect the AMA adopted by GCF since the previous accreditation term.

52. In order to provide flexibility during the COVID-19 pandemic, the Board decided in decision B.26/01, paragraph (h), pursuant to decision B.24/13, paragraph (a) and on an

²² 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.”

²³ Decision B.23/11, paragraph (a).

extraordinary basis, 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 AEs. As at 31 January 2021, the Secretariat has issued an extension to three AEs in response to their submitted requests.

53. In December 2020, the Secretariat informed all AEs of the re-accreditation process and provided the re-accreditation application form, guidance notes to AEs, and the checklists to be used by GCF reviewers (i.e. the Secretariat and AP). The Secretariat also launched the DAP in December 2020 for AEs to submit their re-accreditation applications. The Secretariat is continuing to actively engage AEs, particularly those with upcoming deadlines to submit their re-accreditation application in 2021 and early 2022, providing guidance and support via conference calls.

54. As at 31 January 2021, of the four AEs that had to submit their re-accreditation application six months prior to the end of their accreditation term, three requested and were issued extensions due to the COVID-19 pandemic, and one submitted its re-accreditation application on the DAP. Another AE, whose deadline for submitting the re-accreditation application is in the first quarter of 2021, has also submitted its application. A total of 15 AEs will need to submit their applications for re-accreditation in 2021. Assuming extensions for the AE to submit the re-accreditation application are not required, it is estimated that approximately 12 AEs would be presented to the Board for its consideration on re-accreditation at B.29 and B.30 as these would be the last Board meetings taking place prior to the end of their current five-year accreditation term with GCF.

55. The AP, in accordance with decisions B.11/10 and B.12/30, paragraph (d), and in coordination with the Secretariat, developed and piloted the application of a methodology to establish a baseline for the overall portfolio of AEs. This is one component of the re-accreditation process. The application of the methodology was piloted by the AP with the support of a consultancy firm and applied to a diverse group of AEs, with the view that such AEs will submit the outcomes of the pilot as a part of their re-accreditation application to GCF. The methodology, available in document GCF/B.28/11/Add.02, is available for all AEs to use in addressing this component of the re-accreditation application and process.

VI. Applications in Stage II (Step 1) review

56. 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).

57. Five new applicants (applicants 106, 107, 108, 109 and 110) are presented by the AP for consideration for accreditation by the Board at B.28.

58. The updated Strategic Plan includes as a key priority for GCF the need for improving access to fund resources. GCF will “continue to build its AE network by focusing on the value-addition of AEs to delivering developing countries programming priorities and advancing GCF strategic objectives, including keeping a strategic focus on strengthening the role of DAEs in programming.” The updated Strategic Plan identifies as a key action for this period the adoption of a more strategic approach to accreditation, which includes, among other things, increasing the share of DAEs in the AE portfolio above the initial resource mobilization (IRM) level of 59 per cent (such as by accrediting national and regional DAEs for countries which do not yet have an accredited DAE); and striving for sufficient coverage in terms of geography, access modalities, accreditation scope (e.g. size, financing modalities, and environmental and social risk categories) and themes/sectors/results areas. While the AP selects applicants in Stage II (Step 1) that have completed the process and makes its recommendation to the Board for decision-making to accredit entities, the information below comprises the Secretariat’s

assessment of how the applicants recommended by the AP for B.28 consideration could address the updated Strategic Plan for 2020–2023:

- (a) All five applicants are national DAEs, which – if accredited and subject to making their AMA effective – would increase the portfolio of DAEs accredited to GCF from 62 to 67 DAEs. The accredited DAE portion would be 62 per cent as compared to 59 per cent during the IRM period;
- (b) Two DAEs have been supported through the Readiness Programme to prepare for accreditation (e.g. the Infrastructure Development Bank of Zimbabwe (IDBZ) and the Vietnam Development Bank (VDB));
- (c) Three DAEs are based in Africa (one of which is a least developed country) and two are based in the Asia-Pacific region;
- (d) Three DAEs will be the first national DAE for the country (i.e. the Development Bank of Zambia (DBZ), IDBZ and VDB);
- (e) All five DAEs have the potential to engage with the private sector, and three are already actively engaged (e.g. the Development Bank of the Philippines (DBP), IDBZ and the Moroccan Agency for Sustainable Energy S.A. (Masen));
- (f) Four DAEs are national financial institutions, three being national development banks (e.g. DBP, DBZ and VDB) and one being a government-owned infrastructure development bank. Another entity is a government-owned sustainable energy development agency. All five applicants have the potential to bring to GCF for consideration transformative projects/programmes aligned with country programming that engage banking systems and the private sector of the respective countries;
- (g) All five DAEs are seeking to act as an intermediary for GCF resources through on-lending and/or blending. Additionally, three DAEs seek to undertake equity investments (e.g. DBZ, IDBZ and Masen) and four seek to provide guarantees (e.g. DBP, DBZ, IDBZ and VDB). In addition, four DAEs are seeking to manage projects/programmes with GCF resources (e.g. DBP, IDBZ, Masen and VDB), and one is seeking to also act as an intermediary for GCF resources through awarding grants in line with its mandates and activities (e.g. VDB); and
- (h) Four DAEs have experience in the context of their mandates in the majority of the GCF results areas with respect to mitigation and adaptation, while one focuses primarily on mitigation activities (e.g. Masen).

59. 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 with the objectives and requirements of GCF. The new applicants are being recommended for various accreditation types:

- (a) Two applicants are being recommended for small-scale projects or activities within a programme,²⁴ two for medium-scale²⁵ and one for large-scale;²⁶

²⁴ 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 USD 10 million for an individual project or an activity within a programme".

²⁵ As per annex I to decision B.08/02, "medium" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US\$ 50 million and up to and including US\$ 250 million for an individual project or an activity within a programme".

²⁶ 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".

- (b) All five applicants are being recommended to be able to use resources for on-lending and/or blending for loans. In addition to such fiduciary criteria, three applicants are being recommended to be able to also undertake equity investments and four to provide guarantees. Furthermore, four applicants are being recommended to use GCF resources to manage and implement projects/programmes, and one for the grant award and/or funding allocation mechanisms specialized fiduciary function;
- (c) Three applicants are being recommended for accreditation to manage projects/programmes up to and including medium environmental and social risk (category B/intermediation 2 (I-2))²⁷ and two applicants are being recommended for a maximum of high environmental and social risk (category A/intermediation I (I-1));²⁸ and
- (d) Four out of five of the new applicants meet the requirements of the GCF Updated Gender Policy.

60. 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 DAEs could be sought from GCF. The Secretariat and the AP have worked closely with the entities being recommended to minimize the recommendation of entities with conditions. Nonetheless, in cases where gaps have been identified at the institutional level (e.g. where they relate to systems, policies, procedures and capacities), conditions have been recommended by the AP, for example, to be met by the applicant prior to the effectiveness of the AMA during Stage III of the accreditation process, prior to the submission of the first funding proposal to the Board for consideration, and prior to the first disbursement by GCF for the first GCF-funded project/programme. Such conditions have been proposed related to basic and specialized fiduciary standards and ESS standards in order to strengthen the effectiveness of the applicants' financial control systems, including internal audit functions, procurement processes, risk management and project evaluation procedures, information disclosure procedures, E&S management and monitoring systems, and gender assessment for its projects/programmes. In cases of lack of track record of implementing such institutional systems, the AP has also recommended conditions (for example, to be addressed through monitoring and reporting on GCF-funded projects/programmes) to be met on an annual basis for a certain number of years.

61. Where relevant, the AP also provides remarks to the applicants for their consideration to improve institutional systems.

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

²⁷ As per annex I to decision B.07/02, category B is defined as "Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures" and intermediation 2 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented".

²⁸ 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".

63. The five new applicants are presented in this document, as contained in annexes III–VII, 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.

64. 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.

65. Applicant 100 (APL100), Sumitomo Mitsui Banking Corporation (SMBC), was recommended by the AP for the Board’s consideration at its twenty-sixth meeting of the Board (B.26). The AP’s recommendation, including conditions of accreditation as they relate to the AP’s assessment, were contained in the document titled “Consideration of accreditation proposals”, specifically annex IV to document GCF/B.26/03. The AP also provided additional remarks regarding the applicant, contained in the document GCF/B.26/03/Add.02 “Consideration of accreditation proposals – Addendum II”, which was circulated to the Board on a limited distribution basis. Following the publication of the AP’s recommendation of APL100, some members of the Board raised concerns regarding the accreditation of APL100 in the form presented, particularly with respect to the applicant’s track record on financing fossil fuel-based projects.

66. In decision B.26/06, paragraph (c), the Board decided, at the request of APL100, to defer the consideration of APL100, as contained in annex IV to document GCF/B.26/03, until no later than B.28.

67. In decision B.12/30, paragraph (c), the Board underlined its expectation that AEs will advance the goal of the GCF to promote the paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development, which includes shifting their overall portfolios in line with this direction. Furthermore, the Board also decided in decision B.14/08, paragraph (d), that future accreditation decisions by the Board should aim to bring forward accredited entities that fill the mandate on balance, diversity and coverage and advance the objectives of the GCF. In this context, some Board members indicated their consideration of accreditation of APL100 with potential conditions of accreditation (beyond those recommended by the AP) to address the alignment of the applicant’s portfolio of activities with the mandate of the GCF. Such comments have been made with reference to the Updated Strategic Plan for the GCF: 2020–2023 endorsed by the Board in decision B.27/06, in particular with regards to the GCF’s role in catalyzing private sector finance at scale, and fostering climate mainstreaming across its partnership network.

68. Recalling the aforementioned decision B.26/06, paragraph (c), APL100 is being presented for the Board’s consideration at B.28, as contained in the draft decision in Annex I to this document. As indicated above, some Board members are continuing to consider the accreditation of APL100 with potential conditions of accreditation beyond those recommended by the AP, and this is on-going. Such conditions of accreditation may include a statement of commitment and action plan by the applicant to set out overall milestones to demonstrate that their overall portfolio will contribute to low-emission, climate-resilient pathways in line with the Paris Agreement’s objectives, including plans to cease funding for new unabated coal-fired power plants and any other relevant activities to reduce their carbon-intensive project finance portfolio, building on the applicant’s existing initiatives.

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	
APL106 Development Bank of the Philippines (DBP)	Direct access, national (Philippines)	Medium	Basic fiduciary standards; Specialized fiduciary standard for project management; and Specialized fiduciary standard for on-lending and/or blending (for loans and guarantees)	Medium (category B/intermediation 2 (I-2))	<p><u>Conditions to be met prior to signature of the accreditation master agreement during Stage III of the accreditation process:</u></p> <ol style="list-style-type: none"> 1. Provision of evidence by the applicant that it has taken adequate actions to address the weaknesses identified by the Commission on Audit (COA) relating to the Commission's "Information Systems Audit Report on the Bank covering the period January 2017 to August 2018." Such evidence may include the latest status report provided by the applicant's staff to the COA on the weaknesses identified in the report; 2. Provision of the documentation of adequate procedures, guidelines and methodologies to be applied within the applicant for overseeing, assessing and reviewing the procurement procedures of executing entities, project sponsors or beneficiaries. Such documentation may include an insertion into the applicant's Project Management and Implementation Manual (PMIM) for GCF; 3. Provision of the relevant sections of the DBP Code of Ethics that are applicable to executing entities and third parties involved in the applicant's funded projects/programmes; 4. Provision of a copy of the communication of the applicant having informed its employees, executing entities and third parties contracted with the applicant's

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>projects/programmes as to who or what function within the applicant's organization is responsible for providing advice and guidance on ethics matters. This should be conducted by internal communication, contracts or reference to the applicant's website;</p> <p>5. Provision of evidence that the applicant has created an avenue for staff and the public to raise allegations of wrongdoing, suspected ethics violations, misconduct, and any kind of malpractice through its official website. Such evidence shall include demonstration that the applicant's official website has references to whistleblower policies, provisions and protection (including those available through other government agencies), as well as how complaints are to be handled and investigated by the applicant;</p> <p>6. Provision of evidence that the applicant has a strong commitment to zero tolerance against fraud and corruption. Such evidence may include a copy of the applicant's annual report and publication on the applicant's website, both of which would contain declarations of the applicant's commitment to zero tolerance of fraud and corruption;</p> <p>7. Provision in the form of a legal opinion from the legal team of the applicant that the incident response teams responsible within the applicant's organization for conducting investigations have sufficient oversight from the Operational Risk Management Department to ensure independence and procedural consistency; and</p>

Applicant number	Access modality	Accreditation type being recommended under the fit-for-purpose approach			Accreditation conditions (in each case in a form and substance satisfactory to GCF)
		Size ^a	Fiduciary functions ^b	Environmental and social risk category ^c	
					<p>8. Publication on its website of the guidelines for the incident response team staff conducting the investigative review of cases under the Integrated Incident Management Framework, including standardized procedures for handling the investigations, safeguarding evidence, and the actions required before, during and after the investigation process.</p> <p><u>Condition to be met on an annual basis starting with the beginning of financial year 2022 until the Bangko Sentral ng Pilipinas (BSP) provides an improved anti-money laundering (AML) rating:</u></p> <p>1. Provision of a copy of the latest response by the applicant to the BSP relating to BSP’s AML-related findings as reflected in the applicant’s Letter of Commitment to the BSP.</p> <p><u>Condition to be met on an annual basis starting with the beginning of financial year 2022 until the BSP provides an improved rating for the applicant’s information technology (IT) systems including the security thereof:</u></p> <p>1. Demonstration that the applicant is taking adequate measures to improve its IT systems and security. This is to be done by:</p> <p>a. Provision by the applicant of a copy of the latest annual internal audit report that demonstrates the</p>

Applicant number	Access modality	Accreditation type being recommended under the fit-for-purpose approach			Accreditation conditions (in each case in a form and substance satisfactory to GCF)
		Size ^a	Fiduciary functions ^b	Environmental and social risk category ^c	
					<p>ratings for IT audits conducted during the year reported upon;</p> <p>b. Provision by the applicant of a copy of the latest response by the applicant to the BSP relating to IT; and</p> <p>c. Provision by the applicant of a brief status report on the applicant's transitioning to a revised enterprise resource planning system.</p> <p><u>Condition to be met with the submission of the first funding proposal to GCF that is categorized as environmental and social (E&S) risk category B/I-2:</u></p> <p>1. Provision of evidence by the applicant of having conducted public consultation and disclosure of E&S assessment documents for the project/programme submitted to GCF, consistent with the requirements of the applicant's environmental, social and gender framework (ESGF) for GCF and the GCF Information Disclosure Policy for E&S risk category B/I-2.</p> <p><u>Condition to be met prior to the first disbursement by GCF for the first executed funded activity agreement for a project/programme to be undertaken by the applicant:</u></p> <p>1. Provision of a sample project appraisal report prepared in accordance with the updated PMIM and the standardized template for project appraisal reports contained therein.</p>

Applicant number	Access modality	Accreditation type being recommended under the fit-for-purpose approach			Accreditation conditions (in each case in a form and substance satisfactory to GCF)
		Size ^a	Fiduciary functions ^b	Environmental and social risk category ^c	
					<p><u>Conditions to be met within two (2) years of the first disbursement by GCF for the first approved project/programme to be undertaken by the applicant:</u></p> <ol style="list-style-type: none"> 1. Provision of the Updated Manual on Code of Ethics and the related sections in the Manual of Corporate Governance; 2. Provision of two monitoring reports prepared in accordance with the applicant's updated PMIM, in particular, the standardized template for monitoring reports contained therein; and 3. Provision of evidence demonstrating that two monitoring reports have been published on the applicant's website in accordance with the applicant's information disclosure policy. <p><u>Condition to be met within three (3) years of the first disbursement by GCF for the first executed funded activity agreement for a project/programme to be undertaken by the applicant:</u></p> <ol style="list-style-type: none"> 1. Demonstration for two consecutive years that the applicant is effectively overseeing, assessing and reviewing the procurement procedures of executing entities, project sponsors or beneficiaries of the first executed funded activity agreement for a project/programme to be undertaken by the applicant. <p><u>Conditions to be met within one (1) year of completing implementation of the first</u></p>

Applicant number	Access modality	Accreditation type being recommended under the fit-for-purpose approach			Accreditation conditions (in each case in a form and substance satisfactory to GCF)
		Size ^a	Fiduciary functions ^b	Environmental and social risk category ^c	
					<p><u>project/programme for which the first funded activity agreement has been executed:</u></p> <ol style="list-style-type: none"> 1. Provision of an independent evaluation report for a project/programme that has been prepared in accordance with the applicant's PMIM and the terms of reference for the independent evaluation; and 2. Provision of evidence by the applicant demonstrating the publication on the applicant's website of an independent evaluation report for a project/programme that has been prepared in accordance with the applicant's information disclosure policy.
APL107 Development Bank of Zambia (DBZ)	Direct access, national (Zambia)	Medium	Basic fiduciary standards; and Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees)	High (intermediation 1 (I-1))	<p><u>Conditions to be met prior to the submission of the first funding proposal to the Board:</u></p> <ol style="list-style-type: none"> 1. Provision by the applicant of evidence of an independent assessment of the overall effectiveness of the applicant's internal audit function; and 2. Provision by the applicant of the agenda and minutes of at least two recent meetings of its Integrity Committee to demonstrate oversight of the ethics function. <p><u>Condition to be met with the submission of the first funding proposal to GCF:</u></p> <ol style="list-style-type: none"> 1. Provision by the applicant of a monitoring and evaluation plan containing environmental and social monitoring indicators and mitigation measures to be monitored for the proposed project/programme.

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 within three years of the first disbursement by GCF for the first executed funded activity agreement for a project/programme to be undertaken by the applicant:</u></p> <ol style="list-style-type: none"> 1. Provision by the applicant of a final report prepared by an independent body assessing the effectiveness of the implementation of the applicant's environmental and social management system, which shall include examples of its application and of lessons learned. <p><u>Conditions to be met on an annual basis for two consecutive years starting from the date of the first disbursement by GCF for the first executed funded activity agreement for a project/programme to be undertaken by the applicant:</u></p> <ol style="list-style-type: none"> 1. Provision by the applicant of at least one report per year on the assessment of the procurement procedures and/or practices of executing entities, project sponsors or beneficiary institutions for the first executed funded activity agreement for a GCF project/programme; 2. Provision by the applicant of evidence of public disclosure on its website of procurement awards in relation to the first executed funded activity agreement for a GCF project/programme; and 3. Provision by the applicant of evidence of public disclosure of information regarding the applicant's decisions on on-lending, blending, equity investment and/or guarantee operations for the first GCF-funded project/programme that involves the specialized

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>fiduciary standard for on-lending and/or blending for loans, equity and/or guarantees.</p> <p><u>Condition to be met within one year of completing the implementation of the first approved GCF project/programme to be undertaken by the applicant:</u></p> <ol style="list-style-type: none"> 1. Provision by the applicant of evidence of public disclosure on its website: <ol style="list-style-type: none"> a. The list of beneficiaries under the first approved GCF project/programme; and b. The results and outcomes of the first approved GCF project/programme.
APL108 Infrastructure Development Bank of Zimbabwe (IDBZ)	Direct access, national (Zimbabwe)	Small	<p>Basic fiduciary standards;</p> <p>Specialized fiduciary standard for project management; and</p> <p>Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees)</p>	Medium (category B/I-2)	<p><u>Condition to be met prior to the submission of the first funding proposal to the Board:</u></p> <ol style="list-style-type: none"> 1. Provision by the applicant of evidence of an independent assessment of the overall effectiveness of the applicant's internal audit function. <p><u>Conditions to be met within one year, starting from the date of the first disbursement by GCF for the first executed funded activity agreement for a project/programme to be undertaken by the applicant:</u></p> <ol style="list-style-type: none"> 1. Provision by the applicant of a report on the activities of its Investigations, Integrity & Loss Control Division to demonstrate that the Division has been established and is fully operational; 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>2. Publication on the applicant's website of independent evaluation reports for two projects financed by the applicant.</p> <p><u>Conditions to be met on an annual basis for two consecutive years, starting from the date of the first disbursement by GCF for the first executed funded activity agreement for a project/programme to be undertaken by the applicant:</u></p> <ol style="list-style-type: none"> 1. Provision by the applicant of at least one report per year on the assessment of the procurement procedures and/or practices of executing entities, project sponsors or beneficiary institutions of the first executed funded activity agreement of a GCF project/programme; 2. Provision by the applicant of evidence of the publication of periodic monitoring reports for the first executed funded activity agreement for a GCF project/programme to be undertaken by the applicant; and 3. Provision by the applicant of evidence on its website of public disclosure of procurement policies and awards in relation to the first executed funded activity agreement for a GCF project/programme. <p><u>Condition to be met within three years of the first disbursement by GCF for the first executed funded activity agreement of a project/programme to be undertaken by the applicant:</u></p> <ol style="list-style-type: none"> 1. Provision by the applicant of a final report prepared by an independent body assessing the effectiveness of the implementation of the applicant's environmental and

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>social management system, which shall include examples of its application and of lessons learned.</p> <p><u>Condition to be met within one year of completing the implementation of the first approved GCF project/programme to be undertaken by the applicant:</u></p> <ol style="list-style-type: none"> 1. Provision by the applicant of evidence of public disclosure on its website: <ol style="list-style-type: none"> a. The list of beneficiaries under the first approved GCF project/programme; and b. The results and outcomes of the first approved GCF project/programme.
APL109 Moroccan Agency for Sustainable Energy S.A., (Masen)	Direct access, national (Morocco)	Large	<p>Basic fiduciary standards;</p> <p>Specialized fiduciary standard for project management; and</p> <p>Specialized fiduciary standard for on-lending and/or blending (for loans and equity)</p>	High (category A/I-1)	<p><u>Condition to be met prior to the first disbursement by GCF for the first executed funded activity agreement for a project/programme to be undertaken by the applicant:</u></p> <ol style="list-style-type: none"> 1. Provision by the applicant of evidence that the applicant has achieved the majority of the milestones contained in the Action Plan dated 5 February 2021 for the applicant to meet the requirements of the GCF basic fiduciary standards, including those related to: <ol style="list-style-type: none"> a. Providing sufficient human resources for the Internal Audit; b. Defining a corporate risk management system and compliance system, such as that outlined in its road map and which is a deliverable of the consultant

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>firm the applicant has engaged for such definition; and</p> <p>c. Developing a policy and procedures related to transparency and accountability, including whistleblowing and investigative procedures.</p> <p><u>Condition to be met within two (2) years of the first disbursement by GCF for the first executed funded activity agreement for a project/programme to be undertaken by the applicant:</u></p> <p>1. Provision by the applicant of a report from an independent external body <u>and</u> minutes from the Audit and Risk Committee that demonstrates the effective functioning in accordance with the applicant's approved policies and standards of the following:</p> <p>a. The compliance and risk management function;</p> <p>b. The Internal Audit; and</p> <p>c. The function for investigations into wrongdoings, including complaints raised in relation to the applicant's Code of Ethics, the Code of Good Conduct and the whistleblower procedures.</p>
APL110 Vietnam Development Bank (VDB)	Direct access, national (Viet Nam)	Small	Basic fiduciary standards; Specialized fiduciary standard for project management;	Medium (category B/I-2)	<p><u>Conditions to be met with the submission of the first funding proposal to GCF:</u></p> <p>1. Formal adoption by the applicant's board of directors of the policy on publishing monitoring and evaluation reports that will apply to any project/programme</p>

Applicant number	Access modality	Accreditation type being recommended under the fit-for-purpose approach			Accreditation conditions (in each case in a form and substance satisfactory to GCF)
		Size ^a	Fiduciary functions ^b	Environmental and social risk category ^c	
			<p>Specialized fiduciary standard for grant award and/or funding allocation mechanism; and</p> <p>Specialized fiduciary standard for on-lending and/or blending (for loans and guarantees)</p>		<p>funded by GCF resources and which was reviewed by the Accreditation Panel (AP);</p> <ol style="list-style-type: none"> 2. Provision by the applicant of a gender assessment and action plan as part of the first funding proposal, as relevant; 3. Provision of evidence by the applicant of the following in its first funding proposal to GCF: <ol style="list-style-type: none"> a. Establishment of an external communications system for environmental and social-related information that includes methods to: <ol style="list-style-type: none"> i. Receive and register external communications from the public; ii. Screen and assess the issues raised and determine how to address them; and iii. Provide, track and document responses, if any; and b. Requirement for the executing entity/ies the applicant oversees to include a project-level grievance redress mechanism (GRM) in the first funding proposal; and 4. Provision of evidence to the GCF by the applicant of the public disclosure of its E&S assessment documents in line with the GCF Information Disclosure Policy requirements on E&S information disclosure for E&S risk category B/I-2, for its first funding proposal that is a category B/I-2 project/programme.

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>Conditions to be met within three years of the first disbursement by GCF for the first executed funded activity agreement for a project/programme to be undertaken by the applicant:</u></p> <ol style="list-style-type: none"> 1. Provision by the applicant of a final report prepared by an independent body assessing the effectiveness of the implementation of the applicant's environmental and social management system (ESMS), including the E&S Policy addendum, which shall include examples of its application and of lessons learned; and 2. Provision by the applicant of evidence of publishing on its website: <ol style="list-style-type: none"> a. At least one project evaluation report; and/or b. At least one set of details of on-lending/blending operations including evaluation reports; and/or c. At least one set of results of a project/programme with a grant award structure.

^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.

^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.

^c "Environmental and social risk category" refers to category C/intermediation 3, category B/intermediation 2 and category A/intermediation 1, as per annex I to decision B.07/02.

Annex I: Draft decision of the Board

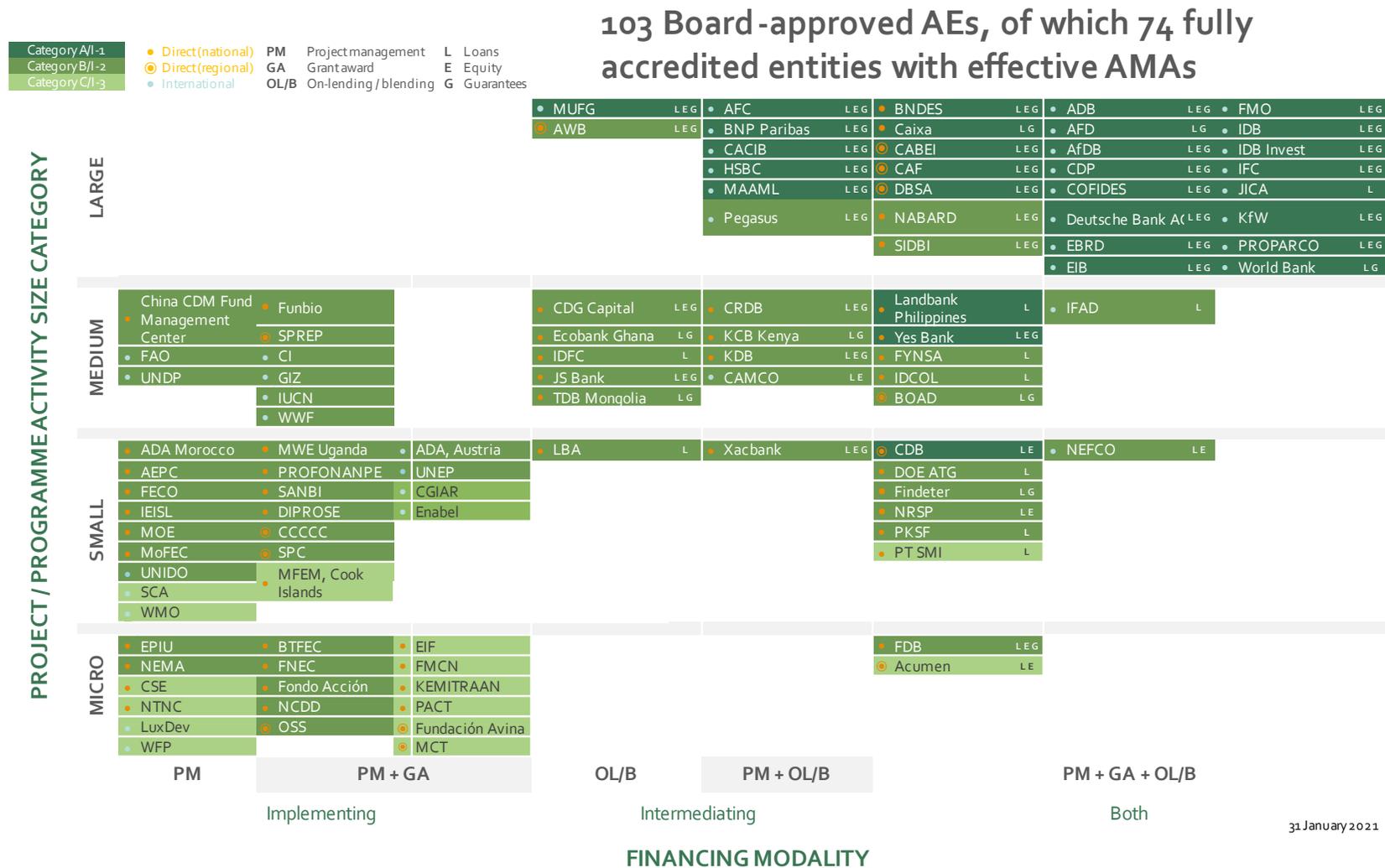
The Board, having considered document GCF/B.28/11 titled “Consideration of accreditation proposals”:

- (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 106 (APL106) is the Development Bank of the Philippines (DBP), based in Philippines, as contained in annex III;
 - (ii) Applicant 107 (APL107) is the Development Bank of Zambia (DBZ), based in Zambia, as contained in annex IV;
 - (iii) Applicant 108 (APL108) is the Infrastructure Development Bank of Zimbabwe (IDBZ), based in Zimbabwe, as contained in annex V;
 - (iv) Applicant 109 (APL109) is the Moroccan Agency for Sustainable Energy S.A., (Masen), as contained in annex VI; and
 - (v) Applicant 110 (APL110) is the Vietnam Development Bank (VDB), based in Viet Nam, as contained in annex VII;
- (b) Recalls decision B.26/06, paragraph (c), wherein the Board decided, at the request of applicant 100 (APL100, Sumitomo Mitsui Banking Corporation (SMBC) based in Japan), to defer the consideration of APL100, as contained in annex IV to document GCF/B.26/03, until no later than the twenty-eighth meeting of the Board;
- (c) Approves the accreditation of applicants APL100, APL106, APL107, APL108, APL109 and APL110 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 subject to the completion of Stage III of the accreditation by having an effective accreditation master agreement, in accordance with decision B.23/11.

Annex II: Accredited entities and accreditation categories

1. A mapping of the 103 accredited entities and their accreditation scope (e.g. financing modalities, size category and environmental and social risk category) as at 31 January 2021 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, B.BM-2020/05, B.26/01 and B.27/05 and their relevant annexes for further details.

Figure 1: Mapping of GCF accredited entities and their accreditation scopes (as at 31 January 2021)



Abbreviations: Acumen = Acumen Fund, Inc., ADA Austria = Austrian Development Agency, ADA Morocco = Agency for Agricultural Development of Morocco, ADB = Asian Development Bank, AE = accredited entity, AEPC = Alternative Energy Promotion Center, AFC = Africa Finance Corporation, AFD = Agence Française de Développement, AfDB = African Development Bank, AMA = accreditation master agreement, 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, CABEL = Central American Bank for Economic Integration, CAF = Corporación Andina de Fomento, Camco = Camco Management Limited, CCCCC = Caribbean Community Climate Change Centre, CDB = Caribbean Development Bank, CDG Capital = CDG Capital S.A., CDP = Cassa Depositi e Prestiti – Società per Azioni, CEF = Caixa Econômica Federal, China CDM Fund Management Center = China Clean Development Mechanism Fund Management Center, CI = Conservation International Foundation, COFIDES = Compañía Española de Financiación del Desarrollo S.A. S.M.E., Crédit Agricole CIB = Crédit Agricole Corporate and Investment Bank, CRDB = CRDB Bank Public Limited Company, CSE = Centre de Suivi Ecologique, DBSA = Development Bank of Southern Africa, Deutsche Bank AG = Deutsche Bank Aktiengesellschaft, DIPROSE (formerly UCAR) = General Directorate of Sectoral and Special Programmes and Projects 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 = 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, KCB = KCB Bank Kenya Limited, KDB = Korea Development Bank, KEMITRAAN = Kemitraan bagi Pembaruan Tata Pemerintahan, KfW = Kreditanstalt für Wiederaufbau, Landbank = Land Bank of the Philippines, LBA (formerly CNCAS) = La Banque Agricole, LuxDev = Luxembourg Development Cooperation Agency, 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 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, NTNC = National Trust for Nature Conservation, OAS = online accreditation system, OSS = Sahara and Sahel Observatory, PACT = Protected Areas Conservation Trust, 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, UNIDO = United Nations Industrial Development Organization, 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 106 (APL106)

I. Introduction

1. Applicant 106 (APL106), the Development Bank of the Philippines (DBP), is a national direct access entity based in the Philippines. The applicant is a state-owned development financial institution with a vision of influencing and accelerating sustainable economic growth through the provision of resources and services for the continued well-being of people in the Philippines. The applicant's primary objective is to provide banking services principally to cater to the medium- and long-term needs of agricultural and industrial enterprises, with an emphasis on small and medium-scale industries. The applicant has made significant efforts to integrate considerations for environment, climate change and sustainable development in various aspects of its operations, and it encourages its partners and clients to exercise environmental and social (E&S) responsibility in the pursuit of their business.

2. The applicant submitted its application for accreditation to GCF via the online accreditation system on 27 April 2018. Accreditation fees were received from the applicant on 21 September 2018, thereby launching the stage I institutional assessment and completeness check. Stage I was completed on 29 August 2019 and the applicant was progressed to stage II (step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of GCF:

- (a) **Access modality:** direct access, national. The applicant received a national designated authority or focal point nomination for its accreditation application from the Republic of the Philippines;
- (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 and guarantees);
- (e) **Maximum environmental and social risk category:** medium risk (category B/intermediation 2 [I-2]).³

II. Stage I institutional assessment and completeness check

¹ As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "medium" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above USD 50 million and up to and including 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."

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);
 - (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” (AML/CFT 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 has provided documents on its establishment and licences to operate, where relevant, as a part of the application. The applicant was established by the means of and operates under the provisions of the 1986 Revised Charter of the Development of the Philippines, Executive Order No. 81, Series of 1986 as amended by the Republic Act No. 8523.

2.2 Institutional presence and relevant networks

5. The applicant, with a network of 129 branches and 11 branch-lite units, continues to enhance its mandate as an infrastructure bank to support the country’s infrastructure requirements. It intensifies development lending to infrastructure projects through loans syndication and partnerships with government agencies and private investors. The applicant also focuses on other critical sectors and industries with accelerated lending in the public sector, such as to local government units, water districts, and electric cooperatives.

6. The applicant is strongly committed to contributing to the realization of the nationally determined contributions of the Philippines. It intends to deploy GCF resources for projects in the Philippines that are considered risky due to financial, social or market barriers, but which have significant potential impacts on climate change mitigation and adaptation. It also aims to mainstream innovative activities and climate finance to increase resilience of the least developed and most vulnerable communities.

7. In order to advance the objectives of GCF, the applicant aims to leverage GCF finance to implement a shift to low-emission development pathways and support climate-resilient sustainable development through the following avenues:

- (a) Replicating and scaling up successful investments that have demonstrated potential for significant greenhouse gas emission reductions;

- (b) Promoting private sector engagement and investments by utilizing loans and guarantees provided by GCF to de-risk investments and encourage innovation by overcoming scale problems and fragmentation in the supply chain; and
 - (c) Developing public-private partnerships for infrastructure resilience, clean energy, and supporting sustainable communities.
8. Furthermore, the applicant intends to consider projects in the following areas for GCF:
- (a) Re-hybridization of power plants in off-grid areas;
 - (b) Modernization of public transport vehicles;
 - (c) Water supply projects in areas covered by water districts;
 - (d) Energy efficiency projects;
 - (e) Retrofitting of factories and buildings of micro, small and medium-sized enterprises to increase their climate resilience; and
 - (f) Investments in integrated resource recovery facilities for solid waste management (e.g. recycling, composting, and biogas-to-energy).

2.3 Track record

9. The applicant, as a government-owned development bank, is committed to supporting various governmental development initiatives. It has focused on projects directed at establishing the infrastructure for growth in priority sectors, such as transportation and logistics, environment, social services, community development, and small and medium-sized enterprises (SMEs).
10. The applicant's track record in financing sustainable development and climate change-related projects to date includes:
- (a) USD 347 million (loans) to a private infrastructure development corporation for an urban motorway construction project in the Philippines;
 - (b) USD 200 million (loans) for an electric power generation, transmission and distribution project in the Philippines;
 - (c) USD 95.4 million (loans) for a water collection, treatment and supply project in the Philippines;
 - (d) USD 60 million (loans) for electric power generation from renewable sources, transmission and distribution project in the Philippines; and
 - (e) USD 270,000 (approximately) Credit Surety Fund, a guarantee mechanism, to support loans of micro, small and medium-sized enterprises that are unable to offer acceptable collateral to banks.
11. The applicant has experience with projects/programmes related to the following GCF results areas:
- (a) Mitigation: reduced emissions from:
 - (i) Energy generation and access;
 - (ii) Transport; and
 - (iii) Buildings, cities, industries and appliances; and
 - (b) Adaptation: increased resilience of:
 - (i) Health, food and water security;

- (ii) Infrastructure and built environment; and
- (iii) Ecosystems and ecosystem services.

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 except for paragraph 3(c) as that policy was no longer valid and superseded by that in paragraph 3(d) at the time the application entered stage II (step 1); and
- (b) “Updated Gender Policy and Action Plan 2020–2023” (decision B.24/12).

13. The AP conducted a virtual site visit to facilitate its review of the applicant during stage II (step 1). During the site visit, the AP assessed various processes and procedures, and conducted a number of interviews with the applicant’s staff to determine whether the applicant’s institutional systems meet the relevant GCF fiduciary, environmental, social and gender standards as indicated in paragraph 12 above. Particular emphasis of the review was placed on the applicant’s fiduciary, transparency and accountability systems. During the virtual site visit, the AP also discussed the applicant’s potential project pipeline, taking into account the Government of the Philippines’ programming process with GCF, with the participation of the national designated authority.

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

3.1 Fiduciary standards

3.1.1 Basic fiduciary standards: key administrative and financial capacities

15. The applicant is a national development bank that is a government-owned corporation subject to the directives of the central bank of the country (Bangko Sentral ng Pilipinas [BSP]). The applicant has the ambition to become a one trillion peso bank by 2022 (USD 20 billion). Its board of directors, consisting of nine members with at least four members from the private sector, is appointed by the President of the country. The applicant was established over 70 years ago, and its strategic direction and priorities are aligned with the objectives of the country’s long-term vision and aspiration – AmBisyon Natin 2040.⁴ The planning process of the applicant is based on a well-defined, top-down and bottom-up process that results in long- and short-term directions. The results are cascaded down to business units as inputs to annual departmental business plans and budgets, whose implementation is monitored through quarterly reports, semi-annual evaluations and a performance scorecard.

16. The applicant has eight board committees including:

- (a) The Executive Committee, which is tasked with reviewing the short- and long-term plans prepared by management;
- (b) The Audit and Compliance Committee, which provides oversight over the applicant’s financial reporting and control, the external audit functions conducted by the supreme

⁴ AmBisyon Natin 2040. *About AmBisyon Natin 2040*. Available at <<http://2040.neda.gov.ph/about-ambisyon-natin-2040/>>.

- audit institution of the government, and two internal functions: the Internal Audit Group (IAG), and the Compliance Management Group;
- (c) The Risk Oversight Committee, which oversees the adequacy and effectiveness of risk policies, procedures and controls as well as ensuring that such policies, procedures and controls are implemented;
 - (d) The Information Technology Committee, which ensures that the directions set for information technology (IT) are aligned with, and will sustain, the applicant's goals and objectives; and
 - (e) The Development Advocacy Committee, which is the unifying and focal body in spearheading the applicant's drive towards accomplishing its development mandate.
17. The Management Committee is the highest approving authority at management level, and it has three subcommittees: the Asset Liability Management Committee, the Credit Committee, and the Information Technology Steering Committee.
18. The audited financial statements for 2017 and 2018 of the applicant were prepared according to the Philippine Financial Reporting Standards. They are consistent with prior years and contained in the applicant's 2018 Annual Report, which is available on the public website. They were accompanied by a positive audit opinion issued by the national government auditor, the Commission on Audit (COA). The opinion also covered the notes to the financial statements, although these were not in the annual report, and nor was there a ready reference where they could be located on the website. The applicant has agreed to incorporate a website link to the notes in the 2019 financial statements because the notes are an integral part thereof. The IAG reported that the audits completed in 2019 did not disclose any material or significant findings, issues or observations related to financial accounting.
19. Reviews of the applicant's IT systems by COA, Bangko Sentral ng Pilipinas, and IAG have reported deficiencies related to both the IT and management information systems. The applicant has responded to the AP that it is addressing these weaknesses. In 2019, the internal audit pass rate for IT improved somewhat compared to previous years.
20. The applicant has an Audit and Compliance Committee (ACC) with appropriate terms of reference. Its duties and responsibilities relate to: internal control; financial statements; internal audit; and the Office of the Compliance Officer. It is an active committee that meets monthly and provides effective board-level oversight.
21. IAG is composed of three departments responsible for audits of credit, operations and IT. An external review conducted in 2018 concluded that IAG generally conformed to international standards and was better than the global performance for eight attributes of excellence. In 2019, IAG released 120 internal audit reports.
22. In 2016, a large number of outstanding internal audit recommendations required actions by management. These were tracked and reported to ACC. Since then, management has taken corrective actions, and the statistics on outstanding internal audit recommendations have continued to improve.
23. The external audit is conducted by COA according to the International Standards of the International Organization of Supreme Audit Institutions. COA has a permanent presence in the applicant and issues recommendations. It reports on those recommendations that are not implemented in the following years.
24. The applicant does not have an overarching internal control framework, and argues that the directives of the BSP and COA cover the essential aspects of an internal control framework. The accreditation review established that essential control framework elements in terms of oversight committees, documentation of procedures, and segregation of duties exist.

25. The applicant's internal procurement follows the national legislation, which includes settlement of disputes. The national procurement legislation is supplemented by the applicant's internal circulars and guidelines. There is an adequate first line of control over procurement and, while the second and third lines of control exist, they are less robust.

26. During the virtual site visit, the applicant agreed to create the specific procedures, guidelines and methodologies for overseeing, assessing and reviewing the procurement procedures of executing entities, project sponsors and beneficiaries. Once these procedures and guidelines have been developed and implemented by the applicant for a period of time, their application can be demonstrated.

27. The AP finds that the applicant's policies, procedures and capacity, supported by a track record, partially meet the basic fiduciary standards on key administrative and financial capacities. The relevant gaps are identified in paragraphs 19, 21 and 26 above and are reflected in the corresponding conditions of accreditation in section 4.2.

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

28. The applicant is subject to the Code of Conduct and Ethical Standards for Public Officials and Employees under Republic Act No. 6713. The provisions of this act are institutionalized in the applicant's Manual on the Code of Ethics, which affirms the policy of the State. The provisions are applicable to officers and employees of the applicant as well as members of its board. The Governance Committee deals with violations under the Code of Ethics.

29. The applicant's Manual on the Code of Ethics has a provision that states that it should be updated at least annually, but this has not occurred for years. The Manual on the Code of Ethics is not applicable to individuals contracted or functionally related to the applicant, such as suppliers, contractors or executing entities that implement projects financed directly or indirectly by the applicant, which is a requirement of GCF. The AP was informed that the Corporate Governance Office provides advice, guidance and opinions on ethics matters contained in the Manual on the Code of Ethics, but these are not clearly communicated. To rectify these weaknesses, the applicant informed the AP that it is in the process of:

- (a) Updating its Manual on the Code of Ethics and the related sections in the Manual of Corporate Governance, including specifying and communicating that the Corporate Governance Office has the responsibility to advise and to provide guidance and opinions on ethics matters; and
- (b) Making the relevant provisions of its Code of Ethics applicable to third parties such as consultants, independent experts and executing entities through contracting provisions.

30. The applicant is subject to government systems, policies and procedures that are equivalent to having a policy of zero tolerance against fraud and corruption. Certain aspects of this, such as a restricted gifts policy, are actively communicated. Other aspects, including instructions on how to raise allegations and complaints relating to fraud and wrongdoings, could be emphasized more. The applicant informed the AP during the accreditation review that it would give greater emphasis to its policy of zero tolerance against fraud and corruption in its external communication, including in its annual report and on its website. However, commitments to do so by certain dates had not been met at the time of concluding the application review under stage II (step 1).

31. The applicant has a system for dealing with customer complaints through its branches. These include complaints related to banking as well as those relating to ethics violations, misconduct, malpractice, whistle-blowing, and allegations of fraud and corruption. Complaints are lodged with a customer service officer who carries out the first triage. Complaints are then allocated internally to incident response teams (IRT), which include the staff of departments responsible for providing the service that is the subject of complaint. The IRT also consists of subject matter experts (e.g. ICT Management Group, Systems and Methods Department,

Information Security Risk Management Department) and independent bodies (i.e. Legal Services Group, Internal Audit Group, Compliance Management Group) depending on the nature of the complaint. The independence of the IRT in relation to the subject of the complaint needs to be clarified. The applicant has not demonstrated that there are investigative procedures and guidelines for the IRTs despite the fact that investigations are only a part-time activity for the staff involved. The Customer Experience Management Department monitors and reports on the complaints to both the Management Committee and the BSP, which gives some degree of independence to these investigations.

32. Complaints can also be made through the “contact us” page on the applicant’s website. However, the page does not give any guidance to complainants on what the procedures are or what various avenues, rights and possibilities exist for lodging a complaint or an appeal to the applicant or to other government bodies, including the BSP. The applicant repeatedly agreed to update its website during the accreditation review, but this had not occurred at the time of concluding the application review under stage II (step 1).

33. Complaints relating to ethics violations, misconduct, malpractice, whistle-blowing, and allegations of fraud and corruption are endorsed to the Office of the Corporate Secretary, which then conducts a preliminary investigation and elevates the issue to the Legal Service Group for further investigation if necessary. Administrative cases are investigated by the Administrative Legal Department, which has the full independence, authority and staff to do so. Violations are reported to and dealt with by the Governance Committee.

34. The applicant has policies and procedures in place on anti-money laundering and countering the financing of terrorism (AML/CFT). These include a document of more than 700 pages titled Money Laundering and Terrorism Financing Prevention Program, which is equivalent to a full treatment of what constitutes AML/CFT and includes the related procedures of the applicant. At both corporate and branch level, there are procedures related to countering both money laundering and the financing of terrorism. Suspicious transactions are reported to the Anti-Money Laundering Council (AMLC). The Compliance Management Group conducts compliance testing related to AML activities and reports these to the ACC. An internal audit report issued in March 2018 included an “acceptable” overall assessment for the Anti-Money Laundering Department.

35. In 2015, to address weaknesses in the applicant’s AML risk management and controls, the BSP required the applicant “to provide quarterly updates to the Bangko Sentral ng Pilipinas until determination of its satisfactory resolution/closure of the issues” raised in relation to procedures and practices regarding AML/CFT. The applicant’s AML risk rating has not yet improved at the time of the assessment but the number of cited recurring findings has decreased as per results of latest examination.

36. The AP finds that the applicant’s policies, procedures and capacity partially meet the basic fiduciary standards on transparency and accountability, the Policy on the Protection of Whistleblowers and Witnesses,⁵ the Policy on Prohibited Practices,⁶ and the AML/CFT Policy.⁷ The relevant gaps relating to:

- (a) Need to address weaknesses within the applicant’s IT systems;
- (b) Need to create specific procedures, guidelines and methodologies for overseeing, assessing and reviewing the procurement procedures of beneficiary institutions, executing entities, or project sponsors or beneficiaries, and demonstrate a track record for their implementation;

⁵ Decision B.21/25 and annex II thereto.

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

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

- (c) Need to update the Manual on the Code of Ethics and make the provisions applicable to all individuals contracted or functionally related to the applicant, such as suppliers, contractors or executing entities that implement projects financed directly or indirectly by the applicant;
- (d) Need to communicate who or which office is in charge of providing advice, guidance and opinions on ethics matters;
- (e) Need to emphasize its zero tolerance policy on fraud and wrongdoings, and provide information on lodging complaints via the website related to ethics violations, misconduct, malpractice, whistle-blowing, and allegations of fraud and corruption, including explanations of the options available, the applicable whistle-blower protection, and how the investigative procedure works;
- (f) Need to clarify that the Incident Response Teams are independent from the activities they investigate, and need to have investigative procedures and guidelines for their activities; and
- (g) Need to resolve the issues raised in 2015 by the BSP in relation to procedures and practices regarding AML/CFT;

are identified in paragraphs 29, 30, 31, 32, and 35 (also summarized in (a) through (g) of this paragraph) and are reflected in the corresponding conditions of accreditation in section 4.2. The relevant gap in the track record relating to AML/CFT is covered in paragraph 35 above and is also reflected in the corresponding condition of accreditation in section 4.2.

3.1.3 Specialized fiduciary standard for project management

37. The DBP board of directors and management provide an oversight function on projects implemented by the applicant. Moreover, Government oversight is exercised by the Department of Finance and the National Economic Development Authority.

38. The applicant has a well-documented policy framework that guides its project management operations for various investment programmes aligned with the National Government's priority areas, such as infrastructure, power, water, environment, health, education, SMEs and housing. These programmes were co-financed by various bilateral/multilateral institutions, such as the Asian Development Bank, Japan Bank for International Cooperation, and World Bank, among others, which provided the long-term funding needed for said investments; disbursements for the above programmes have been ended by now.

39. The policy framework for the DBP investment programmes includes: project preparation and appraisal guidelines; a credit policy; a loan and security policy; guidelines on the applicant's product design and development lifecycle; and a project evaluation policy.

40. To fulfil all GCF criteria and requirements, the applicant has updated its project management policy framework, and has established a consolidated manual specifically for GCF projects/programmes called The Project Management and Implementation Manual for the Green Climate Fund (PMIM). It has also established specific policies and procedures relating to the management of financial resources, including: the audit of the disbursements under projects; procurement guidelines; project monitoring and evaluation; project closure and independent evaluation of project results; and a project information disclosure policy.

41. Within its corporate organizational structure, the applicant will establish a new unit: the Green Climate Fund Project Management Office (GCF PMO). The GCF PMO will be a primary contact point between the applicant, national designated authority and GCF, and will be fully dedicated to the implementation of GCF-funded projects/programmes. The GCF PMO will be led by a project manager, supported by a project coordinator, and with personnel mapped from the applicant's units to perform specific implementation functions and extend technical support in

the areas of procurement, financial management, and environmental and social safeguards (ESS) management, among others. DBP may recruit technical consultants to provide specialized support to the GCF PMO during project implementation. The applicant, as the implementing entity, executing entity and/or project proponent, will be responsible for the implementation of the subprojects, including the monitoring and progress reporting requirements of projects, and for ensuring compliance with the loan agreements.

42. In accordance with the PMIM, the appraisal report preparation will be coordinated by the GCF PMO, which will conduct the background, credit, bank and court checks on the project proponent. Depending on the complexity of the project, the account officer will: develop the financing structure appropriate for the project in the form of a term sheet; identify and assess the key risk areas associated with the project, including the impact of forecasted economic trends and the strength of competitors; determine potential risks, and assess their level of severity and probability of their occurrence; and develop the risk management plan. As part of the accreditation process, the applicant has developed a standardized template for the preparation of the appraisal report for the projects as an annex to the PMIM. However, the applicant has not yet provided the project appraisal report prepared in accordance with the standardized template. This constitutes a gap in providing evidence of the track record of implementation of the project appraisal procedures.

43. In the event that an executing entity undertakes a project, the GCF PMO will also undertake the due diligence of the executing entity and assess the willingness, capability and commitment of the executing entity to comply with provisions of the applicant's PMIM, anti-fraud policies and systems, environmental, social and gender safeguards, and other relevant policies.

44. The approval of the financing of the particular GCF project/programme will be undertaken by the Management Committee, Credit Committee and board of directors for credit-related transactions. Every concept note and draft funding proposal should contain the results framework document detailing the intended project objective/goal, and indicative impact indicators with baseline and targets should be developed in coordination with the executing entity or project proponent. The applicant's Management Committee will undertake the quality review of the project documentation and, upon positive review, should seek the endorsement/no-objection letter from the country's national designated authority for the project/programme proposal.

45. The project implementation supervision is supported by the applicant's accounting and financial systems. For each project, the project development management unit will develop the annual financial plan, and the finance unit will prepare the project audited financial statements every six months. The GCF PMO will prepare the physical progress reports and procurement progress reports on a semi-annual basis.

46. The applicant's monitoring reports will be prepared in accordance with each project results framework and use the standardized template provided by the GCF PMO. The assigned programme officer will check the development of the projects against the set of objectives in the results framework, as well as adjust the project/programme design, targets and activities, as necessary. Viability indicators, such as financial and economic rate of return and net present values of subprojects funded, will be calculated. At the midterm, the GCF PMO will report on the implementation lessons, issues, constraints and impacts, and on the remedial measures undertaken and mitigation measures proposed. However, the applicant has not provided evidence of the implementation of the standardized monitoring template at the project level. This constitutes a gap in providing evidence of the track record of implementation of the project monitoring procedures.

47. The independent external evaluation of the project results and lessons learned at the midterm and the end of the project implementation period will be conducted by a third party in

accordance with the evaluation procedure in the PMIM and the newly developed terms of reference for the independent evaluation. However, no evaluation reports have yet been prepared by an independent organization. This constitutes a gap in providing the evidence of the implementation of the evaluation procedures.

48. The applicant has developed a new information disclosure policy that establishes the standardized template for the publication of the monitoring and evaluation reports on the DBP website. However, evidence of the publication of the monitoring and evaluation reports has not been provided. This constitutes a gap in providing the evidence of implementation of the information disclosure policy.

49. The AP finds that the applicant's policies, procedures and capacity fully meet the specialized fiduciary standard for project management. However, the AP finds that the applicant's track record is insufficient. The relevant gaps are identified in paragraphs 42, 46, 47 and 48 above and are reflected in the corresponding conditions of accreditation in section 4.2.

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

50. 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 and guarantees)**

51. The applicant's policies and procedures for its on-lending and blending operations are detailed in two main documents: PMIM, and Credit Policy. The applicant has also provided a series of policy, guidance and rating systems that outline its financial risk management policies and procedures.

52. The applicant will undertake the financing to the eligible executing entity or project proponents of the subprojects through retail forms of lending and wholesale lending. Under retail lending, the applicant will work through its network of branches to extend loans to public and private sector projects. Eligible borrowers will undergo the standard creditworthiness assessment and financial evaluation established by the applicant's Credit Policy and PMIM.

53. The wholesale facility will provide long-term financing to eligible private financial institutions (PFIs), including thrift and rural banks, for relending to eligible sub-borrowers and subprojects. It would thus increase credit flow to regions and private borrowers that are currently not serviced by the retail branches of the applicant. The applicant may choose to offer larger/more-established PFIs a line of credit with similar terms including maturity and grace period under the terms of the sub-loan agreements and collaterals provided by the PFIs. The PFIs will undergo the applicant's due diligence process against the set of evaluation criteria, such as high profitability, low past-due rate, low capital-to-risk assets ratio, compliance to the BSP minimum capital requirement, and positive balance sheet.

54. The applicant's guidelines and procedures for managing its investment portfolio are contained in the following main documents: Credit Policy on Investment in Fixed Income Securities; Portfolio Quality Rating System Policy; and Single Borrower's Limit. The policies describe the maximum exposure for individual borrowers (20 per cent of DBP net worth for retail borrowers and 35 per cent for wholesale borrowers). The policies also define the industry exposure limits and a system for determining the overall portfolio quality rating. According to the financial risk strategy, DBP carefully manages market risks and works on optimizing the resources in a conservative manner.

55. Among the key components of the applicant's financial risk management is its adherence to the guidelines and requirements of Basel III, which aims to reinforce the strength of the banking sector. The applicant has an active Asset and Liability Management Committee (ALMC) in place, which ensures that the applicant is able to meet its obligations and maintain

its solvency under stressed circumstances. The records of ALMC meetings have been provided. The applicant has also provided three ALMC reports (Capital Adequacy Ratio based on Basel III (overall investments); a report on the interest rate gap for the foreign currency deposit unit; and a report on the applicant's liquidity position) that provide the evidence that the treasury and investment portfolio is adequately monitored from the perspective of the ALMC.

56. There is a proper segregation of duties and responsibilities of the front office, middle office, and back office performed by different departments of the applicant. The applicant observes the regulations of the BSP and the Philippines Securities and Exchange Commission.

57. The applicant has revised its information disclosure policy, which now includes provisions for public disclosure on its website, and information regarding its decisions on on-lending and guarantee operations, as well as information on beneficiaries and results of projects/programmes that could be funded by GCF. However, public disclosure of information on beneficiaries and results of projects/programmes can be demonstrated only during and at the end of implementation of GCF-funded projects/programmes. This constitutes a gap in implementation of information disclosure policies.

58. The applicant has obtained financial resources from various multilateral and bilateral institutions, such as the Asian Development Bank, Japan Bank for International Cooperation, World Bank, and Swedish International Development Cooperation Agency, among others, which provide long-term funding needed for investments, especially in infrastructure, social services, SMEs and environment. The track record of undertaking on-lending and providing financial guarantees has been provided in the form of lending and guarantee agreements, as well as due diligence and appraisal reports of the approved investments. In November 2019, the applicant issued DBP Sustainability Bonds, which raised PHP 18.125 billion (USD 362.5 million) to finance new development programmes/projects.

59. The AP finds that the applicant's policies, procedures and capacity fully meet the specialized fiduciary standard for on-lending and/or blending for loans and guarantees. However, the AP finds that the applicant's track record is insufficient. The relevant gap is identified in paragraph 57 above and is reflected in the corresponding condition of accreditation in section 4.2.

3.2 Environmental and social safeguards

3.2.1 Environmental and social policy

60. The applicant has provided its 2016 Environmental Policy Statement and 2016 Social Policy Statement, both available on its website. The policies commit the applicant to the following: integrating E&S protection and sustainable development into all services; identifying E&S impacts and risks as part of risk management and due diligence; monitoring and evaluating E&S performance; complying with environmental laws and agreements; and continuously improving its environmental management system (EMS), which has been certified under ISO 14001 since 2002. The applicant has provided an environmental, social and gender framework (ESGF) for GCF, with 15 annexes to support implementation. The ESGF for GCF incorporates the International Finance Corporation's performance standards 1–8, and explicitly commits to assessing cumulative and associated-facilities impacts and to applying a mitigation hierarchy to manage impacts. As of 2018, the applicant no longer funds projects that generate power from non-renewable energy.

61. The AP finds that the applicant's environmental and social management system, comprising the Environmental Policy Statement, Social Policy Statement, EMS and ESGF for GCF, supported by evidence of its track record, fully meet the GCF Environmental and Social Policy and GCF interim ESS standards for maximum E&S risk category B/1-2 projects/programmes with respect to performance standards 1–8.

3.2.2 Identification of environmental and social risks and impacts

62. The applicant's credit policies and guidelines, Manual on Environmental Due Diligence in Project Evaluation, Manual on Social Due Diligence of Development Projects, and Environmental Aspect and Impact Register Procedure provide a comprehensive institutional framework to identify environmental and social (E&S) risks and impacts. This framework provides the E&S screening policy, categorization procedure, exclusion list, guidance, screening tools (e.g. a procedure to calculate impact significance), and the screening report template. This framework applies to all projects/programmes. The ESGF for GCF categorizes activities from A to C, with category A projects likely to have significant adverse E&S impacts (i.e. high risk), and category C defined as low risk. Account Officers in Lending Units screen the proposed project and determine its E&S risk category. The screening report is either retained with the Account/Loan Officer (if category C) or forwarded to the Lending Program Management Group (LPMG) for validation and further assessment of medium and high E&S risk projects. In the case of GCF-funded projects, all project screening reports shall be submitted to the LPMG/GCF PMO for further evaluation. The Quality Management Department (QMD) performs quality/value realization reviews of LPMG's lending programmes, regardless of fund source, including information on E&S risks and the developmental impacts of projects funded under the programmes. QMD is also responsible for reviewing the Environmental Aspect and Impact Register on an annual basis or when there is a change that could modify the E&S impacts.

63. The applicant has provided a completed impact register and the screening reports for several category B project loans, including an integrated market, a green building, a 1,000 kWp solar system project, and an energy-efficient street-lighting project. It has provided a list of projects categorized from A to C using its country system and also a list of projects categorized using the standards of the Japan International Cooperation Agency and the World Bank.

64. 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 maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1-8.

3.2.3 Environmental and social management programme

65. The 2016 Manual on Environmental Due Diligence in Project Evaluation and 2016 Manual on Social Due Diligence of Development Projects provide a full description of the institutional process for E&S management. The ESGF for GCF bundles the procedures under one title and 15 annexes, and also addresses requirements under the GCF Environmental and Social Policy and GCF interim ESS standards with regard to the need for a project-level grievance redress mechanism (GRM). Guidance and templates are provided (e.g. flow chart; templates for the project assessment report and resettlement action plan; guidance related to free and prior informed consent; and standard covenants). The due diligence may include site visits and client meetings. The Environmental Unit/LPMG will prepare the project assessment report. This assessment report will: summarize the E&S findings, including the environmental and social impact assessment; recommend mitigation measures; identify monitoring indicators; and identify the actions needed at different stages. The assessment report will be sent to the lending unit, which will integrate the E&S requirements into the loan application. The lending unit will forward the proposed application to the Executive Credit Committee, which will consider the assessments from various units and decide on the loan application.

66. The applicant has provided the due diligence assessment of several category B/I-2 projects involving loans, including a hospital building, a desalination plant, a 25.6 MW solar project, and two mini-hydropower projects. It has also provided: a credit application showing the integration of the E&S due diligence results into a loan request; and an E&S gap assessment and corrective action plan against World Bank E&S safeguards standards – specifically, the following Operational Policies (OP): OP 4.01 (Environmental Assessment); OP 4.04 (Natural

Habitats); OP 4.36 (Forestry); OP 4.20 (Indigenous Peoples); OP 4.12 (Involuntary Resettlement); and OP 7.60 (Projects in Disputed Areas).⁸ The applicant does not have a track record on E&S management for its projects involving guarantees. However, the applicant's track record on E&S management for its projects involving loans is sufficient evidence, as guarantees are a form of unfunded loan, and thus this has not been identified as a gap in the track record with respect to guarantees.

67. The AP finds that the applicant's environmental and social management system, comprising the Environmental Policy Statement, Social Policy Statement, Manual on Environmental Due Diligence in Project Evaluation, Manual on Social Due Diligence of Development Projects, and ESGF for the GCF, supported by evidence of its track record, fully meets the GCF Environmental and Social Policy and GCF interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1-8.

3.2.4 **Monitoring and review**

68. The applicant's 2019 Monitoring and Evaluation Policy on Development Impacts of Loans, and 2014 Manual on Environmental Performance Monitoring provide the report templates and sample indicators for E&S monitoring. The ESGF for GCF adds a template to monitor against performance standards 1-8. During proposal preparation, the lending unit and the client will agree the E&S indicators and monitoring schedule. The lending unit will integrate the E&S indicators into the project file. In conjunction with the lending unit and client, the Environmental Unit will manage, oversee and monitor E&S performance through annual site visits for category A and B projects, and site visits as needed for category C projects. E&S monitoring is also performed by the Account/Loan Officer via the Term Loan Review (TLR), which entails project monitoring visits and interviews with the borrower. Monitoring information from the TLR are forwarded to/consolidated by LPMG for analysis and reporting. To demonstrate its track record, the applicant has provided E&S monitoring reports and corrective action plans for projects focused on waste sorting and recovery, energy transmission, groundwater development, and pollution control.

69. The policy and guidance listed in paragraph 62 above and the ESGF for GCF projects/programmes provide for the evaluation of mitigation measures and EMS. The Quality Management Department conducts the value realization review, whereas a third party conducts independent external evaluations. A sample internal EMS audit report has been provided, confirming the applicant's compliance with its EMS and that it has improved its EMS over time (for example, a screening procedure was added in 2015 to ensure that E&S risks are identified during the design phase). An external evaluation conducted on a Japan International Cooperation Agency programme has been provided to demonstrate that the lessons learned therein have been integrated into subsequent programmes.

70. 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 maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1-8.

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

71. The applicant's institutional GRM comprises circulars, guidance and procedures, which are integrated into its 2019 Financial Consumer Protection Framework. The framework: commits users to transparency, protection of information, and fair treatment; outlines the roles and responsibilities; provides the procedure to receive, analyse, monitor, resolve or escalate

⁸ World Bank. 1997. *Introduction to Environmental and Social Assessment Requirements and Procedures for World Bank-Financed Projects*. Available at <http://documents1.worldbank.org/curated/zh/479901468174250106/pdf/multi0page.pdf>.

complaints; and provides templates to register, track and summarize complaints. The framework allows complaints to be received by walk-in, telephone, mail or email. The applicant's website provides online guidance, a process flow chart, and a portal to submit complaints. The ESGF for GCF provides the DBP Environmental and Social (E&S) Grievance Mechanism, which requires executing entities to have an adequate GRM.

72. The AP has determined that the complaints management system is sufficiently independent from operational staff. The DBP Board of Directors sets the strategy, the Risk Oversight Committee monitors effective implementation, and the Management Committee oversees execution of the strategy. The Compliance Management Group ensures that operations are consistent with regulations, while the Internal Audit Department assesses whether actions taken were adequate. The Customer Experience Management Department (CEMD) is responsible for implementation, assessing the eligibility of a complaint and then forwarding it to the appropriate office for resolution. The CEMD will forward E&S complaints to the Environmental Unit, which will then forward the complaint to the responsible office. A customer service officer will then investigate the complaint, recommend a resolution, update the complaints log, and report to management, the CEMD and the Environmental Unit. The CEMD and Environmental Unit will monitor and track the actions taken by the office responsible, follow up on unresolved complaints, analyse recurring complaints, and provide monthly and quarterly reports to the Management Committee, Development Advocacy Committee and board of directors. The ESGF for GCF adds that the GCF PMO will monitor and coordinate with the executing entity to resolve E&S grievances.

73. The applicant has provided sample curricula vitae of CEMD staff, showing relevant training and experience. The applicant has provided a register of complaints from 2017 to 2019, showing the type and status of complaints and the solutions provided. To date, the applicant has not received any E&S complaint on its institutional external communications system.

74. The applicant has complied with the national regulation for E&S information disclosure and public consultation. The ESGF for GCF projects/programmes incorporates GCF requirements, requiring executing entities to consult stakeholders over the project cycle and to disclose E&S information in line with GCF requirements for category B/I-2 projects/programmes. As the consultation and information disclosure requirements of the ESGF for GCF are new, the applicant could not demonstrate implementation. This constitutes a gap in the track record.

75. The AP finds that the applicant's system of external communications, consultations, information disclosure and GRM at the institutional level fully meets the GCF Environmental and Social Policy, GCF interim ESS standards and GCF Information Disclosure Policy regarding E&S information disclosure requirements for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8. However, the AP finds that the applicant's track record is insufficient. The relevant gap is identified in paragraph 74 above and is reflected in the corresponding condition of accreditation in section 4.2.

3.2.6 **Organizational capacity and competency**

76. The project-related E&S functions are under the Environmental Unit. Of note, the applicant's board established the Environment and Climate Change Department in 2019, elevating the E&S function to a stand-alone department within the LPMG. The new Environment and Climate Change Department is awaiting approval from the National Government. The applicant will establish a PMO under the LPMG for any GCF-supported activity. This office will support the E&S tasks.

77. The lending units supervise the loan accounts and ensure that clients comply with applicable policies, loan covenants, and, where relevant, international standards. The

applicant's E&S requirements are passed along to any financial intermediary, with the financial intermediary having to ensure that its clients comply with the applicant's E&S requirements.

78. The applicant has provided the curricula vitae, certificates of experience and work samples of seven in-house E&S staff, confirming E&S expertise and ongoing E&S professional development. The applicant has provided the agenda of an internal credit risk management course conducted in 2019, which included sessions on E&S screening and project assessment. A copy of the E&S training materials and the list of participants has also been provided.

79. 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 maximum E&S risk category B/1-2 projects/programmes with respect to performance standards 1-8.

3.3 Gender

80. In the Philippines, the national framework for gender mainstreaming is comprehensive and mandatory. It includes:

- (a) Act No. 7192 s. 1992: Act Promoting the Integration of Women as Full and Equal Partners of Men in Development and Nation Building and for Other Purposes;
- (b) Republic Act No. 9710 (2010) (Magna Carta of Women): Approving and Adopting the Implementing Rules and Regulations for Act No. 7192;
- (c) Philippine Plan for Gender-Responsive Development (1995-2025); and
- (d) Harmonized Gender and Development Guidelines for Project Development, Implementation, Monitoring and Evaluation (second edition).

81. The national framework, the applicant's Code of Ethics, and the ESGF for GCF projects/programmes require non-discriminatory practices for benefits and remuneration. The applicant's 2019 Gender and Development Policy Statement commits to the national gender framework. The applicant has developed a gender and development framework to integrate the national requirements into its policymaking, planning and budgeting. The E&S project screening and assessment process require that the potential gender-related impacts be identified and mitigated. The Manual on Social Due Diligence of Development Projects outlines the elements of a gender-responsive project/programme, requires gender analysis and integration of gender goals and indicators, and provides various gender tools and resources (for example, a checklist to evaluate the gender-responsiveness of a project). The applicant has adopted the national 2019 Handbook on the Application of the Enhanced Gender Mainstreaming Evaluation Framework to guide gender monitoring and review, and the ESGF for GCF requires gender-sensitive consultations and a project/programme-level gender action plan.

82. The applicant established a Gender and Focal Point System in 2014. It has provided the curriculum vitae of its gender focal point, who is also the focal point for the Philippine Commission on Women. The applicant has provided evidence of having conducted gender activities and gender training events from 2016 to 2019 at the applicant's head office and at provincial centres. Copies of some gender training materials and lists of participants have been provided. The applicant has provided its institutional gender audit for 2016-2018, which showed areas of strengths and areas where its gender performance required strengthening. The applicant has a "gender and development corner" on its website, which provides gender resources, including the gender policy statement and information on its gender programmes. The applicant has provided two project examples that have benefited women. Its Inclusive Lending for Aspiring Women Programme has supported women entrepreneurs, providing a customized repayment schedule to better serve female clients. Its Credit for Better Health Care

Programme has provided grants to train local governments on budgeting skills for gender and development. These two project examples are also sufficient evidence on the applicant's track record on gender mainstreaming for the applicant's projects/programmes involving loans. The applicant does not have a track record on gender mainstreaming for its projects involving guarantees. However, the applicant's track record on gender mainstreaming for its projects/programmes involving loans is sufficient evidence for track record for guarantees, as guarantees are a form of unfunded loan, and thus this has not been identified as a gap in the track record with respect to guarantees.

83. 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.

IV. Conclusions and recommendations

4.1 Conclusions

84. The AP concludes, following its assessment of the application against the standards of GCF in accordance with the accreditation requirements identified in paragraph 12 above, the following:

- (a) The applicant partially meets the requirements of the basic fiduciary standards, the Policy on the Protection of Whistleblowers and Witnesses, the Policy on Prohibited Practices, and the AML/CFT Policy. The gaps relate to IT, providing oversight over procurement by executing entities, updating the Manual on the Code of Ethics, and the anti-fraud and AML procedures, as identified in paragraphs 19, 21, 26, 29, 30, 31, 32, 35 and 36 above and addressed in the corresponding conditions of accreditation in section 4.2;
- (b) The applicant partially meets the requirements of the specialized fiduciary standard for project management and specialized fiduciary standard for on-lending and/or blending for loans and guarantees. The gaps relate to providing the appraisal report, monitoring reports, evaluation report prepared in accordance with the standardized templates contained in the PMIM, as well publication of the monitoring and evaluation reports in accordance with the information disclosure policy, as identified in paragraphs 42, 46, 47, 48 and 57 above and addressed in the corresponding conditions of accreditation in section 4.2;
- (c) The applicant partially meets the requirements of the GCF Environmental and Social Policy, interim ESS standards and Information Disclosure Policy on disclosure of E&S information in relation to medium E&S risk (category B/12). The gap in the track record relates to the applicant conducting public consultation and disclosing E&S documents in line with its new ESGF for GCF, the GCF Environmental and Social Policy, the GCF interim ESS standards and GCF Information Disclosure Policy, as reflected in paragraph 74 above and addressed in the corresponding conditions of accreditation in section 4.2; and
- (d) The applicant has demonstrated that it has a gender policy and the procedures and competencies to implement it, which are found to be consistent with the Updated GCF Gender Policy, and it has demonstrated that it has experience in gender consideration in the context of climate change.

4.2 Recommendation on accreditation

85. The AP recommends, for consideration by the Board, applicant APL106 for accreditation as follows:

(a) **Accreditation type:**

(i) **Maximum size of an individual project or activity within a programme:** medium (including micro⁹ and small¹⁰);

(ii) **Fiduciary functions:**

1. Basic fiduciary standards;
2. Specialized fiduciary standard for project management; and
3. Specialized fiduciary standard for on-lending and/or blending (for loans and guarantees);

(iii) **Maximum environmental and social risk category:** medium risk (category B/I-2) (including lower risk (category C/intermediation 3 (I-3)¹¹));

(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 signature of the accreditation master agreement during stage III of the accreditation process:

1. Provision of evidence by the applicant that it has taken adequate actions to address the weaknesses identified by COA relating to the Commission's "Information Systems Audit Report on the Bank covering the period January 2017 to August 2018." Such evidence may include the latest status report provided by the applicant's staff to COA on the weaknesses identified in the report;
2. Provision of the documentation of adequate procedures, guidelines and methodologies to be applied within the applicant for overseeing, assessing and reviewing the procurement procedures of executing entities, project sponsors or beneficiaries. Such documentation may include an insertion into the applicant's PMIM for GCF;
3. Provision of the relevant sections of the DBP Code of Ethics that are applicable to executing entities and third parties involved in the applicant's funded projects/programmes;
4. Provision of a copy of the communication of the applicant having informed its employees, executing entities and third parties contracted with the applicant's projects/programmes as to who or what function within the applicant's organization is responsible for providing advice

⁹ 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."

¹⁰ 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."

¹¹ As per annex I to decision B.07/02, category C is defined as "Activities with minimal or no adverse environmental and/or social risks and/or impacts," and intermediation 3 is defined as "When an intermediary's existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts."

- and guidance on ethics matters. This should be conducted by internal communication, contracts or reference to the applicant's website;
5. Provision of evidence that the applicant has created an avenue for staff and the public to raise allegations of wrongdoing, suspected ethics violations, misconduct, and any kind of malpractice through its official website. Such evidence shall include demonstration that the applicant's official website has references to whistle-blower policies, provisions and protection (including those available through other government agencies), as well as how complaints are to be handled and investigated by the applicant;
 6. Provision of evidence that the applicant has a strong commitment to zero tolerance against fraud and corruption. Such evidence may include a copy of the applicant's annual report and publication on the applicant's website, both of which would contain declarations of the applicant's commitment to zero tolerance of fraud and corruption;
 7. Provision in the form of a legal opinion from the legal team of the applicant that the incident response teams responsible within the applicant's organization for conducting investigations have sufficient oversight from the Operational Risk Management Department to ensure independence and procedural consistency; and
 8. Publication on its website of the guidelines for the incident response team staff conducting the investigative review of cases under the Integrated Incident Management Framework, including standardized procedures for handling the investigations, safeguarding evidence, and the actions required before, during and after the investigation process;
- (ii) Condition to be met on an annual basis starting with the beginning of financial year 2022 until the BSP provides an improved AML rating:
1. Provision of a copy of the latest response by the applicant to the BSP relating to BSP's AML-related findings as reflected in the applicant's Letter of Commitment to the BSP;
- (iii) Condition to be met on an annual basis starting with the beginning of financial year 2022 until the BSP provides an improved rating for the applicant's IT systems including the security thereof:
1. Demonstration that the applicant is taking adequate measures to improve its IT systems and security. This is to be done by:
 - a. Provision by the applicant of a copy of the latest annual internal audit report that demonstrates the ratings for IT audits conducted during the year reported upon;
 - b. Provision by the applicant of a copy of the latest response by the applicant to the BSP relating to IT; and
 - c. Provision by the applicant of a brief status report on the applicant's transitioning to a revised enterprise resource planning system;
- (iv) Condition to be met with the submission of the first funding proposal to GCF that is categorized as E&S risk category B/I-2:
1. Provision of evidence by the applicant of having conducted public consultation and disclosure of E&S assessment documents for the

project/programme submitted to GCF, consistent with the requirements of the applicant's ESGF for GCF and the GCF Information Disclosure Policy for E&S risk category B/1-2;

- (v) Condition to be met prior to the first disbursement by GCF for the first executed funded activity agreement for a project/programme to be undertaken by the applicant:
 - 1. Provision of a sample project appraisal report prepared in accordance with the updated PMIM and the standardized template for project appraisal reports contained therein;
- (vi) Conditions to be met within two (2) years of the first disbursement by GCF for the first approved project/programme to be undertaken by the applicant:
 - 1. Provision of the Updated Manual on Code of Ethics and the related sections in the Manual of Corporate Governance;
 - 2. Provision of two monitoring reports prepared in accordance with the applicant's updated PMIM, in particular, the standardized template for monitoring reports contained therein; and
 - 3. Provision of evidence demonstrating that two monitoring reports have been published on the applicant's website in accordance with the applicant's information disclosure policy;
- (vii) Condition to be met within three (3) years of the first disbursement by GCF for the first executed funded activity agreement for a project/programme to be undertaken by the applicant:
 - 1. Demonstration for two consecutive years that the applicant is effectively overseeing, assessing and reviewing the procurement procedures of executing entities, project sponsors or beneficiaries of the first executed funded activity agreement for a project/programme to be undertaken by the applicant; and
- (viii) Conditions to be met within one (1) year of completing implementation of the first project/programme for which the first funded activity agreement has been executed:
 - 1. Provision of an independent evaluation report for a project/programme that has been prepared in accordance with the applicant's PMIM and the terms of reference for the independent evaluation; and
 - 2. Provision of evidence by the applicant demonstrating the publication on the applicant's website of an independent evaluation report for a project/programme that has been prepared in accordance with the applicant's information disclosure policy.

86. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 85 above, and agrees to the recommendation.

Annex IV: Accreditation assessment of applicant 107 (APL107)

I. Introduction

1. Applicant 107 (APL107), the Development Bank of Zambia (DBZ), is a national direct access entity based in Zambia. The applicant envisions being a leading institution in development finance in Zambia and aims to influence the environment for access to finance for development by offering innovative, tailor-made financing solutions, advisory and technical support to local enterprises. The applicant mobilizes domestic and foreign capital to provide investments to galvanize economic growth, productivity, wealth creation, employment and citizen economic empowerment. To fulfill its mandate, the applicant has provided short-, medium- and long-term finance and equity investments to support the Government of Zambia's economic development strategies for growth, wealth and job creation, poverty reduction, infrastructure development and improved service delivery.

2. The applicant submitted its application for accreditation to GCF via the online accreditation system on 8 November 2017. Accreditation fees were received from the applicant on 10 January 2018, thereby launching the stage I institutional assessment and completeness check. Stage I was completed on 6 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 the Republic of Zambia;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or activity within a programme:** medium¹;
- (d) **Fiduciary functions:**²
 - (i) Basic fiduciary standards;
 - (ii) Specialized fiduciary standard for project management;
 - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
 - (iv) Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees); and
- (e) **Maximum environmental and social risk category:** high risk (category A/intermediation 1 (I-1))³.

II. Stage I institutional assessment and completeness check

¹ As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "medium" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above 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 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."

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);
 - (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” (AML/CFT 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).

4. In the course of the stage I institutional assessment and completeness check, the Secretariat identified that the applicant’s systems and track record did not include those for grant award and/or funding allocation mechanisms. The applicant also clarified that the potential projects it intended to implement with GCF funds may not include such mechanisms. Thus, the applicant decided to withdraw its application for accreditation for the specialized fiduciary standard for grant award and/or funding allocation mechanisms.

2.1 Legal status, registration, permits and licences

5. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. Pursuant to section 3(1) of the Development Bank of Zambia Act, Chapter 363 of the Laws of Zambia, the applicant was established as a joint venture financial institution with shareholdings of the Government of the Republic of Zambia, public sector financial institutions, local private sector and foreign institutions. In addition, the applicant operates within its primary regulatory framework that is formed by the Banking and Financial Services Act, Chapter 387 of the Laws of Zambia.

6. The applicant has confirmed that DBZ is a separate legal entity and may enter agreements in its own right as provided for under section 3(1) of the DBZ Act, Chapter 363 of the Laws of Zambia.

2.2 Institutional presence and relevant networks

7. As a development bank of the Government of Zambia, the applicant has a strong national presence in working with both public and private sector entities. With an emphasis on development finance and development assistance, the applicant provides loans for projects in agriculture, renewable energy, infrastructure, transport, construction, manufacturing, tourism, quarrying and other sectors of the economy. In addition, it provides various financial

instruments (e.g. bonds, loans, equity and guarantees) for small- and medium-sized enterprises to enable them to access development finance. The applicant also provides business advisory services and capacity-building support to farmers and farmers associations in order to link them to local firms that provide loans and access to finance and markets.

8. The applicant has a strong commitment to contributing to the achievement of the nationally determined contributions of Zambia. The applicant intends to maintain its diversification in investments among all sectors of the economy while unlocking Zambia's prioritized and new economic development opportunities. The applicant, having previously focused on small- and medium-sized enterprises, intends to focus more on collaboration with large corporations for public-private partnership projects to combat climate change and achieve sustainable development. In addition, it intends to optimize its institutional systems and procedures for project implementation and investment management.

9. Through accreditation to GCF, the applicant intends to focus on the identification and prioritization of mitigation and adaptation opportunities and actions to contribute to the reduction of greenhouse gas emissions and enhance the resilience of communities, in line with various national development policies, strategies and plans such as VISION 2030, the Second National Communication, the National Policy on Climate Change, the National Climate Change Response Strategy, and Reducing Emissions from Deforestation and Degradation (REDD-plus).

10. Based on the above, the following types of projects and programmes have been identified by the applicant to be proposed to GCF:

- (a) On-grid electricity generation: biomass combustion, geothermal power, wind energy, biomass wastewater, photovoltaic utility and waste landfilling;
- (b) Off-grid electricity generation: small-scale hydropower, solar photovoltaic energy, biomass gasification, biogas digester and small wind turbines;
- (c) Energy efficiency: energy management systems, household appliances, energy efficiency standards and demand side management; and
- (d) Biofuels, among others.

11. The Government of Zambia, acting through their National Designated Authority, is in the process of preparing a revised version of the Country Programme that was first submitted to the GCF in the first quarter of 2017. The applicant's planned areas of focus with GCF are widely aligned with priorities presented in Zambia's 2017 Country Programme and with the country's nationally determined contributions (2016). Zambia's nationally determined contributions set as objectives the promotion of a switch from conventional and traditional energy sources to sustainable and renewable energy sources and practices, and the use of off-grid renewable energy technologies for rural electrification as decentralized systems.

2.3 Track record

12. Since its establishment, the applicant has been working closely with the Government of Zambia, at both the national and sub-national levels, private sector entities, multilateral development banks and civil society in areas of agriculture, agro-processing, energy, manufacturing, transport and tourism. It has increased its investment portfolio by engaging in new business development and proactively providing its financial products and services (e.g. equity, guarantees, leasing finance, trade finance and rural finance) to new customers and businesses.

13. The applicant's track record in financing sustainable development projects to date includes the following:

- (a) USD 8.53 million (loans and equity) for a project on fish farming using cages on the Lake Kariba, Siavonga in Zambia, targeting effects of overfishing;
 - (b) USD 21.6 million (loans) for a project on glass bottle manufacturing in Kapiri in Zambia that involves financing energy efficiency measures and pollution reduction via modernization of equipment;
 - (c) USD 1.2 billion (loans) for a railway construction and operation programme in Zambia leading to a reduction of reliance on motorized vehicles, promotion of green fuel through biofuels, and job creation and opportunities for women; and
 - (d) USD 0.7 million (guarantee for an advance payment facility) to facilitate the completion of the Katete Urban Roads Project aimed at rehabilitating and upgrading selected urban roads (15 kilometres) to bituminous standard in the Katete District in the Eastern Province.
14. The applicant has experience with projects/programmes related to the following GCF results areas:
- (a) Mitigation: reduced emissions from:
 - (i) Energy generation and access;
 - (ii) Transport; and
 - (iii) Forests and land use; and
 - (b) Adaptation: increased resilience of:
 - (i) Livelihoods of people and communities;
 - (ii) Health, food and water security;
 - (iii) Infrastructure and built environment; and
 - (iv) Ecosystems and ecosystem services.

III. Stage II accreditation review assessment

15. 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, except for paragraph 3(c) as that policy was no longer valid and superseded by that in paragraph 3(d), and except for paragraph 3(i), which was superseded by that in paragraph 3(j) at the time the application entered stage II (step 1).

16. 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

17. The applicant has a governance structure largely similar to those of other development banks in the region. Its board of directors, comprised of nine members, is assisted by several oversight committees in carrying out its mandate: Nominations and Remuneration Committee, Risk Management Committee, Investments Committee, and Audit Committee. The terms of reference (TOR) of the committees and sample minutes of committee meetings show that the committees carry out their functions in accordance with their mandates. There are also three management committees that assist management in carrying out its responsibilities: Executive

Management Committee, Project Management Committee, and Assets and Liabilities Committee.

18. The applicant has a process for setting its short- and long-term objectives that is laid out in its Strategic Management Operations Manual. A copy of the applicant's current five-year Business Strategy Plan (2017–2022) and annual plans and corresponding budgets for the past two years were provided and reviewed by the AP. Progress in the implementation of the annual management plan is tracked on a monthly basis.

19. The applicant's financial statements are prepared using three systems: Sage Accpac for financials, Micro Pay for payroll and Navision core banking systems for administration of loans. The annual financial statements are audited by Deloitte and Touche who assert that the audits were conducted in accordance with International Standards on Auditing. Audited financial statements for the past three fiscal years reviewed by the AP included: (i) unqualified opinions that the financial statements were prepared in accordance with International Financial Reporting Standards and the requirements of the Development Bank of Zambia Act and the Banking and Financial Services Act of Zambia 1994, and (ii) comments on management responses to external audit recommendations of previous years. Sample agendas and minutes of meetings of the Audit Committee reviewed by the AP demonstrate that the committee reviews management progress in addressing audit recommendations.

20. The policies and procedures relating to disbursement of financing provided by the applicant and payments for its own expenditures are detailed in the Disbursement Procedures Handbook. The policies and procedures have adequate provisions for the segregation of financing approval and disbursement responsibilities/authorities. To ensure disbursements are authorised by the relevant units in the organization, all disbursement requests require sign-off of the Principal and Chief Risk Officers, Principal Finance Officer, Chief Investment Officer, Legal Counsel, Chief Finance Officer and, finally, the Managing Director. Periodic audits of loan disbursements and payments for the applicant's own expenditures are carried out. Sample audit reports of the payment and disbursement system were provided and reviewed by the AP.

21. The applicant has an independent Internal Audit Department whose functions are guided by the TOR provided in the Internal Audit Manual, based on the auditing standards adopted by the Institute of Internal Auditors and the guidelines given by the Bank of Zambia (the Central Bank), which supervises the applicant's operations. The Head Internal Audit functionally reports to the Audit Committee of the board and administratively to the Chief Executive Officer of the Development Bank of Zambia. Internal audits are undertaken based on annual audit plans. Sample audit reports and information on the status of execution of the last three years' internal audit plans reviewed by the AP confirm that: (i) the implementation of audit recommendations is actively followed up by both management and the Board Audit Committee, and (ii) the Internal Audit Department carries out its function in accordance with its TOR and internationally recognized standards. The applicant has a policy on periodic assessment of effectiveness of its internal audit function as required by the Bank of Zambia Corporate Governance Directives. To fully demonstrate compliance with this policy, including relevant track record, the applicant has agreed to engage the Institute of Internal Auditors to undertake an independent external quality assurance review of its internal audit function.

22. The applicant has put in place robust internal control measures through the adoption of a global internal control framework promulgated by the Committee of Sponsoring Organizations of the Treadway Commission. The framework includes clearly defined roles for the board of directors, oversight committees, management, internal and external auditors, and all employees. The framework is implemented in conjunction with other key institutional policies relating to risk, finance and portfolio management and fraud deterrence. The framework also provides guidelines on delegation of authority in the execution of key functions in the institution.

23. The applicant has a Procurement and Administration Procedures Manual that guides its internal procurement activities. The manual includes specific guidelines for different types of procurement managed by the applicant. As a public sector entity, the applicant is also required to comply with the provisions of the Zambia Public Procurement Act, 2008 and the Zambia Public Procurement Regulations, 2011. The applicant provided sample reports on two major procurement activities undertaken recently, which demonstrated compliance with its procurement policies and guidelines. Based on the information provided, the AP concludes that the applicant follows procurement policies and guidelines that promote transparency, economy and fairness and are consistent with recognized international practice.

24. The applicant's Procurement and Administration Procedures Manual was recently revised to include specific procedures and guidelines for overseeing and assessing the procurement procedures and practices of beneficiary institutions, executing entities or project sponsors under projects/programmes that could be funded by GCF. However, effective implementation of these procedures has not been demonstrated. Also, the applicant has not provided evidence of public disclosure of its procurement policies and procurement awards as required by the GCF basic fiduciary standard relating to procurement. Evidence of assessments of the procurement procedures of beneficiary institutions, executing entities or project sponsors in relation to GCF projects/programmes, as well as evidence of public disclosure of procurement awards under GCF-funded projects/programmes on the applicant's website, would be provided only after implementation of GCF-funded projects/programmes has commenced.

25. The AP finds that the applicant's policies, procedures and capacity, supported by the evidence of its track record, partially meet the GCF basic fiduciary standards on key administrative and financial capacities. The relevant gaps are identified in paragraphs 21 and 24 above and are reflected by the corresponding condition of accreditation in section 4.2.

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

26. The applicant has a recently adopted the Code of Ethics, which defines ethical standards to be upheld by all employees and individuals contracted or functionally related to the organization. The Code of Ethics is publicly disclosed on the applicant's website. To ensure effective oversight of the ethics function, the Integrity Committee was recently established in accordance with the Anti-Corruption Act of the Government of Zambia. Its main role is to ensure that misconduct/ethical issues are managed and dealt with in a fair, transparent and consistent manner. However, as the Committee is new, evidence of its effective oversight of the ethics function has not been demonstrated.

27. In addition to the Code of Ethics, the applicant has put in place other policies and procedures for promoting transparency and accountability in its operations as well as prevention of financial mismanagement and other forms of misconduct. The main relevant policies and procedures include:

- (a) A prohibited practices policy, which includes the applicant's anti-fraud policy and specifies the applicant's zero tolerance to fraud, corruption and other forms of misconduct;
- (b) Avenues for reporting violations of the Code of Ethics, prohibited practices policy and other forms of misconduct;
- (c) A conflict of interest policy that describes what constitutes conflict of interest and includes conflict of interest review and resolution procedures; and
- (d) A whistle-blower policy and mechanisms for protecting whistle-blowers and witnesses; the policy is administered by the applicant's Corporate Support Services Department.

28. The applicant's Internal Audit Unit is responsible for investigating allegations of fraud, corruption, violations of institutions' code of ethics and other forms of misconduct. The TOR for the investigation function is provided in the Internal Audit Manual and the applicant's Disciplinary and Grievance Procedures Code document, and are publicly disclosed on the applicant's website. The TOR includes adequate guidelines for reporting outcomes of investigations to the Integrity Committee, senior management and the relevant business functions.

29. The applicant has an anti-money laundering and anti-terrorism financing (AML/CFT) policy that is designed to comply with the Prevention of Money Laundering Act 2001, the Bank of Zambia Anti-Money Laundering Directive 2004, and the guidelines of the Financing of Terrorism and Proliferation of the Financial Action Task Force, an independent intergovernmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction.

30. Sound "know your customer" (KYC) due diligence procedures to combat money laundering and financing of terrorism are in place. The procedures focus on three key areas: client identification and verification; understanding the nature and purpose of the client's business and the proposed transaction; and identifying any politically exposed persons. Samples of KYC due diligence reports reviewed by the AP demonstrate that the KYC procedures are effectively implemented.

31. The applicant regularly monitors electronic funds transfers to ensure that funds are received from bona fide sources and paid to the intended beneficiaries. Samples of monitoring reports on electronic fund transfers were provided and reviewed by the AP.

32. The AP finds that the applicant's policies, procedures and capacity, supported by the evidence of its track record, partially meet the basic fiduciary standards on transparency and accountability, the Policy on the Protection of Whistle-blowers and Witnesses,⁴ the Policy on Prohibited Practices⁵ and the AML/CFT Policy of GCF.⁶ The relevant gap is identified in paragraph 26 above and is reflected by the corresponding condition of accreditation in section 4.2.

3.1.1. **Specialized fiduciary standard for project management**

33. During the early stages of assessment by the AP during stage II (step 1) accreditation review, the AP noted the applicant's lack of sufficient policies and procedures for project management (as required by the GCF specialized fiduciary standard for project management). As such, the AP recommended that the applicant consider not pursuing accreditation for the GCF specialized fiduciary standard for project management until the applicant has developed such systems, policies and procedures, and demonstrates a track record of such systems. The applicant agreed to the AP's recommendation and withdrew its application for this standard at this time.

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

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

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

35. The applicant's lending and on-lending operations are guided by a set of policies, procedures and guidelines contained in three main documents: Credit Appraisal Manual, Credit

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

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

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

Appraisal Template, and Credit Appraisal Workflow Charts. It also uses COMFAR III Expert software, which was developed by the United Nations Industrial Development Organisation to aid in the feasibility studies of development projects, including generating financial projections.

36. In addition to its lending and on-lending operations, the applicant undertakes equity financing and provides guarantees to enhance the credit profiles of its clients. The main objectives of the applicant's equity finance activities include development of local technology, creation and expansion of permanent employment, use of local raw materials, and development of a robust indigenous private sector. The applicant's policies and procedures for undertaking equity investments are set out in two documents: Investment Policy and Credit Appraisal Manual. The due diligence framework applicable to the appraisal of on-lending operations is used for undertaking assessments of applications for guarantees.

37. The applicant provided copies of the policies and procedures for its on-lending, blending, equity investments and guarantee operations as well as examples of equity investments made and guarantees provided. The information provided demonstrates the applicant's sound track record in on-lending, blending, equity investment and guarantee operations.

38. The applicant recently revised its information disclosure policy to include provisions, among others, for public disclosure on its website and information on: (i) its decisions on on-lending, blending, equity investment and guarantee operations that could be funded by GCF, (ii) beneficiaries and results of projects/programmes, and (iii) the advantages to the final beneficiaries of projects that could be funded by GCF. However, the applicant has not demonstrated effective implementation of this policy. Public disclosure of the required information can only be demonstrated during and at the end of implementation of GCF-funded projects/programmes.

39. The applicant has proven experience in sourcing funds for its on-lending and blending operations from international and multilateral funding sources. Financing raised from the African Development Bank, China Development Bank, the Global Environment Facility (channeled through the United Nations Industrial Development Organization) and the Saudi Fund for Development is used to support its on-lending operation, especially to support small and medium-sized enterprises. Based on the information provided, the AP finds that the applicant has demonstrated its capacity to effectively and transparently channel funds that could be provided by GCF in line with the GCF specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees.

40. The applicant has an Asset and Liability Management Committee whose main role is to ensure an appropriate match between its assets and liabilities. Sample minutes of the committee meetings provided show that it carries out its responsibilities effectively.

41. The applicant is yet to be rated by any of the major global rating companies. However, in 2015, it received the Best Performing African Development Finance Institution Award from the Association of African Development Finance Institutions and an A+ rating in the areas of governance, financial and operational standards.

42. 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, equity and guarantees. The relevant gap is identified in paragraph 38 above and is reflected by the corresponding condition of accreditation in section 4.2.

3.2 Environmental and social safeguards

3.2.1 Environmental and social policy

43. The applicant's Environmental and Social Management System (ESMS) comprises of its Environmental and Social (E&S) Policy and Environmental and Social Guidelines and Procedures (ESGP), which were approved by its Executive Management Committee in April 2020. The ESMS replaces and updates the applicant's 2016 Environmental, Occupational and Social Policy and related management guidelines. The updates in the E&S Policy and ESGP include checklists for E&S risk and impacts screening, and guidelines on E&S mitigation and management measures in line with the International Finance Corporation (IFC) Performance Standards 1–8 (PS 1–8).

44. The E&S Policy includes a comprehensive statement on the E&S objectives and principles guiding the institution. The main objectives of the policy are for the applicant to:

- (a) Manage and ensure that all operations and activities financed by the applicant are environmentally and socially viable;
- (b) Improve and promote corporate environmental and social responsibility within the applicant's institution;
- (c) Improve and promote corporate environmental and social responsibility for its borrowers and partners; and
- (d) Apply to the applicant's financed or co-financed projects and programmes and loans, equity investments, managed funds, guarantees and grants.

45. The applicant has adopted the IFC PS 1–8 as its operational safeguards. The applicant also follows the principle of free, prior and informed consent as part of its stakeholder engagement, particularly in its engagement with indigenous peoples. The applicant's Managing Director has the overall responsibility for the E&S Policy, including its execution and communication to all levels of its institution. The E&S Policy and ESGP have been disseminated among the applicant's staff.

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

3.2.2 Identification of environmental and social risks and impacts

47. The E&S Policy and ESGP describe the institutional process for identification of E&S risks and impacts in the applicant's projects and programmes. The applicant's projects/programmes are classified under three E&S risk categories—category I-1, I-2 and I-3 – which are consistent with the E&S risk categories in the GCF Environmental and Social Policy and GCF interim ESS standards. The E&S Policy provides a list of typical projects considered under E&S risk category I-1 and I-2 and also contains a checklist to assess E&S risks and impacts against PS 1–8. The applicant's E&S and gender teams are responsible for reviewing the E&S risk categorization proposed by the applicant's borrower and approved by the applicant's national E&S regulatory body – the Zambia Environmental Management Agency (ZEMA).

48. The applicant provided a sample of four project documents that include E&S risk screening for category I-1 projects/programmes in line with IFC PS 1–8. The four projects were: (i) processing of maize grain into maize meal products; (ii) fish farming using cages in a major lake; (iii) a mini-hydro power station; and (iv) a sugar processing plant including a bagasse (sugar cane stalk) fired power plant. The provided sample of a category I-2 project/programme involved the development of a hotel and tourism resort with water-based sporting activities.

49. 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 maximum E&S risk category I-1 projects/programmes with respect to performance standards 1–8.

3.2.3 Environmental and social management programme

50. The E&S Policy describes the applicant's institutional process for managing mitigation measures and actions stemming from the E&S risk identification process. The ESGP provides further details on the E&S assessment process, including the typical formats of an environmental and social impacts assessment (ESIA), environmental and social management plan (ESMP), E&S appraisal report, and E&S monitoring report. The applicant's E&S Policy includes the requirements for an external audit of the effectiveness of the ESMS.

51. For category I-1 projects/programmes, the applicant's borrower is responsible for the preparation of an ESIA in accordance with the EMA-approved TOR. The EMA then grants their approval of the E&S assessment reports, citing preferred project alternatives if relevant. Projects/programmes falling under category I-2 require the project borrower to initially prepare a project brief for review by the EMA, which is then followed by the preparation of an ESMP. Beyond screening, no further environmental assessment action is required for category I-3 projects/programmes. The borrower is required to consult with relevant stakeholders throughout the project/programme implementation and report the findings to the applicant on a quarterly basis. The ESMP forms part of the legal agreement, which includes, as necessary, obligations of the borrower to support the implementation of the ESMP.

52. The applicant provided a sample of five project documents that include the ESIA's (four in E&S risk category I-1 and one in category I-2) for the same projects/programmes described in paragraph 46 above, including the applicant's own internal due diligence based on the review of the ESIA's/ESMP's. The applicant also provided evidence of E&S assessments for one project it has financed involving an equity structure and guarantee. As the applicant's ESMS was updated just recently, it has not commissioned an external E&S audit of the implementation of the ESMS. However, the applicant has indicated that it is willing to prepare and provide an external audit report on the effectiveness of the institutional management programme for mitigation actions for GCF projects/programmes.

53. The AP finds that the applicant's management programme fully meets the Environmental and Social Policy and interim ESS standards for maximum E&S risk category I-1 projects/programmes with respect to performance standards 1-8. However, the AP finds that the applicant's track record is insufficient. The relevant gap is identified in paragraph 52 above and is reflected by the corresponding condition of accreditation in section 4.2.

3.2.4 Monitoring and review

54. The applicant's E&S Policy and ESGP describe its internal processes to support a monitoring/supervision programme that tracks and ensures completion of mitigation and performance improvement measures. The procedure requires the borrowers to monitor the environmental and social performance of the project in accordance with the requirements of the legal agreement, including the ESMP, and to review any revision of the ESMP including changes resulting from changes in the design of a project or project circumstances. After project approval, in consultation with the applicant's Legal Department, the Investments Department ensures that E&S requirements are reflected in the applicant's legal documentation (termed as the Facility Letter) for project monitoring. The Facility Letter contains covenants that require the borrower to comply with the agreed conditions. In addition, the Facility Letter stipulates that the project borrower must, within 90 days after the end of the company's fiscal year, submit annual environmental and social monitoring and performance reports to the applicant.

55. The EMA is also responsible for carrying out an environmental and social audit post-project implementation or within 36 months after the commencement of the project. The audit will focus on the E&S conditions attached to the legal agreement to assess the progress and completion of the E&S mitigation and management measures. However, the applicant could not provide adequate evidence of the plan indicating E&S monitoring indicators and mitigation measures to be monitored for projects/programmes it has financed.

56. The AP finds that the applicant's system of monitoring and review fully meets the Environmental and Social Policy and interim ESS standards for maximum E&S risk category I-1 projects/programmes with respect to performance standards 1–8. However, the AP finds that the applicant's track record is insufficient. The relevant gap is identified in paragraph 55 above and is reflected by the corresponding condition of accreditation in section 4.2.

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

57. The applicant maintains a robust external communication system to receive, assess and respond to external inquiries including E&S grievances from the stakeholders or their representatives. The grievances may be communicated verbally (in person or over a telephonic conversation) or in written form to the project manager or the applicant directly through mail or email. The applicant provided a document on its institutional level grievance redress mechanism (GRM) named "Grievance Redress Mechanism for Environmental & Social related Concerns and Complaints," which supplements the applicant's Customer Complaints Procedures. The GRM document contains a sample grievance redress form used to record in the grievance register. GRM principles require GRM to be culturally appropriate, readily accessible, at no cost to the public, and without retribution to the individuals, groups, or communities that raised the issue or concern.

58. The GRM independent oversight is provided by the applicant's Stakeholder Relations Officer who reports to the applicant's Board. The Stakeholder Relations Officer is the point person to receive complaints, which are then forwarded to the Chief Investments Officer (CIO). The Environmental and Social Unit within the Investments Department (reporting to the CIO) provides feedback to the complainant. If the initial feedback is not satisfactory in achieving resolution, the complainant can escalate the concerns to the Office of the Chief Risk Officer. The preferred course of action is discussed with the affected person(s) to ensure consensus in the resolution of the grievance. In case the grievance remains unsettled, the CIO/Chief Risk Officer will forward the case to the Managing Director who then identifies an adequate resolution or provides an alternative resolution to the grievance. The GRM document requires the applicant's executing entity to be responsible for informing project-affected parties about its grievance mechanisms and to be the first point of contact.

59. The applicant provided a copy of its disclosure policy, which describes the requirements regarding information disclosure and public consultation for the E&S assessment documents of its projects/programmes in line with the GCF Information Disclosure Policy (IDP) requirements for the disclosure of E&S information for E&S risk categories I-1 and I-2 projects/programmes. The applicant provided a sample of its project documents that presented evidence of E&S information disclosure and consultation as well as the inclusion of GRM at its institutional level and executing entity level.

60. 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, fully meets the Environmental and Social Policy, interim ESS standards and the IDP regarding E&S information disclosure requirements for maximum E&S risk category I-1 projects/programmes with respect to performance standards 1–8.

3.2.6 Organizational capacity and competency

61. The applicant provided an organogram showing the structure of the Investments Department, which includes the senior management and investment officers with responsibilities in E&S and gender assessment areas. The applicant provided a list of key in-house persons undertaking the necessary E&S and gender related work, including their areas of responsibilities and competency in the form of curricula vitae and samples of their E&S assessment review work. The borrower is responsible for integrating environmental and social

considerations into projects according to EMA's stipulation and the applicant's E&S safeguards requirements.

62. The applicant's Managing Director takes overall responsibility for the ESMS, including its execution and communication to all levels of the bank. The day-to-day responsibility for the implementation of the ESMS is delegated to the Investments Department, which is headed by the CIO and supported by the E&S and gender teams. Both teams are provided with training on the E&S Policy and the ESGP to assist them in fulfilling their responsibilities with respect to E&S risk identification and mitigation management. Several officers of the applicant have undergone training on E&S issues with various organizations such as the African Development Bank and the United Nations Environment Programme. The applicant has provided the certificates of E&S training of relevant staff as well as course descriptions of the training received.

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

3.3 Gender

64. The applicant provided a document entitled "Gender Policy and Guidelines" (GP&G), approved by its Executive Management Committee in April 2020. The GP&G is set within the framework of the applicant's mandate to support the national economic development agenda as envisioned through the country's 7th National Development Plan⁷, a key document that drives the country's economic development agenda. The GP&G defines the applicant's commitment to promote gender mainstreaming in its policies, strategies and projects/programmes as a means of fostering gender equality at both the institutional and project levels. The applicant prescribes to the United Nations Sustainable Development Goals, particularly goal no. 5, which aims at achieving gender equality and empowering all women and girls and providing women and girls with equal access to education, health care, decent work, and representation in political and economic decision-making processes.

65. The GP&G recognizes that gender equality is a sensitive issue that requires commitment at every level of the applicant's organization and the integration of a gender perspective into all policies, projects and allocation of resources and opportunities, for women and men, in achieving the applicant's GP&G. The policy specifically aims:

- (a) To provide a clear mandate for effectively mainstreaming gender into all the applicant's policies and procedures at both the institutional and project/programme levels; and
- (b) To promote a gender-responsive organizational culture that enables women and men to work together in an equitable and mutually respectful manner.

66. The GP&G includes detailed guidelines on gender mainstreaming, comprising processes for gender assessment supported by checklists for various phases of project preparation, appraisal and monitoring. The project appraisal includes the development of segregated gender data on employment, age, tribe or race (if applicable) in the appraisal reports and gender-sensitive indicators for monitoring. Where necessary, the Facility Letter will explicitly state any gender related issues as a pre-condition for disbursement. For micro, small and medium-sized enterprises in particular, the applicant applies the Female and Male Operated Small enterprises

⁷ See <<https://www.sdgphilanthropy.org/The-7th-National-Development-Plan-of-Zambia#:~:text=The%20Seventh%20National%20Development%20Plan%20%287NDP%29%2C%20which%20is,by%20harnessing%20opportunities%20for%20economic%20diversification%20and%20growth>>.

(FAMOS) tool⁸ developed by the International Labour Organization to identify opportunities for improvement in providing access to financial services, particularly to female customers.

67. The applicant provided the profiles of its Gender Team Leader and the team's gender experts as evidence of their competency in addressing gender issues; evidence included training they had received on gender mainstreaming. The applicant provided two project documents involving a loan, equity structure and guarantee addressing gender mainstreaming: (i) an aquaculture project in a lake and (ii) a mini-hydropower plant project, both of which reflect the participation and division of labour between men and women, including non-discriminatory measures in their benefit sharing. The applicant is committed to addressing linkages between gender and climate change in its GCF projects/programmes.

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

IV. Conclusions and recommendation

4.1 Conclusions

69. Following its assessment of the application against the standards of GCF in accordance with the accreditation requirements identified in paragraph 15 above, the AP concludes the following:

- (a) The applicant partially meets the requirements of the basic fiduciary standards, the Policy on the Protection of Whistle-blowers and Witnesses, the Policy on Prohibited Practices, the AML/CFT Policy and the specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees. The key gaps (addressed in the corresponding conditions of accreditation in section 4.2) are related to:
 - (i) Lack of evidence of a periodic assessment of the overall effectiveness of the applicant's internal audit function reflected in paragraph 21;
 - (ii) Lack of evidence of (a) assessments of the procurement procedures of beneficiary institutions, executing entities or project sponsors and (b) public disclosure of procurement awards on the applicant's website reflected in paragraph 24;
 - (iii) Lack of demonstration of effective oversight of the ethics function reflected in paragraph 26; and
 - (iv) Lack of evidence of public disclosure of information on: (a) the applicant's decisions on on-lending, blending, equity investment and guarantee operations; (b) beneficiaries and results of projects/programmes; and (c) the advantages to final project beneficiaries reflected in paragraph 38;
- (b) The applicant partially meets the requirements of the GCF Environmental and Social Policy, interim ESS standards and the IDP on disclosure of E&S information in relation to the high E&S risk (Category I-1). The key gaps (addressed in the corresponding conditions of accreditation in section 4.2) are related to:
 - (i) Lack of external audit of the applicant's ESMS on the effectiveness of the institutional management programme for mitigation actions reflected in paragraph 53; and

⁸ See <https://www.ilo.org/empent/Publications/WCMS_116094/lang--en/index.htm>.

- (ii) Lack of evidence on planning of E&S monitoring and evaluation reflected in paragraph 55; and
- (c) The applicant has demonstrated that it has a policy, procedures and competencies to implement its gender policy, which is found to be consistent with the updated Gender Policy of GCF, and has demonstrated that it has experience in gender consideration in the context of climate change.

4.2 Recommendation on accreditation

70. The AP recommends, for consideration by the Board, applicant APL107 for accreditation as follows:

- (a) **Accreditation type:**
 - (i) **Maximum size of an individual project or activity within a programme:** medium⁹ (including micro¹⁰ and small¹¹);
 - (ii) **Fiduciary functions:**
 1. Basic fiduciary standards; and
 2. Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees); and
 - (iii) **Maximum environmental and social risk category:** high risk (category I-1) (including lower risk (category intermediation 2 (I-2)¹² and category intermediation 3 (I-3)¹³));
- (b) **Conditions:** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the conditions. The AP will thereafter assess whether the conditions have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes:
 - (i) Conditions to be met prior to the submission of the first funding proposal to the Board:
 1. Provision by the applicant of evidence of an independent assessment of the overall effectiveness of the applicant's internal audit function; and

⁹ As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "medium" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 50 million and up to and including US\$ 250 million for an individual project or an activity within a programme."

¹⁰ 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."

¹¹ 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."

¹² As per annex I to decision B.07/02, category B is defined as "Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures," and intermediation 2 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented."

¹³ As per annex I to decision B.07/02, category C is defined as "Activities with minimal or no adverse environmental and/or social risks and/or impacts," and intermediation 3 is defined as "When an intermediary's existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts."

2. Provision by the applicant of the agenda and minutes of at least two recent meetings of its Integrity Committee to demonstrate oversight of the ethics function;
- (ii) Condition to be met with the submission of the first funding proposal to GCF:
 1. Provision by the applicant of a monitoring and evaluation plan containing environmental and social monitoring indicators and mitigation measures to be monitored for the proposed project/programme;
- (iii) Condition to be met within three years of the first disbursement by GCF for the first executed Funded Activity Agreement for a project/programme to be undertaken by the applicant:
 1. Provision by the applicant of a final report prepared by an independent body assessing the effectiveness of the implementation of the applicant's environmental and social management system, which shall include examples of its application and of lessons learned;
- (iv) Conditions to be met on an annual basis for two consecutive years starting from the date of the first disbursement by GCF for the first executed Funded Activity Agreement for a project/programme to be undertaken by the applicant:
 1. Provision by the applicant of at least one report per year on the assessment of the procurement procedures and/or practices of executing entities, project sponsors or beneficiary institutions for the first executed Funded Activity Agreement for a GCF project/programme;
 2. Provision by the applicant of evidence of public disclosure on its website of procurement awards in relation to the first executed Funded Activity Agreement for a GCF project/programme; and
 3. Provision by the applicant of evidence of public disclosure of information regarding the applicant's decisions on on-lending, blending, equity investment and/or guarantee operations for the first GCF-funded project/programme that involves the specialized fiduciary standard for on-lending and/or blending for loans, equity and/or guarantees; and
- (v) Condition to be met within one year of completing the implementation of the first approved GCF project/programme to be undertaken by the applicant:
 1. Provision by the applicant of evidence of public disclosure on its website:
 - a. The list of beneficiaries under the first approved GCF project/programme; and
 - b. The results and outcomes of the first approved GCF project/programme.

71. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 70 above, and agrees to the recommendation.

4.3 Remarks

72. The applicant is already taking steps to meet the conditions identified in paragraphs 70(b)(ii) and 70(b)(iii) above.

Annex V: Accreditation assessment of applicant 108 (APL108)

I. Introduction

1. Applicant 108 (APL108), the Infrastructure Development Bank of Zimbabwe (IDBZ) is a national direct access entity based in Zimbabwe. The applicant aims to promote economic development and growth and improve the living standards of Zimbabweans through the development of infrastructure. It focuses on the development of various sectors, including energy power supply, transport, water and sanitation, information communication technology and housing.

2. The applicant submitted its application for accreditation to GCF via the online accreditation system on 1 April 2019. Accreditation fees were received from the applicant on 1 August 2019, thereby launching the stage I institutional assessment and completeness check. Stage I was completed on 30 June 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 the Republic of Zimbabwe;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or activity within a programme:** small;¹
- (d) **Fiduciary functions:**²
 - (i) Basic fiduciary standards;
 - (ii) Specialized fiduciary standard for project management; 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

II. Stage I institutional assessment and completeness check

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

¹ As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), “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.”

² Decision B.07/02.

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

- (a) “Guiding Framework and Procedures for Accrediting National, Regional and International Implementing Entities and Intermediaries, Including the Fund’s Fiduciary Principles and Standards and Environmental and Social Safeguards” (decision B.07/02);
- (b) “Guidelines for the Operationalization of the Fit-for-purpose Accreditation Approach” (decision B.08/02);
- (c) “Interim Policy on Prohibited Practices” (exhibit A of the accreditation master agreement considered in decision B.12/31);
- (d) “Policy on Prohibited Practices” (decision B.22/19);
- (e) “Anti-Money Laundering and Countering the Financing of Terrorism Policy” (AML/CFT Policy) (decision B.18/10);
- (f) “Policy on the Protection of 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 was established as a body corporate pursuant to section 3 of Chapter 24:14 of the Infrastructure Development Bank of Zimbabwe Act.

2.2 Institutional presence and relevant networks

5. As a national development finance institution, the applicant has a strong national presence to support development projects and programmes in all sectors of the Zimbabwean economy. It closely collaborates with national governments, non-governmental organizations, development partners and executing entities to implement low-emission and sustainable infrastructure projects. It also interacts with academia and local vulnerable groups to minimize adverse impacts resulting from the implemented projects. Furthermore, it mobilizes resources from both public and private sectors and further catalyses private sector finance through promotion of public-private partnerships and other innovative financial mechanisms, such as infrastructure bonds.

6. The applicant has a strong commitment to contributing to the achievement of the nationally determined contributions of Zimbabwe. Up until 2020, the applicant was guided by its medium-term strategy (2016–2020) which was based on the Zimbabwe Agenda for Sustainable Socio-Economic Transformation, the Ten-Point Plan and the United Nations’ 2030 Agenda for Sustainable Development. To chat a new national transformative and inclusive development agenda, the Government of Zimbabwe has come up with its Vision 2030, which envisages an upper middle-income status for the country by 2030. The country has since launched National Development Strategy 1 (NDS1), which will run until 2025, followed by another five-year strategy (NDS2). The applicant is thus currently developing a long-term strategy (2021–2030) to support Vision 2030 priorities and envisaged growth targets under NDS1. In order to achieve national climate priorities, the applicant intends to focus on

promoting climate resilient agriculture, increasing renewable energy sources, developing integrated waste management systems, changing existing thermal power station technologies to low carbon technologies, establishing smart cities, and supporting development of effective urban public transport systems.

7. In order to advance the objectives of GCF, the applicant intends to improve its institutional capacity to manage climate finance and climate projects through capacity-building programmes. In addition, it intends to utilize the Project Preparation Facility upon accreditation to address gaps in project preparation activities and accelerate development of its climate project pipeline. The applicant intends to use GCF resources with a focus on areas of energy access, energy efficiency and agriculture for the following activities to continue to assist the Government of Zimbabwe in the implementation of its nationally determined contributions, including:

- (a) Off-grid solar projects in partnership with the Rural Electrification Agency to reduce pressure on the grid whilst increasing availability of affordable, reliable and clean energy;
- (b) Blending concessional resources from GCF to catalyze increased private sector investments in scalable renewable energy projects;
- (c) Investing in integrated solid waste management that promotes composting, recycling and landfilling with gas flaring;
- (d) Development of solar-powered off-grid and water-efficient irrigation schemes and drought-proof agriculture sector projects, to enhance agricultural production, food security, job creation, and poverty alleviation in Zimbabwe; and
- (e) Low-emission development strategies to use alternative energies, for example, solar lighting systems, solar water heaters, and energy-efficient designs for construction and operation of accommodation facilities, such as under its University Students and Staff Accommodation Programme.

8. The applicant's overall planned use of GCF resources is coherent with information that the country has presented in the draft version of the Zimbabwe Country Programme, shared with the Secretariat in the fourth quarter of 2020 (the final version of Zimbabwe's Country Programme has not been shared with GCF as at the date of finalizing this recommendation on accreditation).

2.3 Track record

9. Since its establishment the applicant has been working to promote development of infrastructure and economic growth of Zimbabwe. It provides capital for expansion and modernization of existing, as well as the creation and development of new, infrastructure facilities and enterprises. With a focus on agriculture (irrigation infrastructure), energy, transport, water and sanitation, housing and information communication technology sectors, the applicant mobilizes public and private finance to appraise, implement and monitor development projects and programmes. It also provides technical assistance with regard to identification, preparation, evaluation, financing and management of such projects and programmes. The applicant facilitates participation of local communities and vulnerable groups in its projects. Furthermore, it has mainstreamed and integrated gender equity and environmental and social safeguards in the design, implementation and management of its infrastructure projects. The applicant also has experience in providing loans, equity and guarantees to clients, projects and businesses.

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

- (a) USD 50 million (loans) for the Expansion of Kariba South Hydro Power Station Project of Zimbabwe Power Company;
 - (b) USD 45 million (loans) for the Prepaid Metering Project by the Zimbabwe Electricity Transmission and Distribution Company which has helped to enhance revenue collection and electricity use and availability as well as reduce load-shedding and the use of kerosene and diesel/petrol generators;
 - (c) USD197,690 (loan) to finance a bankable feasibility study for the proposed Osborne Dam Mini-hydro Project in Manicaland Province in Zimbabwe;
 - (d) USD 14.8 million (equity) for the Kariba Housing Development Project to develop residential land in Kariba town in Zimbabwe;
 - (e) USD 5.8 million (equity) for the Empumalanga West Housing Project to develop residential land in Hwange town in Zimbabwe;
 - (f) USD 4,700 (guarantees) for Max Haivo Electrical and Hardware Enterprise to support the Rural Electrification Agency to establish a performance bond for the supply and delivery of drop out fuses; and
 - (g) USD 429,331 (guarantees) for Hualong Construction Company for the construction of the head office for the Cell Insurance Company (Private) Limited in Harare.
11. The applicant has experience with projects/programmes related to the following GCF results areas:
- (a) Mitigation: reduced emissions from:
 - (i) Energy generation and access;
 - (ii) Transport; and
 - (iii) Buildings, cities, industries and appliances;
 - (b) Adaptation: increased resilience of:
 - (i) Livelihoods of people and communities;
 - (ii) Health, food and water security; and
 - (iii) Infrastructure and built environment.

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 except for paragraph 3(c) as that policy was no longer valid and superseded by that in paragraph 3(d) and except for paragraph 3(i) which was superseded by that in paragraph 3(j), both at the time the application entered stage II (step 1).
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 has a governance structure suitable for its scope of operations. An organizational chart lays out the institution's key areas of authority, responsibilities and reporting lines. The Board of Directors is assisted by four board committees: Corporate Governance, Ethics and Sustainability Committee; Finance, Risk and ICT Committee; Human Resources Committee; and Audit Committee. The latter assists the Board in exercising oversight of the entity's internal controls, internal and external audit processes and reporting, and financial governance processes that are designed to support the achievement of the entity's strategic objectives. Terms of reference of the committees and sample minutes of committee meetings show that the committees carry out their functions in accordance with their mandates.

15. The applicant has a process for setting its short- and long- term objectives. The process is driven by the entity's Economics, Strategy and Performance Monitoring Unit. The applicant normally develops strategies of up to five years and three-year rolling work programmes and budgets. However, the applicant is currently working on a long-term strategy for the next 10 years, from 2021 to 2031. A copy of the applicant's current strategic plan (2016–2020) was provided. A review by the AP showed the strategic plan supports and is aligned with the entity's overall mission.

16. The applicant's external audit reports reviewed by the AP confirm that the entity's annual financial statements are prepared in accordance with International Financial Reporting Standards, the requirements of the country's Banking Act and the Infrastructure Development Bank of Zimbabwe Act. As a public sector entity, the applicant is under the purview of the Office of Auditor General who is responsible for the appointment of the external auditor (currently Baker Tilly Chartered Accountants) through a competitive process. External audit reports examined by the AP are comprehensive and include:

- (a) Assertions by the external auditor that the financial statements are audited in accordance with International Standards on Auditing; and
- (b) Information on the status of management responses to external audit observations/recommendations of previous years.

17. The policies and procedures relating to payments for the applicant's expenses and disbursement of the financing it provides are detailed in a Finance Procedures Manual and Delegation of Authority Matrix. Evidence of a system for periodic compliance check/audit of the payment and disbursement system was provided.

18. The applicant has an independent Internal Audit Unit which functionally reports to the Board Audit Committee and administratively to the entity's Chief Executive Officer. Work of the Unit is guided by an Internal Audit Charter and an Internal Audit Manual. Both documents outline the scope, purpose, authority and responsibilities of the internal audit function. Sample internal audit reports provided show that: (a) implementation of audit recommendations is actively followed up by both management and the Board Audit Committee; and (b) the performance of services provided by the Internal Audit Unit is guided by the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing. The Unit's work is based on annual audit plans. Sample audit plans, audit reports and information on the status of execution of the last three years' internal audit plans reviewed by the AP confirm that the Internal Audit Unit carries out its function in accordance with its Charter. While the applicant has a policy requiring periodic assessment of the overall effectiveness of the internal audit function, evidence of implementation of the policy was not provided. However, the applicant has started the process of engaging the Institute of Internal Auditors to undertake an independent assessment.

19. The applicant has a well-documented internal control framework that defines the roles for the Board of Directors, internal oversight bodies, management, internal and external auditors, and other personnel in the organization. The applicant manages the risk inherent in its

business activities through an ongoing process of identification, measurement and monitoring, in line with approved risk limits and other controls. The applicant continuously reviews and where necessary revamps its compliance risk management framework to ensure adherence to the applicable laws, regulatory requirements, internal policies and procedures, industry standards and best practice.

20. The applicant has appropriate procurement policies and procedures detailed in a Procurement Policy Manual. The policies and procedures are designed to: (a) promote economy, fairness, transparency and efficiency in the procurement process; (b) specifically ensure compliance with the country's Public Finance Management Act, Public Procurement and Disposal of Public Assets Act and the Procurement Regulations S.I.5 of 2018; and (c) generally, comply with international, regional and national procurement best practices. The applicant also has guidelines for different types of procurement, such as consultants, contractors and service providers under the projects it finances. Documents relating to two separate major procurement activities undertaken in the recent past were reviewed by the AP. They demonstrate compliance with the entity's procurement policies, guidelines and procedures. The applicant has a satisfactory process for resolution of procurement disputes. In accordance with the Public Procurement and Disposal of Public Assets Act and Regulations, the applicant's procurement policies and awards are publicly disclosed in the Government Gazette and major newspapers. Evidence of public disclosure of the applicant's procurement policies and procurement awards was provided.

21. The applicant has in place appropriate procedures and adequate organizational resources for assessing the procurement procedures of beneficiary institutions, executing entities or sponsors of projects that would be funded by GCF. However, effective implementation of these procedures has not been demonstrated. Evidence of assessments of the procurement procedures of beneficiary institutions, executing entities or project sponsors in relation to GCF projects/programmes, as well as evidence showing that the applicant's procurement policies and awards under GCF-funded projects are publicly disclosed on its website would be provided only after implementation of GCF-funded projects/programmes has commenced.

22. The AP finds that the applicant's policies, procedures and capacity, supported by the evidence of track record, partially meet the basic fiduciary standards on key administrative and financial capacities. The relevant gaps are identified in paragraphs 18 and 21 above and are reflected by the corresponding condition of accreditation in section 4.2.

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

23. The applicant has a Code of Ethics to provide general guidance on standards expected of all employees and persons/entities associated with the applicant. The policy requires all board members, management and employees to acknowledge that they are aware of the Code and have complied with its provisions by signing a Code of Ethics Compliance Form on joining the institution and again when there are substantial changes to the Code of Ethics policy. Samples of the forms signed by staff members in compliance with the provisions of the policy were provided. The Code of Ethics is communicated to all other persons/entities with a business relationship with the applicant through appropriate provisions in signed contracts, sensitization workshops, newsletters/bulletins and disclosure of the Code of the Ethics on the applicant's website.

24. In addition to the Code of Ethics, the applicant has in place other policies and procedures for promoting transparency and accountability in its operations as well as prevention of financial mismanagement and other malpractices. These include:

- (a) An anti-fraud policy which specifies the applicant's zero tolerance to fraud, corruption and other forms of misconduct;

- (b) A financial disclosure policy that specifies the prohibited personal financial and business interests which have to be declared and the sanction measures taken against parties that do not comply with the policy;
- (c) Procedures for handling conflict of Interest;
- (d) Comprehensive whistle-blowing procedures which include:
 - (i) use of an independent whistle-blowing service (Deloitte Tip-offs Anonymous reporting system) to report cases of misconduct;
 - (ii) anonymous tip-offs which are published on the applicant's website to ensure accessibility to the public;
 - (iii) anonymous tip-off posters displayed at the reception, customer service areas, rest rooms and banking hall area within the applicant's premises; and
 - (iv) free post envelopes distributed to employees through pay slips at least once every six months; and
- (e) Mechanisms for protecting whistle-blowers and witnesses.

25. The applicant has an investigation function under which cases of reported or suspected fraud and other forms of misconduct are investigated by the Internal Audit Unit. The function's terms of reference are provided in the applicant's anti-fraud policy document. In order to strengthen the function, a new Investigations, Integrity & Loss Control Division is being established. Apart from recruitment of additional staff with the appropriate skills and experience, strengthening of the investigation function, expected to be completed in 2021, entails revision of the function's terms of reference to include appropriate procedures for periodic reporting of case trends for information and follow-up by the Board's Corporate Governance, Ethics and Sustainability Committee which assists the Board in ensuring the organization has an embedded culture of ethical conduct. Provision of evidence showing that the Investigations, Integrity & Loss Control Division has been established and is fully operational is required to meet the GCF basic fiduciary standard on transparency and accountability with respect to the investigation function.

26. The applicant is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a regional AML/CFT watchdog and has a robust Anti-Money Laundering and Anti-Terrorist Financing Policy which is designed to comply with Regional and global AML/CFT standards such as Financial Action Task Force (FATF) 40 Recommendations as well as applicable national laws and guidelines including:

- (a) Money Laundering and Proceeds of Crime Act;
- (b) Suppression of Foreign and International Terrorism Act;
- (c) Reserve Bank Guidelines on Anti-Money Laundering (AML);
- (d) Prevention of Corruption Act;
- (e) Criminal Law (Codification and Reform) Act; and
- (f) Statutory Instrument 76 of 2014: Suppression of Foreign and International Terrorism.

27. The applicant has a sound "know your customer" (KYC) due diligence process for combating money laundering and financing of terrorism. The process is guided by well documented procedures including: AML/CFT Due Diligence Guideline 2018; Money Laundering and Terrorist Financing Institutional Risk Assessment; and Compliance Policy and Sanctions Screening Process.

28. As part of the KYC due diligence process, all individual and corporate customers are screened through the SWIFT Sanctions Screening System and the Dow Jones Politically Exposed

Persons (PEP) lists to check their PEP and sanctions status. In addition, prior to account opening, all new individual customers are required to provide national identity documents and proof of residence.

29. The applicant has mechanisms to trace/monitor electronic transfer/wiring of funds to ensure that funds are received from bonafide sources and paid to the intended beneficiaries. The applicant uses an automated SWIFT transactions screening engine which screens Real Time Gross Settlements (RTGs) and telegraphic transfers. The system screens against competent sanctions lists including the UN Sanctions List, Office of Foreign Assets Control (OFAC) sanctions list and sanctions lists issued by the United Kingdom and Canadian governments. Samples of reports on KYC due diligence carried out, and monitoring reports on electronic fund transfers were provided and reviewed by the AP.

30. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, partially meet the basic fiduciary standards on transparency and accountability, the Policy on the Protection of Whistleblowers and Witnesses,⁴ the Policy on Prohibited Practices⁵ and the AML/CFT Policy.⁶ However, the AP finds that the applicant's track record is insufficient. The relevant gap is identified in paragraph 25 above and is reflected by the corresponding condition of accreditation in section 4.2.

3.1.3 Specialized fiduciary standard for project management

31. The applicant has well documented policies and procedures that guide its operations. These include:

- (a) Policies, Operations Guidelines Manuals which lay out the framework/guidelines for project identification, preparation and appraisal;
- (b) Project Risk Assessment Framework; and
- (c) Several policies and procedures relating to management of resources, investments, asset and liability management, project monitoring and evaluation, project closure and independent evaluation of project results, and reporting on project results achieved and lessons learned.

32. The applicant has a comprehensive risk management function handled by a stand-alone Risk Management Unit. The function is segregated from the project implementation and supervision functions. As part of the project appraisal process, a risk register is prepared detailing identified risks, risk triggers as well as preventative measures. The risk register is continuously updated to ensure that all risks are identified and addressed. The Head of the Risk Management Unit monitors the register to ensure risk levels are correctly measured and adequate mitigation plans are in place. The Credit and Operations Department independently monitors changes in the risk triggers and prepares quarterly reports which are reviewed by the Management Asset and Liabilities Committee. The Audit and Compliance Units carry out checks on compliance with regulations, policies and procedures to provide assurance of the adequacy of the risk management system.

33. As part of the risk management function, the applicant has a project-at-risk system for monitoring projects to detect potential problems at an early stage in order to ensure that appropriate remedial actions are taken in a timely manner. The system is independent of the project implementation and project supervision functions. Examples of project problems identified and remedial actions taken that demonstrate the effectiveness of the applicant's risk management function and the project-at-risk system were provided.

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

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

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

34. The applicant has a monitoring and evaluation function which is independent of the project origination and supervision functions and is undertaken by the Implementation, Monitoring and Evaluation Division. In carrying out its monitoring and evaluation responsibilities, the Division focuses on tracking project implementation progress, identifying ways of improving delivery of project interventions and learning from experience. The monitoring and evaluation teams also pay specific attention to financial/disbursement performance against project implementation plans/budgets, highlight causes of major variances, such as cost overruns, and propose appropriate remedial actions to get project implementation back on track. The applicant provided sample reports on the status of projects currently under implementation, which show that monitoring and evaluation procedures are effectively used and demonstrate that the function follows impartial and widely recognized professional standards and methods.

35. To ensure transparency in the use of funds provided by GCF, the applicant has recently revised its Information Disclosure Policy and included provisions for public disclosure of project monitoring and evaluation reports on projects that could be funded by GCF. However, public disclosure of this information can be demonstrated only during and at the end of implementation of GCF-funded projects/programmes.

36. The applicant also has a policy on independent evaluation of project outcomes and results. The policy requires that the body undertaking such evaluation is completely independent and not accountable for the particular project. The applicant engages external consultants to carry out independent evaluation of projects. However, effective implementation of the policy has not been demonstrated.

37. The AP finds that the applicant's policies, procedures and capacity, supported by the evidence of track record, partially meet the specialized fiduciary standard for project management. The relevant gaps are identified in paragraphs 35 and 36 above and are reflected by the corresponding conditions of accreditation in section 4.2.

3.1.4 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.

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

39. The applicant's policies and procedures for its on-lending and blending operations are detailed in 3 main documents: Policies, Operations Guidelines and Manuals; Credit/Lending Manual; and Bank Loans and Project Investment Approval Process. The applicant is the lead institution providing long-term loans to projects in five main sectors: public housing, energy and power supply, water and sanitation, information communications technology, and transport.

40. In addition to its lending, on-lending and blending operations, the applicant undertakes equity financing and provides guarantees to enhance the credit profiles of its clients. The same policies and procedures and the due diligence process applicable to on-lending and blending operations are used by the applicant for undertaking equity investments and providing guarantees. As of June 2020, the applicant had a total equity investment portfolio of USD 37.8 million. The portfolio comprises investments in various subsidiaries, associate companies and joint ventures. In the past three years, the applicant has provided guarantees amounting to USD 674,696.

41. The applicant has a detailed process for undertaking due diligence of the projects it finances either through loans, equity or guarantees. The key stages in the due diligence process include: (a) preparation of a Project Identification Report which requires clearance by the Director of Infrastructure Projects and approval by the Loans and Investment Committee; (b)

detailed appraisal of the proposed project by a multi-disciplinary team; and (c) approval by the Loans and Investment Committee for financing of up to USD 1.5 million or by the Board of Directors for financing above this threshold. However, irrespective of the amount, all equity investments require approval by the Board of Directors.

42. The applicant's guidelines and procedures for managing its investment portfolio are contained in two main documents: Corporate Banking and Trade Finance Unit Processes Manual, and the Equity Investment Performance Evaluation Manual. Sample investment portfolio management reports reviewed by the AP demonstrate that the above procedures and guidelines are followed in the investment portfolio management process.

43. The applicant has an Asset and Liability Management Committee whose role is to ensure the institution achieves an appropriate match between its assets and liabilities by maximizing earnings and return on capital within acceptable and controllable levels of interest rate, market, liquidity and credit risks. Sample minutes of the committee meetings provided show that it carries out its responsibilities effectively.

44. To support its lending operations, the applicant has mobilized resources from external sources including the Common Fund for Commodities (Netherlands), African Export-Import Bank (Afreximbank) and Norsad Finance, a regional private credit firm offering risk capital to mid-market growth companies in the Southern African Development Community (SADC) member states. The applicant is currently pursuing a line of credit from Afreximbank and another line of credit from the Trade and Development Bank, a trade and development financial institution operating in Eastern and Southern Africa to support private sector lending operations.

45. The applicant has revised its Information Disclosure Policy which now includes provisions for public disclosure on its website, information regarding its decisions on on-lending, equity and guarantee operations, as well information on beneficiaries and results of projects/programmes that could be funded by GCF. However, public disclosure of information on beneficiaries and results of projects/programmes can be demonstrated only during and at the end of implementation of GCF-funded projects/programmes.

46. The applicant is yet to be rated by any of the leading global rating agencies. However, as a member institution of the Association of African Development Finance Institutions, it is assessed based on the Association's prudential standards, guidelines and rating system since 2012. The applicant has obtained an A rating for 2015, 2016 and 2017, and a rating of A+ for 2018 and 2019, based on certified results of assessments in the areas of governance, financial and operational standards.

47. The information reviewed by the AP on the applicant's policies and procedures for on-lending, blending, equity investments and guarantee operations, as well as examples of loans, equity investments and guarantees financed, demonstrate the applicant's effective implementation of its policies and procedures, and a sound track record of on-lending, blending, equity investment and guarantee operations.

48. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, partially meet the specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees. The relevant gap is identified in paragraph 45 above and is reflected by the corresponding condition of accreditation in section 4.2.

3.2 Environmental and social safeguards

3.2.1 Environmental and social policy

49. The applicant's environmental and social management system (ESMS) comprises its Environmental and Social Sustainability Policy (ESSP) and Environmental and Social

Sustainability Management System (ESSMS) manual. Both documents were approved by the applicant's Executive Management Committee in November 2018, and then by the applicant's Board of Directors following review by its Corporate Governance, Ethics and Sustainability Committee. The applicant provided a copy of its March 2020 Board Resolution meeting indicating the formal approval of the ESSP and ESSMS manual by its full Board.

50. The applicant is committed to sustainable environmental and social management practices, climate change management, staff well-being, and worker and community health and safety. The applicant ensures that the projects/programmes it finances, co-finances and/or administers are designed and implemented in such a way as to optimize social and environmental benefits based on the precautionary principle and comply with appropriate environmental and social standards. The ESSP addresses environmental and social requirements for the applicant's participation in equity and debt structures and provision of guarantees. The ESSP requires compliance with all applicable international laws and standards including performance standards 1–8 of the International Finance Corporation (IFC). The applicant also follows the principle of free, and prior informed consent (FPIC) as part of its stakeholder engagement, particularly in its engagement with indigenous peoples.

51. Overall responsibility for ensuring compliance on the ESSP rests with the Chief Executive Officer. The administration and enforcement of the ESSP is the responsibility of the Director of the Resource Mobilization and Climate Finance department. The ESSP is communicated to all staff within the applicant's organization through periodic in-house seminars and training. The ESSP is available on the applicant's website.

52. The AP finds that the applicant's environmental and social management system, comprising the ESMS, supported by evidence of its track record, fully meets the Environmental and Social Policy and interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8.

3.2.2 Identification of environmental and social risks and impacts

53. The applicant's ESSMS manual serves as the guidelines for implementing the ESSP. The ESSMS manual describes the process for identification of E&S risks and impacts of projects/programmes in line with the IFC performance standards 1–8. The ESSMS manual contains annexes that guide the applicant's E&S experts with E&S screening and categorizing project/programme and identification of associated potential impacts.

54. Categorization of projects/programmes is the responsibility of the project team appointed by management to prepare the project and which consists of experts on E&S sustainability issues, gender, risk management, legal, engineering, finance and economics which identifies and assesses the project/programme and determines the risks associated with it. Their evaluation results in the project/programme being categorized as E&S risk levels A/I-1, B/I-2, and C/I-3 consistent with the three-tier E&S risk category defined in the GCF Environmental and Social Policy and GCF interim ESS standards.

55. To address the challenges of climate change and to support a low-carbon economy, the applicant carries out screening of proposed project/programme to identify potential climate change risks and impacts as well as opportunities for climate change mitigation and adaptation.

56. The applicant provided E&S risk and impacts screening and categorization forms in line with IFC performance standards 1–8 for its past projects in category B/I-2 comprising: a university students accommodation development; two housing development projects; a mini-hydro power plant; and categorization of two category B/I-2 projects under appraisal at the time of preparation of this recommendation.

57. 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 Environmental and Social Policy and

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

3.2.3 Environmental and social management programme

58. The applicant's borrower is responsible for conducting the environmental and social impact assessment/environmental and social management plan (ESIA/ESMP) studies and submits them for review to the applicant and the national E&S regulatory body called the Environmental Management Agency (EMA). When the EMA is satisfied with the ESIA/ESMP, the E&S compliance certificate is issued for project implementation to begin. The applicant then discusses the ESIA/ESMP with the borrower and agrees on its scope and timeframe for completion.

59. The ESSMS manual provides for the undertaking of internal and external audit of effectiveness of the institutional management programme for mitigation actions of the applicant's ESMS. The system auditing function lies with the applicant's Compliance Department which engages external consultants to conduct the audit. However, since the ESMS was approved by the Management Executive Committee in November 2018 and then its Board in March 2020, the applicant has not yet been subjected to an external audit. The applicant indicated that it is willing to prepare and provide external audit report on the effectiveness of the institutional management programme for mitigation actions for GCF projects/programmes.

60. The applicant provided a sample of two ESIA's for E&S risk category B/I-2 project loans and equity structures comprising a housing project and a mini hydro power project, both of which conform to IFC performance standards 1–8. The applicant does not have evidence of its experience with E&S risk and impacts identification, mitigation management and monitoring and reporting for its projects/programmes involving guarantees. However, the applicant's track record on E&S management provided for its projects/programmes involving loans provides sufficient evidence also for guarantees, as guarantees are a form of unfunded loan. Thus the lack of track record with respect to guarantees has not been identified as a gap. The applicant is willing to assess E&S impacts for its first GCF project/programme involving guarantees.

61. The AP finds that the applicant's management programme fully meets the Environmental and Social Policy and interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8. However, the AP finds that the applicant's track record is insufficient. The relevant gap is identified in paragraph 59 above and is reflected by the corresponding condition for accreditation in section 4.2.

3.2.4 Monitoring and review

62. The ESSMS manual describes the applicant's monitoring and reporting (M&R) framework to assess the project's performance against applicable IFC performance standards 1–8. In addition, the applicant's Operations Guidelines manual also includes the guidelines on project monitoring, completion and evaluation. The M&R of projects/programmes is undertaken on a quarterly basis in line with the requirements of the national Environmental Management Act and the ESSMS manual. The ESSMS manual includes a supervision template used for recording of project-level E&S issues. The monitoring record is used in subsequent visits to evaluate the effectiveness of each mitigation measure. Project monitoring reports generated from this process are shared with the applicant's Executive Committee, where any new measures for managing impacts and the associated budgets are discussed and agreed.

63. The applicant provided a sample of project monitoring and evaluation reports for its two housing development projects. The applicant provided metrics that contain the results of monitoring of social and environmental impacts of its housing and construction projects.

64. The AP finds that the applicant's system of monitoring and review, supported by evidence of its track record, fully meets the Environmental and Social Policy and interim ESS

standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8.

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

65. The ESSMS manual describes the external public communication channels which include a website and the various social media platforms. As some of the applicant's stakeholders have no access to internet facilities or the print media, external communication also takes the form of public meetings with stakeholders and includes complaints boxes located within the project area where affected people can post their complaints. The community also has mobile numbers and WhatsApp numbers to contact the E&S team. The E&S team has the responsibility of bringing issues from project sites to management for redress through the applicant's grievance redress mechanism.

66. The applicant provided a document describing its entity level Grievance Redress Mechanism (GRM). The GRM is housed within the applicant's Compliance and Review Unit which is an independent arm of the institution reporting to its Board of Directors. The grievances are promptly channelled to the Compliance Officer for processing and commencement of the grievance redress process. Where grievances are submitted at the project site, the Site Manager receives them and promptly forwards them to the Compliance Officer. The ESSMS manual describes the requirement for borrowers (executing entities) to establish project-level GRM. The GRM includes a record form used to register external inquiries/complaints received along with responses. This form is filled in each time a grievance is received, thereby generating the grievance register. The applicant indicated that it has not received E&S related complaints on any of its projects/programmes.

67. The applicant complies with its national level regulations to disclose information related to the ESIA/ESMP at project preparation stage, as well as after the ESIA report is approved by the EMA, before project implementation, and during the project implementation period. The ESSMS manual indicates the disclosure periods for E&S information in line with GCF Information Disclosure Policy (IDP) requirements for the disclosure of E&S information for E&S risk category B/I-2 projects/programmes.

68. 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, fully meets the Environmental and Social Policy, interim ESS standards and Information Disclosure Policy regarding E&S information disclosure requirements for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8.

3.2.6 Organizational capacity and competency

69. The ESSMS manual contains an organizational chart and describes the roles, responsibilities, reporting lines and authority (including those of units, departments and senior management) to implement the ESMS. The Climate Finance and Sustainability Manager reporting to the Director of Resource Mobilization and Climate Finance are responsible for overseeing the day-to-day activities on implementation of the ESMS. The applicant's Chief Environmental and Social Sustainability and Gender experts lead work related to the review against the IFC performance standards including E&S risk categorization. The applicant has two E&S experts and two gender experts. One E&S expert and one gender expert are under supervision of the manager responsible for climate finance and sustainability issues and responsible for the ESSMS implementation, whilst another E&S expert and gender expert are in the Infrastructure Projects Department under supervision of the Director of Infrastructure Projects and are responsible for project level ESIA process implementation. In addition, the applicant has a human resource expert and economists who work with the E&S and gender experts. The applicant provided brief biographical information of these experts, including their

relevant qualifications and experience as well as a sample of work prepared by the in-house staff.

70. The Climate Finance and Sustainability Manager, among other duties, is responsible for leading efforts to develop and implement the ESSMS, as well as for communicating with senior management on environmental and social issues and concerns. This individual is also responsible for developing and updating the procedures and documents that are part of ESSMS. The Manager also evaluates the E&S risks at the portfolio level and provides assistance to relevant project managers and analysts in evaluating and monitoring the environmental and social performance of borrowers.

71. The applicant's staff have received training concerning the IFC performance standards following approval of the ESSMS in November 2018. The applicant provided a description of its E&S and gender-related training programme and attendance register for one of the staff trainings undertaken.

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

3.3 Gender

73. The applicant provided its Gender Policy which was approved by its Management Executive Committee in November 2018 and then by its main Board of Directors in March 2020 after being reviewed by its Corporate Governance, Ethics and Sustainability Committee. The applicant provided a copy of the Board Resolution of its March 2020 Board meeting which indicates a formal approval of the Gender Policy by its full Board. The Gender Policy has been finalized and uploaded to the applicant's website.

74. The key objectives of the Gender Policy are to: build equally women's and men's resilience to, and ability to address climate change; ensure that women and men will equally contribute to, and benefit from, activities supported by the applicant; pursue affirmative action and quotas for more rapid and efficient progress towards redressing gender inequality; ensure that the projects/programmes mainstream gender, promote equality and equity in access to economic opportunities for men, women, and socially excluded groups including those with disability; establish capacity-building and knowledge-sharing programmes on gender and social inclusion for all staff members; and provide a guideline for all the applicant's staff to conduct their work and activities in a gender-sensitive manner.

75. The Gender Policy commits to mainstream gender in all the applicant's operations and projects/programmes through early gender analysis and to develop gender action plans as necessary to close any identified gender gaps throughout the project life cycle. The Gender Policy also includes provision for adequate resource allocation through gender-sensitive budgeting within the applicant's various departments, specific projects/programmes and in related institutional activities. The gender action plan will have a specific budget to ensure effective implementation.

76. The procedure for implementing the Gender Policy has been incorporated in the applicant's updated Policies, Operations Guidelines and Manuals. The ESSMS manual also contains a section on gender implementation arrangements which describes how the applicant integrates gender issues into the projects/programmes. The applicant requires the incorporation of a gender expert in every ESIA consultancy. The applicant provided a sample ESIA terms of reference for a municipality water augmentation project, demonstrating the commitment to gender mainstreaming in its projects.

77. The applicant has recruited two gender experts responsible for ensuring that gender issues are mainstreamed throughout the life cycle of projects. The curriculum vitae of its gender experts were provided, describing their qualifications and experience in implementing the Gender Policy. In-house training for its staff on the Gender Policy was also provided.

78. The applicant provided an example of one completed project involving a loan and equity and one project involving a loan and equity under development, both of which demonstrate gender mainstreaming including division of equitable and non-discriminatory benefits between men and women comprising: (i) mini hydro power project providing access to modern energy to help improve health and education opportunities particularly for women, girls and other disadvantaged persons; and (ii) the terms of reference for consultancy services for an ESIA study, which includes a gender impact study for a solar project. The scope of work requires an analysis of how the project will affect women, men, girls and boys, any differential impacts, and mitigating measures. Stakeholder consultations will be held to capture both women's and men's views. Both projects include linkages between climate change and gender. The applicant does not have a track record on gender mainstreaming for its projects/programmes involving guarantees. However, its track record on gender mainstreaming for its projects/programmes involving loans is sufficient evidence also for guarantees, as guarantees are a form of unfunded loan. Thus the lack of track record with respect to guarantees has not been identified as a gap.

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

IV. Conclusions and recommendation

4.1 Conclusions

80. The AP concludes, following its assessment of the application against the standards of GCF in accordance with the accreditation requirements identified in paragraph 12 above, the following:

(a) The applicant partially meets the requirements of the basic fiduciary standards on key administrative and financial capacities, on transparency and accountability, the Policy on the Protection of Whistleblowers and Witnesses, the Policy on Prohibited Practices, the AML/CFT Policy, the specialized fiduciary standard for project management, and specialized fiduciary standard for on-lending, blending for loans, equity and guarantees. The key gaps (addressed in the corresponding conditions of accreditation in section 4.2) are related to:

- (i) Lack of evidence of a periodic assessment of the overall effectiveness of the applicant's internal audit function reflected in paragraph 18;
- (ii) Lack of evidence of: (a) assessments of the procurement procedures of beneficiary institutions, executing entities or project sponsors; and (b) public disclosure on the applicant's website of its procurement policies and procurement awards under GCF-funded projects/programmes reflected in paragraph 21;
- (iii) Lack of evidence showing that the applicant's Investigations, Integrity & Loss Control Division has been established and is fully operational reflected in paragraph 25;
- (iv) Lack of evidence of public disclosure of project monitoring and evaluation reports on projects/programmes reflected in paragraph 35;

- (v) Lack of evidence of implementation of a policy on independent evaluation of projects reflected in paragraph 36; and
- (vi) Evidence of public disclosure of information on project beneficiaries and results reflected in paragraph 45;
- (b) The applicant partially meets the Environmental and Social Policy, interim ESS standards and the Information Disclosure Policy on disclosure of E&S information in relation to the medium E&S risk (Category B/I-2). The gap (addressed in the corresponding conditions of accreditation in section 4.2) is related to:
 - (i) Lack of an external audit of the effectiveness of the applicant's ESMS reflected in paragraph 59 above; 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 Gender Policy, and has demonstrated that it has experience in gender consideration in the context of climate change.

4.2 Recommendation on accreditation

81. The AP recommends, for consideration by the Board, applicant APL108 for accreditation as follows:

- (a) **Accreditation type:**
 - (i) **Maximum size of an individual project or activity within a programme:** small⁷ (including micro⁸);
 - (ii) **Fiduciary functions:**
 1. Basic fiduciary standards;
 2. Specialized fiduciary standard for project management;
 3. Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees);
 - (iii) **Maximum environmental and social risk category:** medium risk (category B/I-2) (including lower risk (category C/intermediation 3 (I-3)⁹));
- (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) Condition to be met prior to the submission of the first funding proposal to the Board:

⁷ 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."

⁸ 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."

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

1. Provision by the applicant of evidence of an independent assessment of the overall effectiveness of the applicant's internal audit function;
- (ii) Conditions to be met within one year, starting from the date of the first disbursement by GCF for the first executed Funded Activity Agreement for a project/programme to be undertaken by the applicant:
 1. Provision by the applicant of a report on the activities of its Investigations, Integrity & Loss Control Division to demonstrate that the Division has been established and is fully operational; and
 2. Publication on the applicant's website of independent evaluation reports for two projects financed by the applicant;
- (iii) Conditions to be met on an annual basis for two consecutive years, starting from the date of the first disbursement by GCF for the first executed Funded Activity Agreement for a project/programme to be undertaken by the applicant:
 1. Provision by the applicant of at least one report per year on the assessment of the procurement procedures and/or practices of executing entities, project sponsors or beneficiary institutions of the first executed Funded Activity Agreement of a GCF project/programme;
 2. Provision by the applicant of evidence of the publication of periodic monitoring reports for the first executed Funded Activity Agreement for a GCF project/programme to be undertaken by the applicant; and
 3. Provision by the applicant of evidence on its website of public disclosure of procurement policies and awards in relation to the first executed Funded Activity Agreement for a GCF project/programme;
- (iv) Condition to be met within three years of the first disbursement by GCF for the first executed Funded Activity Agreement of a project/programme to be undertaken by the applicant:
 1. Provision by the applicant of a final report prepared by an independent body assessing the effectiveness of the implementation of the applicant's environmental and social management system, which shall include examples of its application and of lessons learned; and
- (v) Condition to be met within one year of completing the implementation of the first approved GCF project/programme to be undertaken by the applicant:
 1. Provision by the applicant of evidence of public disclosure on its website:
 - a. The list of beneficiaries under the first approved GCF project/programme; and
 - b. The results and outcomes of the first approved GCF project/programme.

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

4.3 Remarks

83. The applicant is already taking steps to meet the conditions identified in paragraphs 81(b)(i) and 81(b)(ii).

Annex VI: Accreditation assessment of applicant 109 (APL109)

I. Introduction

1. Applicant 109 (APL109), the Moroccan Agency for Sustainable Energy S.A., or Masen for short, is a national direct access, state owned limited company based in Morocco. The applicant intends to contribute to a competitive renewable energy sector in Morocco by leading development programmes of integrated renewable energy projects, particularly in solar, wind and hydro technologies, as well as other new technologies such as green hydrogen. It aims to ensure the development and implementation of Moroccan national renewable energy projects and commits to making optimal use of renewable resources at national, regional and international scales.

2. The applicant submitted its application for accreditation to GCF via the online accreditation system on 14 May 2016. Accreditation fees were received from the applicant on 30 August 2016, 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:** direct access, national. The applicant received a national designated authority or focal point nomination for its accreditation application from Morocco;
- (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;
 - (ii) Specialized fiduciary standard for project management; and
 - (iii) Specialized fiduciary standard for on-lending and/or blending (for loans and equity); and
- (e) **Maximum environmental and social risk category:** high risk (category A/intermediation 1 (I-1)).³

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), “large” is defined as “total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 250 million for an individual project or an activity within a programme.”

² Decision B.07/02.

³ As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), category A is defined as “Activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented” and intermediation 1 is defined as “When an intermediary’s existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented.”

- (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” (AML/CFT 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 was created in 2010 under Moroccan law (ref. 57-09 and 37-16) to implement Morocco’s energy strategy. The applicant is registered as a limited company, fully owned by the State, under the Certificate of Registry, with the main activity of implementing programmes for the development of integrated projects and the production of electricity from renewable energies.

5. The applicant has confirmed that Masen is a private limited company with an independent legal personality, which makes it a separate legal entity with legal capacity to enter into agreements on its own behalf without the need to obtain authorization from the State, as stipulated in the founding law of Masen.

2.2 Institutional presence and relevant networks

6. The applicant plays a central role in Morocco’s renewable energy sector. It coordinates various stakeholders (e.g. governments, international financial institutions, private sector and civil society) to strengthen its project pipelines for the development of renewable installations in the country. It is strongly committed to the achievement of Morocco’s nationally determined contributions (NDCs) under the Paris Agreement and aligns its projects up to 2030 with Morocco’s NDCs. It aims to support the country in securing 52 per cent of the national energy mix from renewable sources by 2030 by creating an additional 3,000 megawatts (MW) of clean electricity generation capacity by 2020 and a further 6,000 MW by 2030 in Morocco.

7. In addition, in line with Morocco’s climate strategy and vision to establish a common approach for sustainable development in Africa, the applicant has signed memorandums of understanding with 14 African countries and contributes to developing on-grid and off-grid renewable energy projects; developing technical skills needed for renewable energy technologies; and raising awareness and sharing knowledge for South–South cooperation and inclusive growth in Africa. It commits to an effective and sustainable implementation of the African development strategy.

8. The accreditation scope the applicant is seeking is complimentary to those of the GCF direct access accredited entities as the applicant plans to contribute with mitigation-oriented,

large-scale, environmental and social risk category A/I-1 projects/programmes. With GCF resources, the applicant aims to mobilize more finance from both public and private sector investors for innovative renewable energy projects. In addition, the applicant intends to reduce the overall financing costs and tariffs through the deployment of GCF resources as concessional loans and equity. In order to advance the objectives of GCF, the applicant intends to undertake the following projects that are aligned with the Morocco GCF Country Programme (under development by the national designated authority):

- (a) Solar project Noor PV II, aiming to produce electricity from solar photovoltaics (PV), with an aggregate capacity of 800 to 1000 MW spread out in several solar PV power plants; and
- (b) Hybrid Projects, consisting of a renewable (solar and/or wind) plants with storage (electrical, thermal or hydro). The projects are based on an innovative technological configuration that can combine several renewable technologies.
- (c) Several wind projects under development.

2.3 Track record

9. With a mission to support Morocco to develop and lead national renewable energy programmes, the applicant has contributed to the country's energy strategy and implemented energy projects for the diversification of the energy supply, facilitation and optimization of energy access, rationalization of energy consumption and protection of the environment through clean energy. In addition, the applicant manages the development of renewable technologies in Morocco and develops solar thermal and solar photovoltaic technologies, onshore wind, hydroelectric dams and pumped storage hydroelectric technologies for integration into renewable energy projects.

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

- (a) USD 840 million (loans and equity) for a 160 MW Noor Ouarzazate I solar power project;
- (b) USD 1.09 billion (loans and equity) for a 200 MW Noor Ouarzazate II solar power project;
- (c) USD 850 million (loans and equity) for a 150 MW Noor Ouarzazate III solar power project;
- (d) USD 210 million (loans and equity) for a 170 MW Noor PVI solar power project;
- (e) USD 790 million (loans and equity) for an 800 MW Noor Midelt I solar project; and
- (f) A 120 MW repowering project of the Koudia Al Baida wind farm.

11. The applicant has experience with projects/programmes related to the following GCF results areas:

- (a) Mitigation: reduced emissions from:
 - (i) Energy generation and access.

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, except for paragraph 3(c) as that policy was no longer valid and superseded by that in paragraph 3(d) and except for paragraph 3(i) which was superseded by that in paragraph 3(j), both at the time the application entered stage II (step 1).

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

3.1 Fiduciary standards

3.1.1 Basic fiduciary standards: key administrative and financial capacities

14. The applicant was created in 2010 as the Moroccan Agency for Solar Energy, or Masen for short. In its first few years of existence, it established and documented policies, procedures and structures related to its operations, including the administrative and financial capabilities. These were sufficient for the entity at that time when it had less than fifty staff. In October 2016, Masen received an increased legislative mandate and changed its name to become Moroccan Agency for Sustainable Energy, and in July 2018 its corporate structure has been reformed. Its abbreviation of Masen stayed the same. The applicant is a central player in the promotion and realization of renewable energies such as solar, wind and hydro.

15. The applicant's policies, procedures and structures have evolved over the last decade and are built upon the extensive experience acquired in its first ten years of operations. Since its restructuring in July 2018, the applicant has accelerated the development, strengthening and documentation of its financial and administrative capacities required for the new mandate and its larger organization that now consists of a staff of around two hundred. In doing so the applicant is cognizant of the need to meet the GCF basic fiduciary standards on key administrative and financial capacities.

16. The governance structure of Masen was modified in July 2018 and the applicant now has a single Board of Directors with some ten members representing the shareholders and key players in the energy field. The applicant updated its Governance Manual to reflect the current situation. The Audit Committee mandate was expanded and renamed the Audit and Risk Committee. It has been meeting regularly since January 2020.

17. The applicant's business planning is based on the national objective to have Morocco's energy mix to reach 52 per cent renewable energy by 2030. Specifically, the aim of Masen is to develop an additional clean electricity production capacity of 3,000 MW by 2020 and 6,000 MW by 2030. There are detailed and systematic midterm and annual plans to reach this goal, and these plans contain metrics that are monitored. The applicant's annual financial statements are prepared on the basis of the Moroccan Accounting Standards. They are audited by one of the large international accounting firms. The financial statements for the year ended 31 December 2019 received an unqualified opinion, as was the case for those of prior years. The applicant uses a commercially available Enterprise Resource Planning (ERP) software package. The ERP package and related processes, including the security considerations, are subject to an annual audit by the external auditor.

18. The applicant management systems, including procedures relating to payments and disbursements, banking transactions and related controls, have been documented in a comprehensive manner. This documentation is the basis for an ISO 9001:2015 certification. The applicant upgraded the documentation to reflect the restructuring. The AP has examined the documentation of critical processes and relies on future reviews by the external consultants to ensure that the documentation remains up to date.

19. The applicant's Internal Audit has an adequate mandate. It is independent, reports to the Audit and Risk Committee, and prepares annual audit plans. The function is also responsible for investigations. However, the function has never had sufficient staff and has issued on

average no more than one internal audit report per year. This weakness has been recently raised by the Audit and Risk Committee. An additional staff member has been hired and will join the Internal Audit in early 2021, and recruitment for an additional position is underway. This will result in additional staff, but the ability of Internal Audit to meet the responsibilities contained in its charter remains to be demonstrated by results.

20. The applicant's internal control framework is demonstrated by its Governance Manual. There is adequate segregation of duties demonstrated in the ISO documentation. The updating of the Governance Manual and the ISO documentation was carried out in late 2020.

21. The financial controls over the energy generation projects are robust. This includes evaluating, identifying, monitoring and mitigating project risks. At the corporate level, a risk management and compliance roadmap are in place and are scheduled to be conceptualized by mid-2021. The conception, together with its implementation, would address the gap of not having a corporate risk management activity.

22. The applicant's system for procurement meets the GCF basic fiduciary standard on key administrative and financial capacities in relation to procurement. The procurement principles of the applicant are codified in the document "Market Regulation", which is the equivalent of a transparent and fair procurement policy. The provisions are consistent with the procurement regulations of the Moroccan Government and with international practice. For projects involving international donors, the agreements may allow the procedures of the donors to be used. The applicant makes use of e-tendering, which is an online platform for bid submission by suppliers. There are extensive rules and procedures covering all aspects of procurement, including procedures for the resolution of complaints, and these were updated in the latter half of 2020. Examples were provided of different procurements and demonstrated that rules, regulations and controls associated with the procurement policy were adhered to. Nevertheless, a second line of defense for procurement is missing but is expected to be put in place with the introduction of the risk and compliance function.

23. The energy projects of the applicants are carried out by Special Purpose Companies (SPCs) that follow the same procurement regulations. The applicant oversees, assesses and reviews the procurement procedures of these SPCs by appointing Lender Technical Advisors (LTAs) who monitor each step of the energy projects and regularly report on them. Examples of the terms of reference for the LTAs that were provided contain the responsibilities of these advisors regarding procurement.

24. The President Director General of Masen provided a draft action plan in August 2020 to the AP with a commitment to complete the various documentation and improvements by specific dates spread out over a year. The applicant was generally on track to implement the action plan when the AP examined the outputs as at the end of December 2020. While the action plan is under implementation, the applicant continues its operations under the overall strong and existing procedures. The completion and implementation of the Action Plan ensures that Masen's procedures are consistent with the GCF basic fiduciary standards on key administrative and financial capacities.

25. 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 the applicant's track record is insufficient. The relevant gaps (reflected in the corresponding conditions of accreditation in section 4.2) are identified in paragraphs 19, 21, 22 and 24 and relate to:

- (a) Insufficient staff for Internal Audit since the applicant was established;
- (b) Not executing the internal audit plan approved by the Audit and Risk Committee;

- (c) The need to demonstrate the effectiveness of Internal Audit by way of a conclusion by the Audit and Risk Committee and by way of an external review as envisaged by Chapter IX of the Internal Audit Charter;
- (d) The need to develop corporate risk management procedures, put them in place and execute them; and
- (e) The need for defining and executing a second line of defence over the corporate procurement function.

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

26. The applicant has had an adequate Code of Ethics for many years. It includes provisions related to conflicts of interest and how these situations need to be resolved. The applicant intends to update the Code of Ethics, which includes a financial disclosure policy, by the end of March 2021 as part of its effort to put into place a risk management and compliance function. The applicant needs to finalize the definition of the committee that provides oversight to the Code of Ethics. As part of this effort, the applicant intends to demonstrate that its counterparties sign a “code of good conduct”. This would meet the requirement of the GCF basic fiduciary standard on transparency and accountability that counterparties sign the equivalent of a code of conduct.

27. The applicant has an anti-fraud policy, which it intends to update by the end of July 2021 in accordance with the Action Plan from the President Director General. The applicant intends to incorporate the requirements of the GCF basic fiduciary standards on transparency and accountability, the GCF Policy on the Protection of Whistleblowers and Witnesses and the GCF Policy on Prohibited Practices. Until this is put in place, there are gaps relating to the aforementioned GCF policies and standards.

28. The investigative function is under the responsibility of the Head of Internal Audit. Procedures to be used to investigate violations against the Code of Ethics, fraud and corruption have recently been approved. However, its implementation needs to be demonstrated. A couple of investigations took place over the last few years, but since the Internal Audit was insufficiently resourced for many years, it is difficult to judge whether all allegations were sufficiently documented and investigated. As stated above, the applicant has taken steps to make appropriate resources available to Internal Audit. The sufficiency of the investigation activity needs to be demonstrated.

29. In accordance with the Action Plan from the President Director General, the applicant intends to update its anti-money laundering policy by 31 March 2021 to bring it in line with the GCF AML/CFT Policy. This would include how to monitor electronic transfers in the framework of the policy. Although the applicant’s policy needs updating, its current practices are robust and in line with most GCF requirements. The applicant knows its counterparties who are co-investors. They are identified and subject to competitive bidding and are extensively vetted through due diligence processes. Significant suppliers are equally subject to an extensive review.

30. The AP finds that the applicant’s policies, procedures and capacity, supported by evidence of a track record, partially meet the GCF basic fiduciary standards on transparency and accountability, the GCF Policy on the Protection of Whistleblowers and Witnesses,⁴ the GCF Policy on Prohibited Practices⁵ and the GCF AML/CFT Policy.⁶ The relevant gaps (reflected in the corresponding conditions of accreditation in section 4.2) are identified in paragraphs 26 through 29 and relate to the applicant:

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

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

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

- (a) Updating its Code of Ethics, anti-fraud policy and procedures (including the whistleblower procedures) and Anti-Money-Laundering Policy;
- (b) Demonstrating that there are adequate resources for the investigative function; and
- (c) Conducting the required investigations.

3.1.3 **Specialized fiduciary standard for project management**

31. The applicant's main projects to date focus on the development of solar power plants. These are large projects and incorporate state-of-the-art technology. The applicant has multiple roles in realizing these projects, including:

- (a) It identifies the power plant to be built and initiates the subsequent steps;
- (b) It identifies an SPC that will construct and operate the power plant under a public-private-partnership;
- (c) It arranges financing from commercial and development lenders backed up by government guarantees;
- (d) It participates as a shareholder of the SPC in the projects;
- (e) It provides the needed infrastructure to the projects such as water, roads and security by way of a service agreement; and
- (f) It provides land for the projects.

32. The applicant has provided detailed descriptions of the management procedures and processes for the various phases of its projects. For example, the Project Identification, Preparation and Appraisal document covers the initial phases of the projects. The Masen Solar Plant Monitoring and Evaluation document describes the Masen process and methodology when overseeing the implementation of integrated solar projects. Reporting templates are included in the appendices to the document.

33. With regard to monitoring, an SPC is established for each group of solar plants to be created. Masen has so far taken a 25 per cent equity share. The SPC monitors the construction, the environmental and social aspects and the financing, and provides consolidated reporting to the shareholders. The projects are further monitored by three external reviewers: the LTA, the independent engineer and the external auditor. The detailed monitoring processes are documented by the applicant through ISO-style descriptions and flowcharts demonstrating clearly who is responsible for what activities, and this includes quality assurance and authorizing tasks.

34. The construction tasks of the solar power plants are based on detailed contracts, and the outputs and schedules are established well before the construction work starts. The subsequent operations of the plant are similarly well defined before the start of the project. With this structure, monitoring and the provision of technical support is critical, but there is less need for an evaluation during the construction process. Post-evaluations are done by the donors and lenders. With a GCF-funded project/programme, the donors and lenders would continue to manage evaluations since any GCF funding would be blended with funds from other donors and made available to the SPC. The applicant has recently established a procedure for the independent evaluation of projects. The applicant has provided examples of its project preparation and appraisal documents that were prepared in cooperation with the donors. These are complete and exhaustive documents as one would expect for projects that involve hundreds of millions of dollars. The funding proposal, at the appraisal stage, covers in a comprehensive manner, the technical, financial, economic and legal aspects as well as possible environmental, social and climate change aspects, and relevant assessments thereof. Key performance indicators with baselines and targets are incorporated into the project design.

35. The applicant and the consortium of lenders uses an LTA to perform the initial due diligence for a project, monitor the construction period, supervise and evaluate the completion tests under the power purchase agreement and sometimes monitor the operations. It is a strong, independent and continuous review function that provides and updates risk assessments. The LTA typically reports monthly based on a desk review and quarterly based on a site visit. The applicant also makes use of independent engineers where required, and the financial statements of the project are audited by an external auditor. The AP examined pro forma contracts with the LTA, engineers and external auditors and the reports issued related to the projects. The evaluation of the applicant's projects is typically initiated by the development lenders, and these reports can be found on their websites and were examined by the AP.

36. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the specialized fiduciary standard for project management.

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

37. 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 and equity)

38. All the energy generation projects of the applicant involve on-lending and blending. Thus, the related policies, procedures and practices are those already discussed under section 3.1.3 above. Project documents, monitoring and activities are all the same as for project management, including the preparation and approval systems. The applicant creates an SPC for each power plant to be developed as well as a funding plan that has consisted of a 25 per cent equity tranche provided by the applicant, and a blending of loans and grants mainly from multilateral organizations. Each SPC has its own financial management and treasury function. The creation of an SPC is part of project development and is subject to risk appraisals and due diligence procedures.

39. A typical applicant's energy project is financed by several private and development lenders. The applicant arranges the financing structures, and these become part of the project proposal and legal documentation. Development lenders such as the African Development Bank, Agence Française de Développement, the Clean Technology Fund of the World Bank, the European Investment Bank, KfW Development Bank and commercial banks are typical lenders for a solar plant. The applicant arranges the on-lending and blending of the funding to the project. Such arrangements are the norm, and all the project procedures described above are utilized. The applicant announces its projects awards through press releases. It provides the cost per kWh of electricity, which is the most meaningful metric.

40. The investment policy starts with the identification of an energy generation project that contributes to the national objective to have Morocco's energy to reach 52 per cent renewable energy by 2030. A project plan, including a financial plan is developed and a SPC is created in which the applicant takes a percentage equity share and the private developers selected through a tender process contribute the remainder of the capital. The applicant also arranges the required debt financing and required guarantees from the government, international donors, banks and the capital market through its capital subsidiary or by direct on-lending.

41. Financial risks are carried by each SPC and evaluated at the outset by the project finance team and approved by the project director and the Finance and Administration Director. Hence there is an extensive segregation of duties in both the treasury and in the risk analysis and subsequently the monitoring thereof. The risks evaluated include the asset liability aspects such as interest, exchange, liquidity and counterparty risks. The risk procedures were updated in late 2020 as part of updating the applicant's ISO documentation. These risks are monitored

throughout the project development and subsequent operation of the energy generation facility. The project information is disclosed through the websites of the international funding partners.

42. The AP examined extensive documentation on each of the aspects in the previous paragraphs related to on-lending and blending for loans and equity.

43. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the specialized fiduciary standard for on-lending and/or blending for loans and equity.

3.2 Environmental and social safeguards

3.2.1 Environmental and Social Policy

44. The applicant first adopted its Environmental and Social Safeguard Policy (ESSP) in 2015. It was updated by the applicant in 2018 to make it consistent with international standards, in particular the GCF Environmental and Social Policy and interim environmental and social safeguard (ESS) standards. The policy reflects the applicant's commitment to sustainable development based on domestic and international standards. The ESSP, which has been disseminated widely to the staff and stakeholders of the applicant, states that the applicant undertakes a sustainable development approach not only by setting targets for compliance with international environmental and social standards, but also by contributing to the socioeconomic development of local areas through integrated projects. The implementation of the ESSP is the responsibility of the Environmental and Social Management Unit.

45. Among other things, the applicant ensures the following through its policy and the procedures it has adopted:

- (a) Identify and assess the environmental and social impacts and risks associated with each stage of the projects;
- (b) Avoid or, if avoidance is not possible, minimize, mitigate, and compensate for adverse impacts on the environment and on affected communities; and
- (c) Ensure the effective management and monitoring of these impacts during and after implementation.

46. The ESSP incorporates nine Performance Standards to guide implementation based on domestic law and international standards required by international multilateral and bilateral institutions. These include the Performance Standards 1–8 of the International Finance Corporation.

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

3.2.2 Identification of E&S risks and impacts

48. The applicant's E&S risk and impacts assessment system is laid down in the document note Project Categorization and Performance Standards. The risk identification system is codified through the applicant's Environmental and Social Safeguarding Procedure Manual. The applicant conducts studies at three levels – scoping through a Framework Environmental and Social Impacts Assessment (FESIA); a more specific study that the developer of a power plant undertakes called the Specific Environment and Social Impacts Assessment (SESIA); and a study for associated infrastructure called the environmental and social impact assessment (ESIA). These prequalification studies allow the applicant to classify projects according to three E&S

risk categories (A, B or C), which are aligned with GCF E&S risk categories – high risk (category A/I-1) (including lower risk (category B/I-2⁷ and category C/I-3⁸) based on potential negative environmental and social impacts.

49. It should be noted that the applicant treats all projects as Category A/I-1 so that they will conform to the highest E&S standards. The applicant submitted a list of seven renewable energy projects in the solar energy sector, all of which are classified as E&S risk Category A/I-1. It also submitted several project documents to illustrate track record, including the SESIA reports of three Noor solar projects (I, II, and III), which are also all classified as Category A.

50. 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 A/I-1 projects/programmes with respect to Performance Standards 1–8.

3.2.3 Environmental and social management programme

51. Environmental and social impacts are managed through the environmental and social management plan (ESMP), which is the main tool of the applicant in managing mitigation measures for these impacts. The ESMP is codified in the applicant's Environmental and Social Safeguarding Procedure Manual, which has put into place a compliance review system to ensure the ESMP is implemented.

52. The ESMP identifies the procedures and action plans, including the Land Acquisition Procedure (LAP) and Social Development Plan (SDP), in terms of environmental and social monitoring and follow-up measures to be put in place and applied throughout the project. It also summarizes the mitigation and compensation measures to be carried out by the developer during the construction and operation phases of the project.

53. The applicant submitted the ESMP of the Noor I, II and III projects. The AP reviewed these plans and consider them adequate and consistent with the ESSP. The AP also reviewed audit reports of the effectiveness of the ESMS of the applicant.

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

3.2.4 Monitoring and review

55. The applicant's ESSP provides for procedures for monitoring and reviewing the management of mitigation measures in line with the ESMP of a project. A compliance review of the environmental and social plans is carried out regularly, focusing on how mitigation and compensation measures are implemented. This monitoring system is codified in the applicant's Environmental and Social Safeguarding Procedure Manual.

⁷ As per annex I to decision B.07/02, category B is defined as "Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures" and intermediation 2 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented."

⁸ As per annex I to decision B.07/02, category C is defined as "Activities with minimal or no adverse environmental and/or social risks and/or impacts" and intermediation 3 is defined as "When an intermediary's existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts."

56. From the beginning of the construction and operation phases, the applicant monitors the implementation of the E&S mitigation and compensation measures provided in the ESMP specific to each project cycle phase, particularly through: (a) an audit of written reports from the developer used for reporting mitigation measures; and (b) on-site verification. The AP reviewed several of these reports as well as external audit reports commissioned by the applicant.

57. 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 maximum E&S risk category A/I-1 projects/programmes with respect to Performance Standards 1–8.

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

58. The applicant's Environmental and Social Safeguarding Procedure Manual provides for the norms and procedures followed to ensure the disclosure of information and stakeholder engagement in project development and implementation. The main tool is the Stakeholder Engagement Plan (SEP) that is required for all projects. The SEP mandates an information and dialogue process dedicated to receiving and addressing external communications. Mailboxes are installed at the entrance of project sites. A "Contact us" link on the applicant's website is also designed to receive external communications. All these channels can receive complaints and grievances, which must be resolved within 30 days of receipt. The AP reviewed inquiries and complaints, mostly employment related, that have been filed under this system. Included in this review is how the applicant addressed the issues raised.

59. The applicant has updated its Information Disclosure Policy (IDP), basing it on the Information Disclosure Policy of the GCF. The objective is to ensure that stakeholders receive all the information they need in a simple and understandable language so that they can understand the benefits of the project and understand how mitigation and compensation have been considered and planned in such a way as to minimize the potential negative impacts that the project may have. Among other things, the IDP conforms with the 120-day notice requirement. The applicant provided a sample of E&S assessment documents for its Noor Solar projects, which were disclosed for public consultations in line with the E&S information disclosure requirement of the GCF Information Disclosure Policy for E&S category A/I-1 projects/programmes.

60. The applicant has established the Masen Independent Grievance Redress Mechanism as its independent grievance redress mechanism (GRM). The GRM is institutional and managed from its headquarters through the Sustainable Development of Territories Department. This Department is independent from operations and will manage the GRM. The applicant also established project-level GRM and requires executing entities to have GRMs as well.

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

3.2.6 **Organizational capacity and competency**

62. The implementation of the applicant's E&S policy is the responsibility of the Environmental and Social Management Unit. The unit is involved at strategic and operational levels and interacts with other units to ensure proper assessment of impacts and their mitigation. The team has seven permanent members, is led by full-time Environmental and Social specialists and other sustainable development of the territories and HSSE staff. If

necessary, the applicant hires consultants specialized in environmental and/or social issues. The applicant provided CVs of its staff, including a sample of their work in form of reports and evidence of E&S training received by the applicant's key personnel.

63. 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 maximum E&S risk category A/I-1 projects/programmes with respect to Performance Standards 1–8.

3.3 Gender

64. The applicant's Gender Policy was adopted recently in 2020 and is based on the Universal Declaration of Human Rights, the Convention on the Elimination of All Forms of Discrimination against Women, the Sustainable Development Goals, the Paris Agreement and the ratified International Labour Organization's Core Conventions. It is also guided by Moroccan Law, which prohibits discrimination on the basis of gender.

65. The applicant's adopted Gender Policy contains the following eight principles:

- (a) Adoption of international law and domestic law as its basis;
- (b) Equal opportunity for men and women to participate in decision-making;
- (c) Particular attention paid to the environmental and social impacts on vulnerable people, including women;
- (d) Equal opportunity of men and women for jobs and training;
- (e) Gender-sensitive approach to the management of environmental and social impacts that takes into account the rights and interests of women and girls;
- (f) Capture of both men's and women's views and concerns, if necessary through separate forums or engagements, during the stakeholder engagement process, with the consultation process ensuring that women's perspectives are obtained and their interests factored into all projects' aspects;
- (g) Promotion and provision of safe and healthy working conditions to both men and women, taking into account the inherent risks and specific classes of hazards in the work areas, including physical, chemical, biological and radiological hazards, and specific threats to women; and
- (h) Inclusion of gender aspects in the assessment of land and natural resources use and consideration of women's roles in the management and use of these resources.

66. The applicant's Gender Policy mandates the application of several tools and procedures so it can be implemented effectively. Among other things, it requires the use of gender analysis using a checklist of gender factors that help raise awareness. It has also adopted corporate-level metrics to quantify the benefits and gender-related project/programme level indicators, including on anti-discrimination and on climate change and gender linkages. Finally, gender considerations have been integrated into the various processes and actions required by the applicant: FESIA, SESIA, ESIA, ESMP, SDP and LAP.

67. The applicant provided evidence on how the Noor solar energy project benefited women. It also provided evidence of education- and livelihood-related activities supported by the applicant that benefited women in its project areas. Finally, the applicant has a strategic partnership with Women in Sustainability, Environment and Renewable Energy to jointly establish an internship programme for women to gain hands-on experience in its operations.

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

IV. Conclusions and recommendation

4.1 Conclusions

69. The AP concludes, following its assessment of the application against the standards of GCF in accordance with the accreditation requirements identified in paragraph 12 above, the following:

- (a) The applicant partially meets the requirements of the GCF basic fiduciary standards, the GCF Policy on the Protection of Whistleblowers and Witnesses,⁹ the GCF Policy on Prohibited Practices,¹⁰ and the GCF AML/CFT Policy. The policies and procedures for corporate risk management are under development. The implementation thereof, including developing a second line of defence for corporate procurement and the sufficiency of internal audit reviews in accordance to its annual plan and its Charter, need to be demonstrated by the Audit and Risk Committee and an external review. The applicant is upgrading its policies and practices related to transparency and accountability to make them consistent with the GCF Policy on the Protection of Whistleblowers and Witnesses, the GCF Policy on Prohibited Practices, and the GCF AML/CFT Policy, and this is expected to be done by the end of July 2021. Thereafter, the application of such policies needs to be demonstrated. The above gaps are reflected in paragraphs 19, 21, 22, 24 and 26–29 above and addressed in the corresponding conditions of accreditation in section 4.2;
- (b) The applicant fully meets the specialized fiduciary standard for project management and specialized fiduciary standard for on-lending and/or blending for loans and equity;
- (c) The applicant 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 (Category A/I-1); and
- (d) The applicant has demonstrated that it has a policy, procedures and competencies to implement its gender policy, which is found to be consistent with the Updated Gender Policy, and has demonstrated that it has experience in gender consideration in the context of climate change.

4.2 Recommendation on accreditation

70. The AP recommends, for consideration by the Board, applicant APL109 for accreditation as follows:

- (a) **Accreditation type:**

⁹ Decision B.21/25 and annex II thereto.

¹⁰ Decision B.22/19 and annex XIV thereto.

- (i) **Maximum size of an individual project or activity within a programme:** large (including micro,¹¹ small¹² and medium¹³);
 - (ii) **Fiduciary functions:**
 - 1. Basic fiduciary standards;
 - 2. Specialized fiduciary standard for project management; and
 - 3. Specialized fiduciary standard for on-lending and/or blending (for loans and equity); and
 - (iii) **Maximum environmental and social risk category:** high risk (category A/I-1) (including lower risk (category B/intermediation 2 (I-2)¹⁴ and category C/intermediation 3 (I-3)¹⁵);
- (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) Condition to be met prior to the first disbursement by GCF for the first executed funded activity agreement for a project/programme to be undertaken by the applicant:
 - 1. Provision by the applicant of evidence that the applicant has achieved the majority of the milestones contained in the Action Plan dated 5 February 2021 for the applicant to meet the requirements of the GCF basic fiduciary standards, including those related to:
 - a. Providing sufficient human resources for Internal Audit;
 - b. Defining a corporate risk management system and compliance system, such as that outlined in its road map and which is a deliverable of the consultant firm the applicant has engaged for such definition; and
 - c. Developing a policy and procedures related to transparency and accountability, including whistleblowing and investigative procedures; and

¹¹ 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."

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 GCF, 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 (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."

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 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 C is defined as "Activities with minimal or no adverse environmental and/or social risks and/or impacts" and intermediation 3 is defined as "When an intermediary's existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts."

- (ii) Condition to be met within two (2) years of the first disbursement by GCF for the first executed funded activity agreement for a project/programme to be undertaken by the applicant:
1. Provision by the applicant of a report from an independent external body and minutes from the Audit and Risk Committee that demonstrates the effective functioning in accordance with the applicant's approved policies and standards of the following:
 - a. The compliance and risk management function;
 - b. The Internal Audit; and
 - c. The function for investigations into wrongdoings, including complaints raised in relation to the applicant's Code of Ethics, the Code of Good Conduct and the whistleblower procedures.

71. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 70 above, and agrees to the recommendation.

4.3 Remarks

72. The applicant is already taking steps to meet the conditions identified in paragraph 70(b)(i) above.

Annex VII: Accreditation assessment of applicant 110 (APL110)

I. Introduction

1. Applicant 110 (APL110), the Vietnam Development Bank (VDB), a national direct access entity based in Viet Nam, is a state-owned development bank mandated to execute the state development investment and export credit policies conforming to the regulations of the government. With a mission and related functions focused on fund mobilization, credit activities, entrustment and participation in the domestic and international interbank market, the applicant operates for non-profit purposes to carry out the tasks of the state and other tasks as stipulated by the government. In this regard, the applicant has extensive experience in managing foreign capital and domestic funds and in financing development projects in line with the Vietnamese Government's development targets. In order to adapt to the rapid development in Viet Nam and having recognized the vulnerability of the country to climate change, the applicant aims to be proactive to mobilize resources and obtain access to diversified sources of funds, which would allow the applicant to support the country in mitigating climate change impacts and improving climate change resilience and adaptation capacities.

2. The applicant submitted its application for accreditation to GCF via the online accreditation system on 23 January 2017. Accreditation fees were received from the applicant on 6 March 2017, thereby launching the stage I institutional assessment and completeness check. Stage I was completed on 22 February 2019, and the applicant was progressed to the stage II (step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of GCF:

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

¹ As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "small" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above 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," and intermediation 2 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial

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);
- (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” (AML/CFT 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; 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, where relevant, as a part of the application. VDB was established by the Government of Viet Nam on 19 May 2006 (Decision No. 108/2006/QD-TTg). The applicant is recognized as a legal entity⁴ with capital, a balance sheet and seal, and with accounts opened in the State Bank of Vietnam, the State Treasury of Viet Nam, and domestic and foreign commercial banks. In addition, VDB is allowed to operate in the interbank payment system and provide payment services as regulated by the law. The applicant is guaranteed by the Government of Viet Nam for its solvency, and its operation is regulated under the decision mentioned above, which was approved by the Prime Minister.

2.2 Institutional presence and relevant networks

5. As a development bank of the Government of Viet Nam, the applicant has a strong national presence working with both public and private sector entities. The applicant mobilizes domestic and foreign capital to provide investments with an emphasis on development assistance, provides guarantees for small-and medium-size enterprises’ loans and on-lends official development assistance for over 400 projects. With state funds, the applicant has financed development projects in prioritized sectors (e.g. renewable energy, agriculture, infrastructure, waste treatment, forestation and health) in rural and mountainous areas. The

exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented.”

⁴ Decision N 1515/2015/QD-TTg.

applicant has been involved in renewable energy and energy efficiency projects with a focus on the private sector with the use of funds from international donors.

6. In order to advance the objectives of GCF and drive a paradigm shift by channelling GCF resources to projects, the applicant will continue with projects in the agriculture, rural development, infrastructure construction, forestation and waste management sectors. Furthermore, the applicant intends to focus more on new sectors and initiatives instead of repetitively implementing activities that have already been undertaken in Viet Nam. For example, instead of focusing on hydropower projects, which are more developed in the country, the applicant intends to provide loans to wind power and solar power projects. In addition, the applicant also intends to prioritize adaptation projects, such as projects related to early warning systems, climate risk reduction and awareness-strengthening. The applicant aims to use GCF resources to attract local investors to ensure that their Viet Nam-based projects are conducive to mitigating and adapting to climate change impacts.

2.3 Track record

7. The applicant has rich experience in financing climate change mitigation and adaptation projects in both public and private sectors, focusing on agriculture, rural development, infrastructure construction and forestation. It also has a track record in intermediary functions such as providing grants, loans and guarantees. The applicant's track record in financing climate change-related projects/programmes includes the following:

- (a) USD 135 million (loans) for the mitigation of water loss, the expansion of the water supply network and capacity-building for the Sai Gon Water Supply Corporation for 2011–2015 in Viet Nam;
- (b) USD 46 million (loans) for the Bac Lieu Wind Farm Project (Phase I) in Viet Nam;
- (c) USD 21 million (loans) for the Nam Can 2 Hydropower Plant in Viet Nam;
- (d) USD 10 million (loans) for power generation from sugar cane waste from the Lam Son Sugar Plant in Viet Nam; and
- (e) VND 6.75 billion (guarantees) for the Thua Thien Hue branch of the Vietnam Bank for Agriculture and Rural Development for an agriculture and rural development project in Viet Nam.

8. The applicant has experience with projects/programmes related to the following GCF results areas:

- (a) Mitigation: reduced emissions from:
 - (i) Energy generation and access;
 - (ii) Buildings, cities, industries and appliances; and
 - (iii) Forests and land use; and
- (b) Adaptation: increased resilience of:
 - (i) Health, food and water security.

III. Stage II accreditation review assessment

9. The applicant applied under the normal track accreditation process. Its application has been assessed by the Accreditation Panel (AP) during stage II (step 1) against the standards of 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).
10. The AP conducted a virtual site visit to facilitate its review of the applicant during stage II (step 1). During the site visit, the AP assessed various processes and procedures and conducted a number of interviews with the applicant’s staff to determine whether the applicant’s institutional systems meet the relevant GCF fiduciary, environmental, social and gender standards as indicated in paragraph 9 above. Particular emphasis of the review was placed on the applicant’s environmental and social systems. During the virtual site visit, the AP also discussed the applicant’s potential project pipeline, taking into account the Government of Viet Nam’s programming process with GCF, with the participation of the national designated authority.
11. As part of this assessment, the AP consulted the applicant’s website and third-party websites to complement the information provided in the application.

3.1 Fiduciary standards

3.1.1 Basic fiduciary standards: key administrative and financial capacities

12. As a fully government-owned development bank, VDB has strong and effective systems of oversight and financial management, which are characteristic of a closely held and tightly controlled entity. The Government of Viet Nam plays an active role in the management of VDB through a Supervisory Board, which operates under Ministry of Finance (MoF) regulations and whose head and members are appointed by MOF. The Supervisory Board reports directly to the MoF and is responsible for overseeing, monitoring and auditing the activities of the VDB Board of Directors and General Director.
13. The VDB Board of Directors has two sub-committees: the Human Resources and Finance Committee and the Risk Management and Policy Committee. VDB does not have a dedicated Ethics Committee, but the Human Resources and Finance Committee fulfils this role and creates a separate Disciplinary Committee as and when needed to evaluate and appraise violations of the VDB code of ethics. VDB also does not have an Audit Committee, but has an internal audit function that reports directly to the Supervisory Board and has all the responsibilities and the mandate of a typical Audit Committee.
14. The strategic plan for 2020 of VDB has been provided, which references long-term and financial objectives through 2030. During the implementation of strategic plans, department heads report to the General Director on performance against the plan. Progress reports are prepared monthly, quarterly, semi-annually and annually. Specific objectives, indicators and metrics are set for each department, and evidence has been provided of the actions resulting from periodic evaluations of the working plan performance. Reports from these evaluations are published on the VDB website.
15. Audited financial statements are prepared by the external auditor of VDB using Vietnamese accounting standards, which are taking account of the International Accounting Standards. In addition, the Vietnamese state auditor does annual audits of VDB. Extensive management information system reports are provided by an application called VDB Online, which is Oracle-based. VDB has provided manuals for financial management, risk assessment, control frameworks, and payments and disbursements, as well as their investment credit manual. Examples of the payments and disbursements procedures have been provided, and this function is audited at least twice a year by the external auditor and the internal audit unit of VDB.
16. The internal audit unit meets monthly and is independent of management in that it reports directly to the Supervisory Board. The internal audit policy of VDB has been provided,

and the principles and standards applied are consistent with international standards for the professional practice of internal auditing issued by the Institute of Internal Auditors. The effectiveness of the internal audit function of VDB has been demonstrated with examples of minutes of meetings, internal audit plans and reports, and the status of action on findings and recommendations.

17. Procurement is governed by Vietnamese regulations and is found by the AP to meet the GCF basic fiduciary standards on key administrative and financial capacities with respect to procurement. Procurement policies and procedures include overseeing the procurement of beneficiaries of VDB funding. Examples of procurements and oversight reports have been provided, and results of procurements are made available to the public. To date there have been no complaints regarding procurements.

18. 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.

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

19. VDB has a well-documented code of ethics that applies to all employees. While staff are not required to explicitly sign up to the code of ethics, their labour contract requires them to follow the internal rules and regulations of VDB, which include the code of ethics. Directors of departments and branches are responsible for disseminating the code of ethics to all employees. As explained in paragraph 13 above, VDB does not have a dedicated Ethics Committee, but the Human Resources and Finance Committee fulfils this role with the help of an ad hoc Disciplinary Committee as and when needed to evaluate and appraise violations of the code of ethics.

20. VDB has well-established policies for conflicts of interest and financial disclosure and has provided its general disciplinary procedures upon rule violations. While not specific to conflicts of interest, these procedures comprehensively address the review and resolution process for all rule violations, and this is deemed sufficient to meet the requirements of the GCF basic fiduciary standard on transparency and accountability regarding conflicts of interest. VDB has not been able to provide examples of conflicts of interest because to date there have been no such cases.

21. VDB addresses issues of financial mismanagement through an anti-corruption plan, which is directly overseen by the General Director. It covers corruption and bribery and was recently updated to include fraud and other forms of malpractice in order to meet GCF requirements. It also includes provisions for whistleblower protection. It applies to all employees, and evidence has been provided to demonstrate that it also applies to consultants and contractors. Suspected cases can be reported through the VDB legal department by phone, email or through a website link.

22. The anti-corruption plan also details procedures of the VDB investigation function. This involves the internal control department and an anti-corruption steering committee. In response to the accreditation review, VDB has agreed to publish the details of its investigation function on its website and has provided the link to demonstrate this. The anti-corruption steering committee reports to the Government of Viet Nam's national anti-corruption steering committee, and details of the members and terms of reference have been provided. Anti-corruption activities are reviewed every year as evidenced by the reports provided.

23. VDB has a robust anti-money laundering policy, which includes know-your-customer (KYC) procedures. An online system called Tracer is used to create remittance orders in order to trace transfers, and examples of KYC reports have been provided in addition to examples of electronic funds transfer monitoring reports.

24. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the basic fiduciary standards on transparency and accountability, the Policy on the Protection of Whistle-blowers and Witnesses,⁵ the Policy on Prohibited Practices⁶ and the AML/CFT Policy.⁷

3.1.3 Specialized fiduciary standard for project management

25. The investment credit manual of VDB provides a comprehensive framework for all aspects of project management. It contains guidance on the appraisal of investment projects, including guidelines to analyse the risk factors and sensitivity of a project at the preparation and appraisal stage. Three examples of appraisal reports have been provided, which demonstrate how project objectives are set and how indicators are used to assess achievement of stated objectives. The investment credit manual also details the quality review process, and reports have been provided as evidence of effective quality control, including follow-up actions and monitoring to be addressed during implementation. Policies and procedures for project implementation and project closure have been provided together with examples of reports on implementation oversight. The process for monitoring actual project expenditure versus budgeted expenditure has been demonstrated. Monitoring and evaluation is carried out by the internal control department, which reports to risk management. This department is independent of the project appraisal, supervision and credit approval functions, as well as the branches that manage the projects. The samples of the monitoring and evaluation reports for the number of projects have been provided.

28. For past projects, VDB has not published evaluation reports but, as a result of virtual site visit conducted by the AP, a policy on publishing monitoring and evaluation reports has been drafted and VDB has committed to enforce this policy for GCF-funded projects/programmes. The gap between formally adopting the draft policy and demonstrating the implementation of the procedure for publishing monitoring and evaluation reports will be addressed by a corresponding condition.

29. The investment credit manual gives guidelines for identifying and managing project risks, and two examples have been provided of problems encountered and how they were addressed. Risk assessment and management is the responsibility of a debt handling department, which is independent of project implementation and supervision. Examples of project risk reports have been provided.

30. The AP finds that the applicant's policies, procedures and capacity partially meet the specialized fiduciary standard for project management. The AP also finds that the applicant's track record is insufficient. The relevant gap is identified in paragraph 26 and reflected in the corresponding condition of accreditation in section 4.2.

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

31. In response to the AP review, VDB recently updated its grant award manual and procedures to align with GCF requirements for grant awards. Prior to this, VDB had extensive experience with a Post-Investment Subsidy (PIS) grant product. While the policies and procedures used for the PIS are sufficient to demonstrate the track record of VDB to apply policies and procedures for working with grants, the PIS would not have been considered by GCF as an eligible grant product in that it was awarded post-investment. In addition, following a Vietnamese Government decision, the product was discontinued in 2015, although the VDB PIS department continued to operate to monitor and manage grants already awarded under this programme. The following paragraphs explain the PIS procedures to demonstrate how they

⁵ Decision B.21/25 and annex II thereto.

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

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

meet GCF standards for grant awards. The new grant award manual builds on these existing policies and procedures and updates them to align them with the requirements for providing grant awards that would be eligible for GCF-funded projects.

32. The PIS product was offered on a competitive basis, with a dedicated support and trust fund management department which evaluated projects for eligibility and made recommendations for awarding the grants to the VDB Director General. The call for proposals was both competitive and transparent, and the procedures were publicly available. While these grant awards were not specifically audited, they were included in the scope of the annual external audit. The PIS product demonstrates the track record of VDB in managing grants while the new manual, which fully meets the requirements of the GCF specialized fiduciary standard for grant award and/or funding allocation mechanisms, provides the framework for VDB to award grants through a competitive mechanism basis using GCF resources in the future.

33. The PIS department, now replaced by the grant award department, was responsible for appraisal and recommendations of grant awards in three stages: (i) evaluation and recommendation by specialists; (ii) consideration by and opinion of division chief; and (iii) recommendation to VDB senior management by the director of the PIS department based on a report from specialists and the chief of division. Examples of rejections of PIS grants have been provided together with the template for the equivalent rejection or acceptance of a grant proposal for potential GCF projects/programmes that have a grant award structure.

34. VDB has provided details of supervision of PIS grants as well as examples of monitoring reports. Grant recipients and project promoters are required to comply with the Government of Vietnam's and hence VDB procurement rules. The procedure for on-site checks to monitor the implementation of the project has been provided, along with the process for suspending or terminating grants in the event of breaches of contract. The new grant award manual includes equivalent provisions for all of the above.

35. The applicant has stated that, in general, the policy is not to publicize grant award results due to regulations on state confidentiality. However, if required by GCF, VDB is ready to submit a request to MOF and the Government of Viet Nam for approval to establish a disclosure channel to publicize grants awarded using GCF resources issued to project developers. This gap will be addressed by a corresponding condition.

36. The AP finds that the applicant's policies, procedures and capacity fully meet the specialized fiduciary standard for grant award and/or funding allocation mechanisms. However, the AP finds that the applicant's track record is insufficient. The relevant gap is identified in paragraph 35 and is reflected in the corresponding condition of accreditation in section 4.2.

3.1.5 **Specialized fiduciary standard for on-lending and blending (for loans and guarantees)**

38. The VDB investment credit manual details the policies, procedures and processes for project management and on-lending and blending operations.

39. The examples of project appraisals financed through the loans and on-lending and guarantees agreements have been provided.

40. The applicant has a procedure for undertaking due diligence of the loan beneficiaries. VDB uses software called CIC (Credit Information Centre) built by the State Bank of Viet Nam to assess the credit worthiness of potential borrowers. CIC captures the credit information of customers and all credit institutions in Viet Nam, and recent CIC reports have been provided to demonstrate credit ratings and effective due diligence.

41. Lending portfolio analysis reports have been provided to demonstrate monitoring and evaluation capabilities. VDB only discloses information on lenders and portfolios to respective

donors and to the Government of Viet Nam due to confidential information policies. However, if requested by GCF, VDB would seek the approval of Government of Viet Nam to publicize information about GCF-supported loans and projects, including evaluation reports, on the VDB website and in its monthly magazine. VDB has drafted a policy to establish this disclosure channel for GCF-funded projects/programmes. This gap will be the subject of a corresponding condition.

42. The applicant has established a comprehensive risk management strategy throughout its operations. To support the evidence of the effective implementation of the risk management strategy, the applicant has provided samples of the reports on action plans and the implementation of risk strategies. Reports on the VDB Treasury asset and liability balancing operations have been also provided, and a segregation of the duties of the treasury and operations has been confirmed.

43. VDB has extensive experience in and a track record of on-lending, having worked with many international organizations on over 460 projects. While not rated by an international credit rating company, VDB is 100 per cent owned by the Government of Viet Nam, which guarantees the solvency of the entity. The credit risk of VDB is therefore that of the Government of Viet Nam: BB- by Standard & Poor; B1 by Moody's; and BB- by Fitch.

44. The AP finds that the applicant's policies, procedures and capacity fully meet the specialized fiduciary standard for on-lending and/or blending for loans and guarantees. However, the AP finds that the applicant's track record is insufficient. The relevant gap is identified in paragraph 39 and is reflected in the corresponding conditions of accreditation in section 4.2.

3.2 Environmental and social safeguards

3.2.1 Environmental and social policy

45. The applicant's environmental and social management system (ESMS) adheres to and is incorporated in the environmental and social (E&S) laws and standards of its national regulatory system. The overarching E&S law is the "Law on Environmental Protection 2014" (LEP 2014),⁸ which provides statutory provisions on environmental protection activities; measures and resources used for the purpose of environmental protection; and the rights, powers, duties and obligations of regulatory bodies, agencies, organizations, households and individuals who are tasked with the task of environmental protection. The key principle of the law states that environmental protection must be harmonized with economic growth, social security, assurance of children's rights, promotion of gender equality, development and conservation of biodiversity, and response to climate change in order to ensure the human right to live in a pure environment.

46. The AP compared the applicant's ESMS against the GCF Environmental and Social Policy, the GCF interim ESS standards and the GCF Information Disclosure Policy regarding E&S information disclosure requirements for maximum E&S risk category B/I-2 projects/programmes with the aim of identifying the gaps in the ESMS. These gaps were reflected as additional E&S provisions and formulated as the "E&S Policy addendum" for the applicant to apply for GCF-funded projects/programmes to complement its ESMS. More specifically, these gaps addressed in the E&S Policy addendum include the applicant's (i) description of external communication systems to receive, respond to and record E&S complaints; (ii) policy on E&S information disclosure; (iii) description of the institutional-level and project-level grievance redress mechanism (GRM); and (iv) requirement for GRM in

⁸ See <<https://www.ecolex.org/details/legislation/law-on-environmental-protection-no-552014qh13-lex-faoc168513/>>.

projects/programmes executed by the applicant's executing entities, which have been found by the AP to be in line with the GCF Environmental and Social Policy, interim ESS standards and Information Disclosure Policy regarding E&S information disclosure requirements for maximum E&S risk category B/I-2 projects/programmes.

47. The applicant's Board of Directors and General Director have approved the adoption of the E&S Policy addendum and establishment of an environmental, social and gender evaluation unit for GCF funded projects. The applicant's first funding proposal to GCF is therefore expected to comply not only with its ESMS based on its national E&S regulations, but also to the relevant provisions in the E&S Policy addendum. The implementation of the applicant's past donor-funded projects/programmes indicate that the applicant complied with its E&S national regulations as well as the donor's E&S safeguards. The Director General of the applicant is responsible for ensuring the applicant's compliance on the national legislation as well as with respect to the E&S Policy addendum for GCF projects/programmes.

48. The AP finds that the applicant's ESMS, comprising its ESMS complemented by the E&S Policy addendum and supported by evidence of its track record, fully meets the Environmental and Social Policy and interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1-8.

3.2.2 Identification of environmental and social risks and impacts

49. The applicant's ESMS follows the national regulations on E&S risk categorization according to Decree no. 18/2015/ND-CP,⁹ which details a number of articles and measures to implement the provisions of the Law on Environmental Protection (LEP 2014) regarding the environmental protection master plan, strategic environmental assessment, environmental impact assessment and environmental protection plan. Decree no. 18/2015/ND-CP defines four levels of E&S risk categories: (i) entities subject to conduct a Strategic Environmental Assessment (SEA); (ii) entities subject to conduct an Environmental Impact Assessment; (iii) entities subject to conduct an Environmental Protection Plan; and (iv) entities exempt from the registration of an Environmental Protection Plan. The SEA is used for E&S assessment of the impacts of policies, plans and economic or sector reform programmes. The latter three risk categories (i.e. (ii), (iii) and (iv)) are for investment projects/programmes and are in line with the three-tier GCF E&S risk categories in the GCF Environmental and Social Policy (i.e. E&S risk levels A/I-1, B/I-2 and C/I-3) as reflected in the E&S Policy addendum.

50. As evidence of its track record on the identification of E&S risks and impacts, the applicant provided a sample of documents to its various state agencies for the following projects/programmes financed by it: (i) water supply; (ii) wind farm; (iii) hydropower dam; and (iv) a river-crossing cable car. The sample project documents include the environmental and social impact assessments (ESIAs) carried out in line with the ESMS as well as with the applicable donor safeguards, where relevant. The financing instruments include loans and guarantees.

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

3.2.3 Environmental and social management programme

52. LEP 2014 stipulates the process for the preparation, review and certification of the applicant's ESIAs for its projects/programmes. The ESIAs are required to be prepared at the

⁹ See <<https://www.ecolex.org/details/legislation/decreed-no-182015nd-cp-prescribing-environmental-protection-master-plan-strategic-environmental-assessment-environmental-impact-assessment-and-environmental-protection-plan-lex-faoc168510/>>.

time of the preparation of project/programme feasibility studies. In order to comply with the 2014 LEP and related laws and decrees, the applicant works with different government agencies, in particular the Ministry of Natural Resources and Environment (MONRE), the nation's environment administration that assists MONRE with regard to environmental protection and compliance with/enforcement of LEP 2014, and the national Environmental Police Agency that conducts inspections and enforces administrative sanctions for environmental violations. These agencies control the environmental impact assessment process and assess the content of ESIA reports, while the applicant ensures that its executing entities follow the ESIA process and apply the respective monitoring throughout project implementation.

53. The applicant's scope and depth of the E&S assessment are proportional to the level of risks and impacts. For E&S risk category B/I-2, activities with (a) limited and reversible impacts; (b) a fit-for-purpose ESIA and/or an environmental and social management plan that describes the potential impacts; and (c) appropriate mitigation, monitoring and reporting measures are required. For E&S risk category C/I-3, activities that have no potential significant or minimum E&S impacts do not require any E&S assessments, although a pre-assessment or E&S risk screening confirms that the activities are indeed in E&S risk category C/I-3. The applicant's clients (executing entities or project owners) have to consult various relevant government agencies, organizations and communities that are likely to be impacted by the applicant's projects/programmes.

54. As evidence of its track record on the E&S mitigation and management programme, the applicant provided a sample of ESIAAs comprising (i) a wind farm; (ii) a cable-car system across a river; (iii) a hydropower project; and (iv) an urban water supply project. The ESIAAs were carried out in line with the applicant's ESMS as well as the applicable donor safeguards, where relevant. The applicant has yet to conduct an external audit of the effectiveness of the management of mitigation measures in its ESMS. However, the applicant has agreed to commission an external audit of its ESMS, including the E&S Policy addendum, during the implementation of its first GCF funded project/programme.

55. The AP finds that the applicant's management programme fully meets the Environmental and Social Policy and interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1-8. However, the AP finds that the applicant's track record is insufficient. The relevant gap is identified in paragraph 52 above and is reflected by the corresponding condition of accreditation in section 4.2.

3.2.4 **Monitoring and review**

56. LEP 2014 states that MONRE directs, instructs and monitors environmental monitoring at the national level and organizes the implementation of national environmental monitoring. The People's Committees of Provinces organize and oversee an environmental monitoring programme in their respective project areas and report to the People's Provincial Council (PPC) at the provincial level and MONRE on monitoring results.

57. The applicant is responsible for conducting E&S monitoring and reporting in line with the E&S Policy addendum for GCF projects/programmes. When acting in an intermediary function, the applicant would require its executing entities to ensure that they fulfil the activity-level monitoring and reporting requirements prescribed in the E&S Policy addendum and provide the requisite monitoring and reporting information to the applicant for GCF-funded projects/programmes.

58. In monitoring the environmental and social performance of activities, the applicant undertakes all necessary measures to ensure participatory monitoring through the involvement of communities, local stakeholders, indigenous peoples (ethnic minorities) and civil society organizations in all the stages of the life cycle of activities. This participatory monitoring approach also encourages the national designated authorities or focal points to organize

country portfolio reviews involving people affected by the activities and other local stakeholders. Where relevant, the applicant applies the principle of Free, Prior and Informed Consent for its projects/programmes. The applicant provided a sample of E&S monitoring and reporting by the applicant's PPC for a sample of project documents indicated in paragraph 52 above, which include the stakeholder engagement.

59. The AP finds that the applicant's system of monitoring and review, supported by evidence of its track record, fully meets the Environmental and Social Policy and interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8.

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

60. Decision No. 90/QĐ-NHPT (dated 24/2/2016)¹⁰ of the applicant's General Director details the assigned responsibilities for receiving and handling complaints from the public, including project-affected people. During the settlement of complaints, the applicant's officers are responsible for reviewing and inspecting the complaints and coordinate with concerned agencies and organizations in gathering information and documents related to the complaint. The applicant encourages mediation between the disputing parties before the complaints are addressed and settled by its Director General or the Director of Transaction Centre of the respective branch.

61. The E&S Policy addendum adopted by the applicant complements the above-described process and includes the applicant's entity-level and executing entity-level GRM to be implemented by the applicant in line with the GCF Environmental and Social Policy and the GCF interim ESS standards for GCF projects/programmes. The applicant has designated its Internal Control Department to be the independent GRM function and to take corrective actions to resolve the complaints in collaboration with applicant's units that are directly responsible for providing the explanations, clarifications and information received.

62. The E&S Policy addendum also includes the provisions for the applicant to publicly disclose E&S reports related to GCF projects/programmes in line with the GCF Information Disclosure Policy on E&S information disclosure requirements for maximum E&S risk category B/I-2 projects/programmes. The E&S Policy addendum also includes information on the applicant's external communication channels comprising email address, institutional website and a register of complaints to be used for GCF projects/programmes. However, the applicant has not provided evidence on its track record in (i) institutionalizing external communication channels to receive, assess and register E&S complaints; (ii) operationalizing its entity- and project-level GRM, including requiring the executive entities it oversees to include a project-level GRM; and (iii) disclosing E&S information on projects/programmes it has financed.

63. The AP finds that the applicant's system of external communications, consultations, information disclosure and GRM at the institutional level fully meets the GCF Environmental and Social Policy, interim ESS standards and Information Disclosure Policy regarding E&S information disclosure requirements for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8. However, the AP finds that the applicant's track record is insufficient. The relevant gaps are identified in paragraph 60 above and are reflected by the corresponding conditions of accreditation in section 4.2.

3.2.6 Organizational capacity and competency

64. The applicant provided evidence on the resolution of its Management Board dated 18 December 2020 on the establishment of an Environmental & Social and Gender Evaluation Unit

¹⁰ See <<http://vietnamlawmagazine.vn/law-on-complaints-4094.html>>.

for GCF funded projects/programmes. The Unit also includes an environmental expert and a gender expert. The AP conducted a two-day comprehensive training via a webinar on 14–15 December 2020 on the ESMS, including the GCF Environmental and Social Policy and GCF interim ESS standards as well as the GCF Information Disclosure Policy regarding E&S information disclosure requirements for the applicant’s staff, including the newly appointed E&S and gender experts. The applicant has indicated that, in line with its past practice for donor-funded projects/programmes, it would also hire external consultant(s) where relevant to complement its internal E&S and gender experts in preparing/appraising GCF projects/programmes.

65. The applicant provided a sample of its project documents referred to in sections 3.2.2 as evidence of the capacity of its appraisal department in overseeing the application and implementation of the E&S safeguards in its state-financed as well as donor-funded projects/programmes.

66. 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 maximum E&S risk category B/1-2 projects/programmes with respect to performance standards 1–8.

3.3 Gender

67. The applicant follows its government’s National Strategy on Gender Equality (2011 to 2020)¹¹ for its projects/programmes. The National Strategy on Gender Equality requires that men and women are treated equally in organizational and operational matters. The applicant has established the Committee for Women Development’s to oversee the institutional-level gender practices based on the National Strategy on Gender Equality. The Committee is headed by a Deputy Director who organizes activities to support the applicant’s female staff members, particularly relating to women’s empowerment and advancement in different spheres. The applicant also provided the Prime Minister’s Decision No. 1696/QĐ-TTg¹² (dated 2 October 2015), on the National Action Plan on Gender Equality in 2016 – 2020 to ensure women’s rights and equality at work and raise female staff members’ professional capacities.

68. The AP compared the applicant’s compliance with its National Gender Strategy against the GCF Updated Gender Policy with a view to identifying the gaps in the applicant’s current practice on gender mainstreaming. These gaps were reflected as additional gender provisions and formulated as the “Gender Policy addendum” to complement its national regulations on gender mainstreaming in order for the applicant to apply for GCF projects/programmes. The Gender Policy addendum requires the applicant to ensure that concept notes and funding proposals submitted to GCF would include:

- (a) a gender assessment, along with appropriate environmental and social assessments (as may be required according to the level of risks and impacts);
- (b) a project-level gender action plan including gender-sensitive indicators; and
- (c) monitoring and reporting on the progress made in implementing the project-level gender action plan.

69. The applicant provided evidence on the adoption of the Gender Policy addendum by its Board. As such, the applicant is expected to comply with not only its national-level gender regulations but also the provisions in the Gender Policy addendum. The applicant’s Director

¹¹ See <<https://evaw-global-database.unwomen.org/en/countries/asia/viet-nam/2011/national-strategy-for-gender-equality-2011-2020>>.

¹² See <http://ilo.org/dyn/natlex/natlex4.detail?p_isn=100411>.

General would be responsible for ensuring the applicant's compliance with the Gender Policy addendum.

70. The applicant also provided evidence of Management Board's resolution (dated 18 December 2020) on the establishment of Environmental & Social and Gender Evaluation Unit for GCF projects/programmes. The Unit also includes an environmental expert and a gender expert. The applicant provided their CVs, and both had participated in the training that the AP conducted via a webinar on 14–15 December 2020 on the application of the Gender Policy addendum.

71. The applicant provided one example of its project on the small and medium-sized towns' water supply programme financing provided to its state agency, which provides only partial evidence of gender mainstreaming. The applicant could not provide evidence on conducting gender assessments in its projects/programmes in line with the GCF Updated Gender Policy.

72. The AP finds that the applicant's gender policy, procedures and capacities fully meet the Updated Gender Policy. However, the AP finds that the applicant's track record is insufficient. The relevant gap is identified in paragraph 69 above and is reflected by the corresponding condition of accreditation in section 4.2.

IV. Conclusions and recommendation

4.1 Conclusions

73. The AP concludes, following its assessment of the application against the standards of the GCF in accordance with the accreditation requirements identified in paragraph 9 above:

- (a) The applicant meets the requirements of the basic fiduciary standards, the Policy on the Protection of Whistleblowers and Witnesses, the Policy on Prohibited Practices and the AML/CFT Policy;
- (b) The applicant partially meets the requirements of the specialized fiduciary standard for project management, specialized fiduciary standard for grant award and/or funding allocation mechanisms, and specialized fiduciary standard for on-lending and/or blending for loans and guarantees. The AP finds that the applicant's track record is insufficient due to the prior practice of not publishing details on project monitoring and evaluation reports; results of grant awards; and information on on-lending operations. The above gaps are reflected in the paragraphs 26, 35, and 39 above and addressed in the corresponding conditions of accreditation in section 4.2;
- (c) The applicant partially meets the GCF Environmental and Social Policy, interim ESS standards and the Information Disclosure Policy on the disclosure of E&S information in relation to the medium E&S risk (Category B/I-2). The key gaps are related to the applicant's lack of evidence on :
 - (i) Institutionalizing external communications system to receive, assess and register E&S complaints; requiring its executive entities it oversees to include project-level GRM; and publicly disclosing E&S assessment documents for projects/programmes it has financed (reflected in paragraph 60); and
 - (ii) Lack of evidence on the external audit of the applicant's ESMS, including the E&S Policy addendum on the effectiveness of the institutional management programme for mitigation actions reflected in paragraph 52 and addressed in the corresponding conditions in section 4.2; and

- (d) The AP finds that the applicant's gender policy, procedures and capacities fully meet the Updated Gender Policy. However, the AP finds that the applicant's track record is insufficient. The applicant does not have experience in conducting gender assessment for its projects/programmes in line with the Updated Gender Policy. The relevant gap is identified in paragraph 69 and is reflected by the corresponding condition of accreditation in section 4.2.

4.2 Recommendation on accreditation

74. The AP recommends, for consideration by the Board, applicant APL110 for accreditation as follows:

- (a) **Accreditation type:**
- (i) **Maximum size of an individual project or activity within a programme:** small¹³ (including micro¹⁴);
 - (ii) **Fiduciary functions:**
 - 1. Basic fiduciary standards;
 - 2. Specialized fiduciary standard for project management;
 - 3. Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
 - 4. Specialized fiduciary standard for on-lending and/or blending (for loans and guarantees);
 - (iii) **Maximum environmental and social risk category:** medium risk (category B/I-2) (including lower risk (category C/intermediation 3 (I-3)¹⁵);
- (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. Formal adoption by the applicant's board of directors of the policy on publishing monitoring and evaluation reports that will apply to any project/programme funded by GCF resources and which was reviewed by the AP;
 - 2. Provision by the applicant of a gender assessment and action plan as part of the first funding proposal, as relevant;
 - 3. Provision of evidence by the applicant of the following in its first funding proposal to GCF:

¹³ 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".

¹⁴ 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."

¹⁵ As per annex I to decision B.07/02, category C is defined as "Activities with minimal or no adverse environmental and/or social risks and/or impacts," and intermediation 3 is defined as "When an intermediary's existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts."

- a. Establishment of an external communications system for environmental and social-related information that includes methods to:
 - i. Receive and register external communications from the public;
 - ii. Screen and assess the issues raised and determine how to address them; and
 - iii. Provide, track and document responses, if any; and
 - b. Requirement for the executing entity/ies the applicant oversees to include a project-level GRM in the first funding proposal; and
4. Provision of evidence to the GCF by the applicant of the public disclosure of its E&S assessment documents in line with the GCF Information Disclosure Policy requirements on E&S information disclosure for E&S risk category B/I-2, for its first funding proposal that is a category B/I-2 project/programme;
- (ii) Conditions to be met within three years of the first disbursement by GCF for the first executed funded activity agreement for a project/programme to be undertaken by the applicant:
1. Provision by the applicant of a final report prepared by an independent body assessing the effectiveness of the implementation of the applicant's ESMS, including the E&S Policy addendum, which shall include examples of its application and of lessons learned; and
 2. Provision by the applicant of evidence of publishing on its website:
 - a. At least one project evaluation report; and/or
 - b. At least one set of details of on-lending/blending operations including evaluation reports; and/or
 - c. At least one set of results of a project/programme with a grant award structure.

75. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 74 above, and agrees to the recommendation.

4.3 Remarks

76. The applicant is already taking steps to meet the conditions identified in paragraph 74(b) above.
