



**GREEN
CLIMATE
FUND**

Meeting of the Board
28 June – 1 July 2021
Virtual meeting
Provisional agenda item 13

GCF/B.29/07

14 June 2021

Consideration of accreditation proposals

Summary

This document presents an overview of accreditation progress up to 30 April 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 and re-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 30 April 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, and re-accreditation pipeline for 2021. The document also presents accreditation proposals for consideration by the Board, including proposals for re-accreditation.

II. Recommended action by the Board

5. It is recommended that the Board:
 - (a) Take note of the information presented in document GCF/B.29/07 titled “Consideration of accreditation proposals; and
 - (b) Approve the draft decisions presented in annex I and annex II.

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 30 April 2021, 77 AEs have fully completed the accreditation process by having a signed and effective AMA.⁷ An additional 11 entities have signed AMAs that are yet to become effective to complete the accreditation process. An additional 15 AEs 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.

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

⁵ Paragraph 45 of the Governing Instrument.

⁶ Annex XXVII to decision B.12/31.

⁷ Decision B.23/11, paragraph (a).

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 30 April 2021 is available on the GCF website¹⁰ and is summarized in figure 1.

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

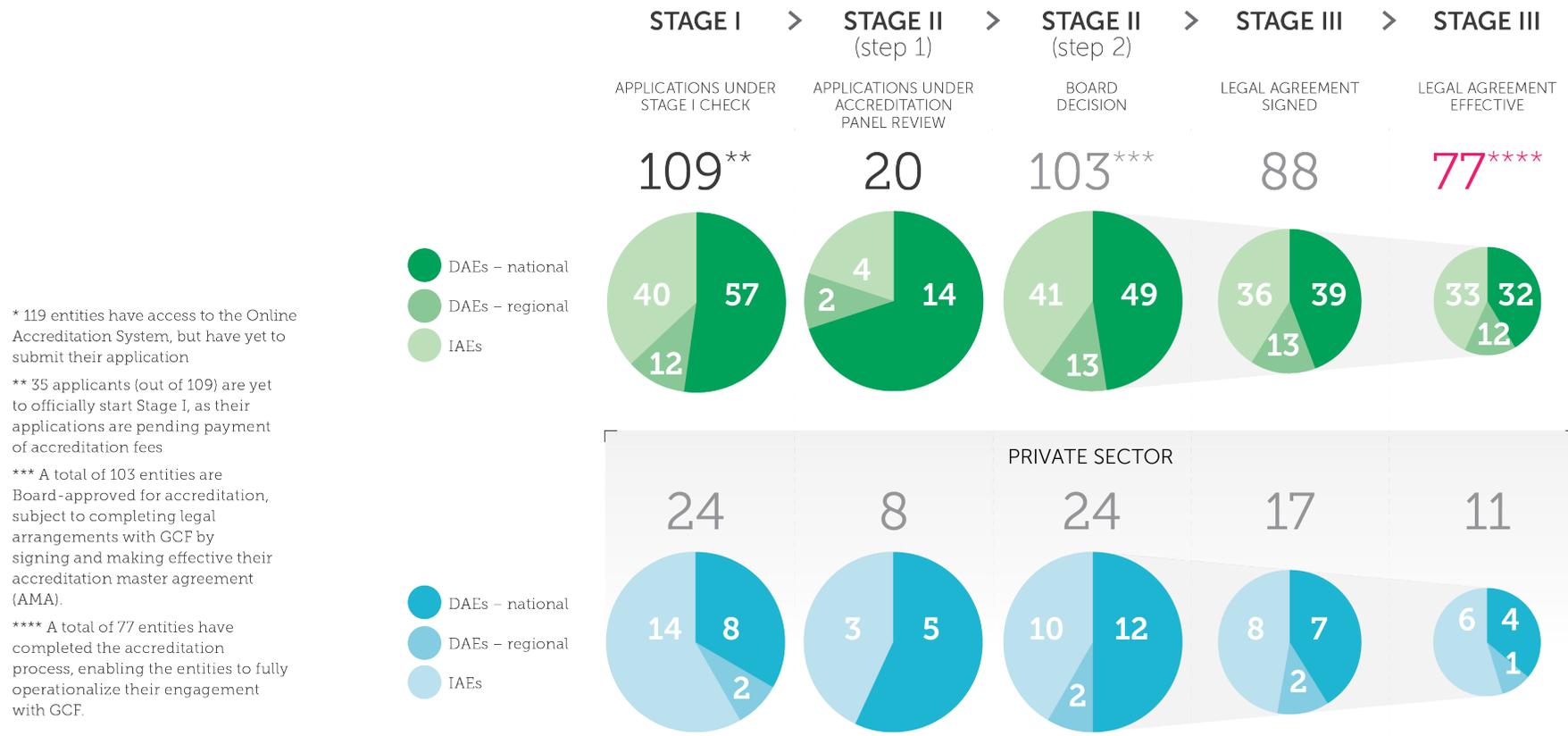
⁹ In decision B.07/02, paragraph (o), the Board requested the AP, in collaboration with the Accreditation Committee and the Secretariat, to report annually to the Board on the status of applications for accreditation.

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 30 April 2021)

30 April 2021

TOTAL PIPELINE OF ENTITIES SEEKING ACCREDITATION: **129***



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

** 35 applicants (out of 109) 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 77 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 129 entities have submitted accreditation applications (including active and inactive) on the OAS. Of these, 20 applications are under Stage II (Step 1 – AP review) (including those entities being recommended at the twenty-ninth meeting of the Board (B.29)) and 74 applications are under Stage I. A further 35 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, 119 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 30 April 2021, of which eight upgrades were approved by the Board.¹¹ The remaining four entities comprise one direct access AE, two international access AEs that are in Stage I, and one international access AE that is under Stage II (step 1) being recommended for the Board’s consideration at B.29. 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 83 DAEs are in the accreditation pipeline and have submitted an application with nomination letters from the NDAs and focal points, of which 16 are in Stage II (Step 1 – AP review), 43 are in Stage I and 24 have yet to commence the Stage I review pending payment of accreditation fees.
17. Forty-one DAEs have received support through the Readiness and Preparatory Support Programme (Readiness Programme) to prepare for accreditation, of which 23 have completed such support activities and submitted an accreditation application. Of these, 9 entities have been accredited by the Board, 5 entities are in Stage II (Step 1) and an additional 9 are in Stage I in the pipeline. As of 30 April 2021, a total of USD 1,213,906 has been disbursed for the implementation of this support. The Secretariat has committed USD 1,361,188 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 30 April 2021)

30 April 2021

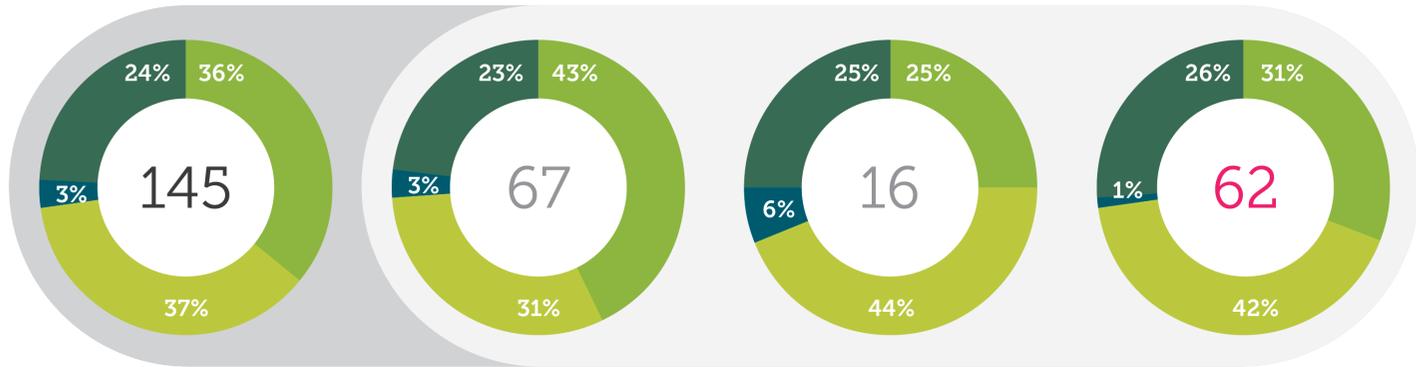
ACCREDITATION STATE OF PLAY DIRECT ACCESS ENTITIES

NDA / FP NOMINATIONS

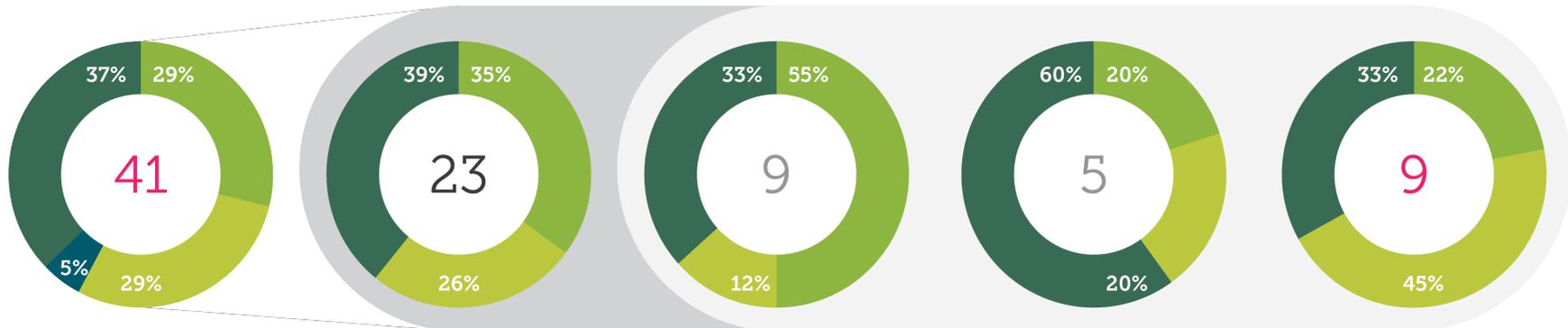
Total **294** nominations*
from **101** countries
for **253** entities

* 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.

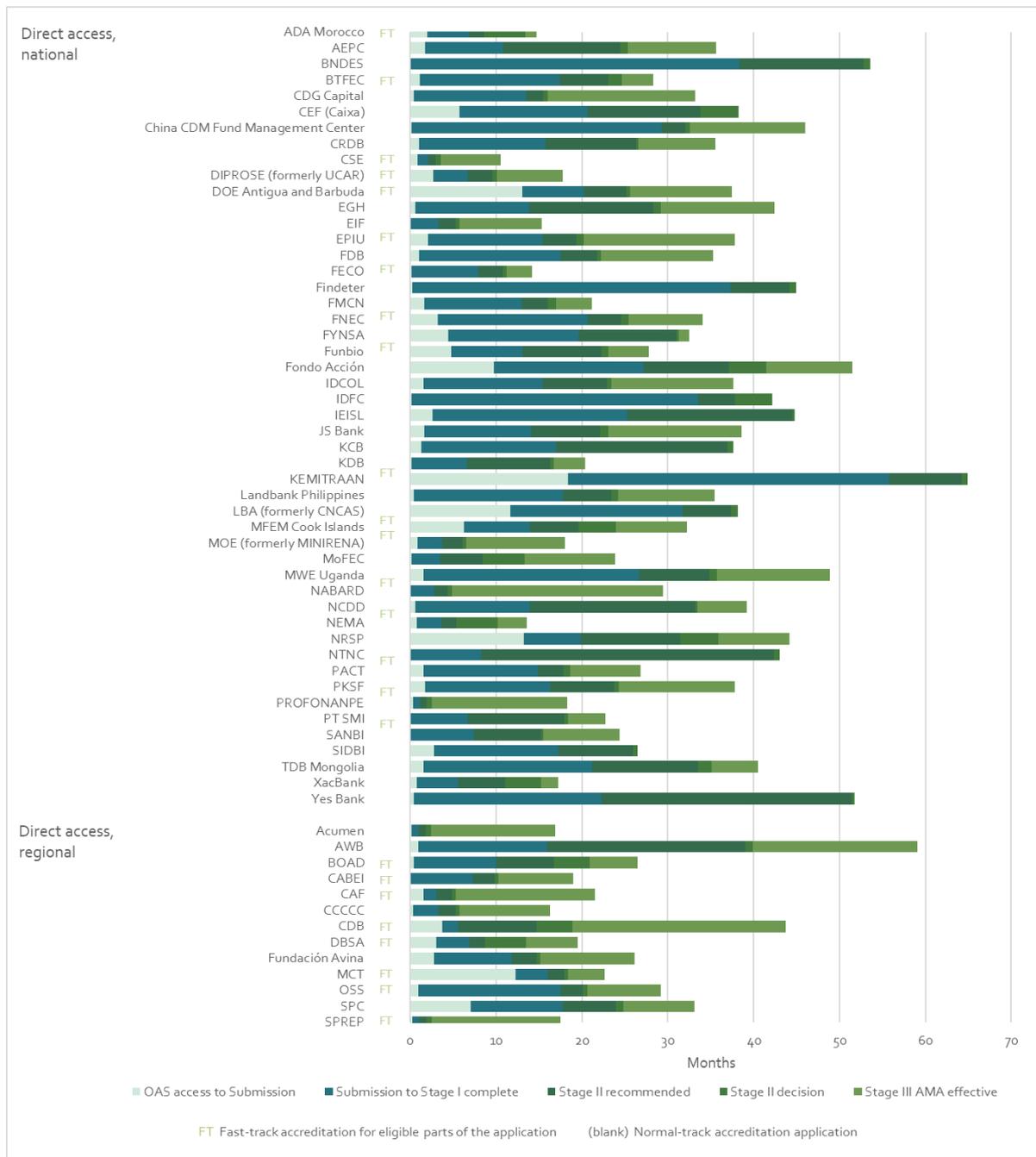
18. The time taken to process applicants has varied and depends on the entity's capacity and the modalities for which it is applying, in addition to factors such as resources available to process applications, the workload from the growing pipeline of applicants and the increase in new or amended GCF 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 international access entities (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.

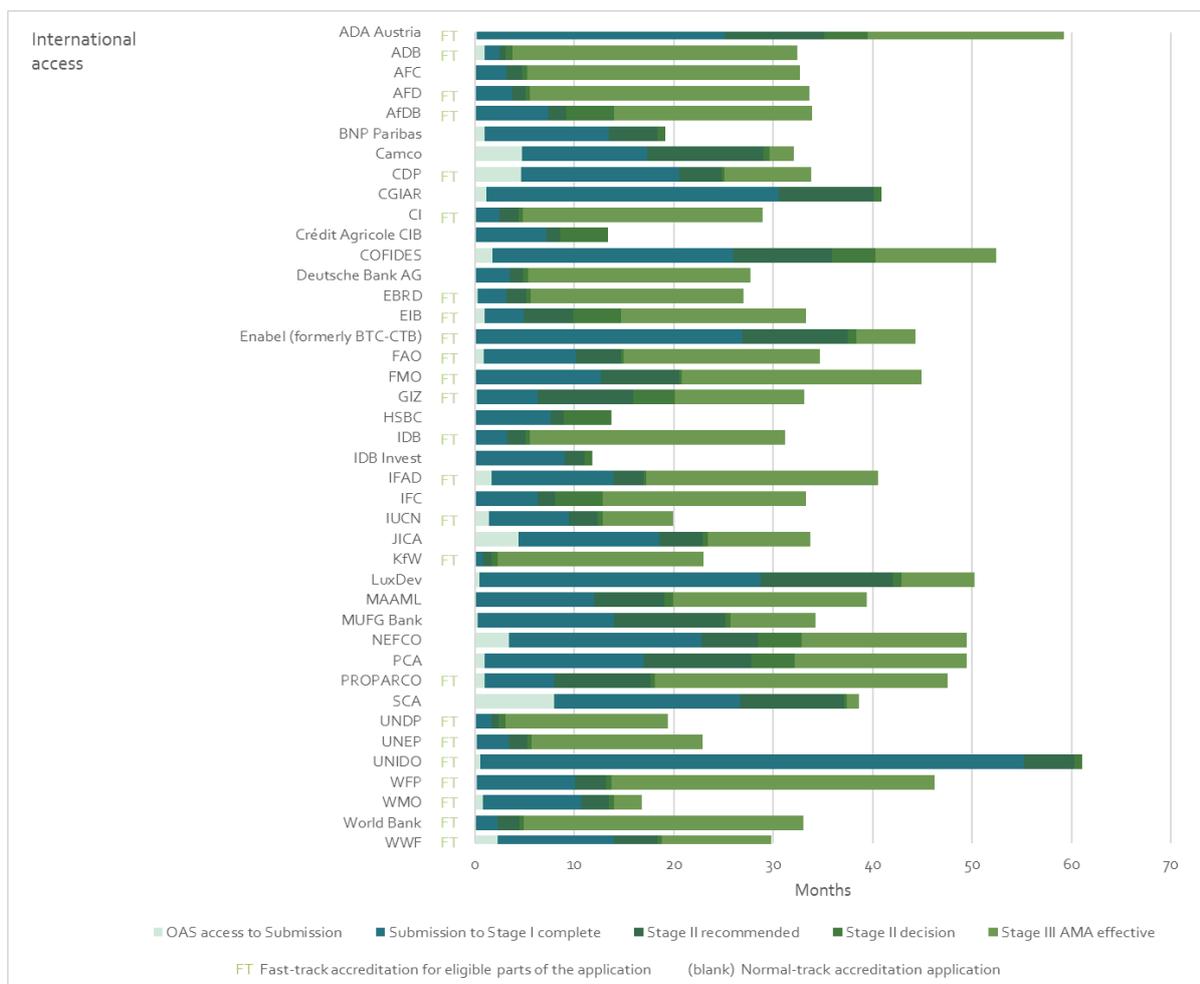
Figure 3: Time frame from online accreditation system access to accreditation for the 62 direct access accredited entities (including private sector) (as at 30 April 2021)



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, FYNSA = 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.

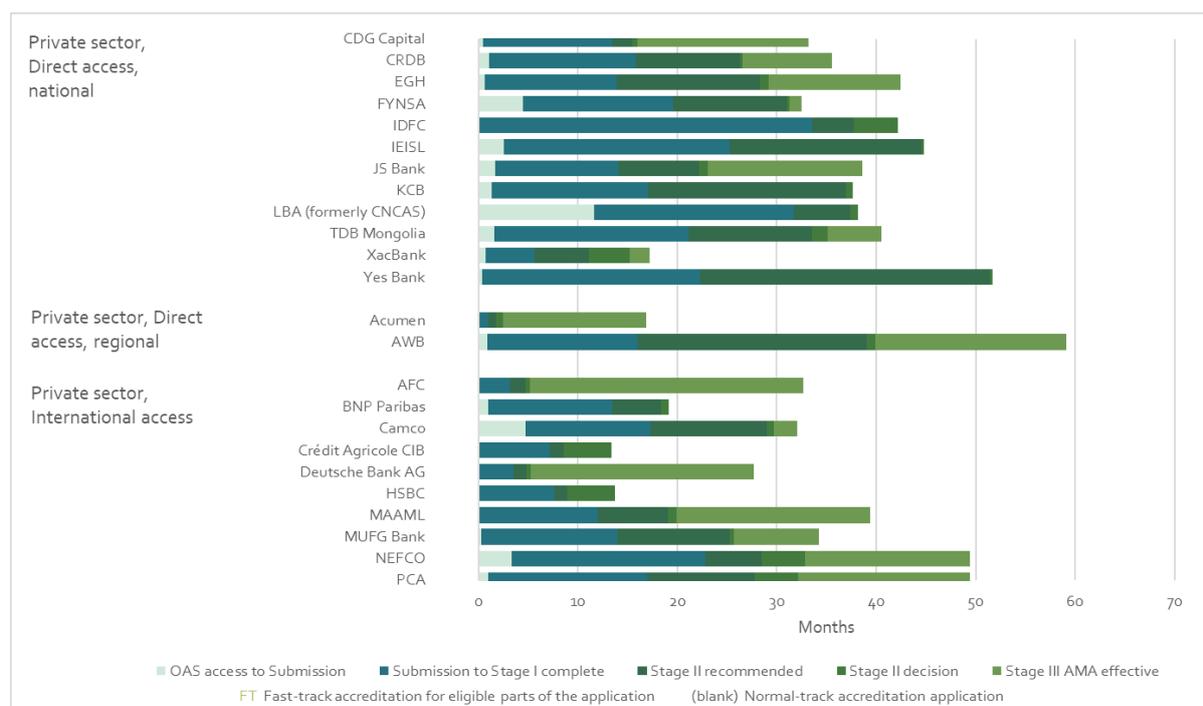
Figure 4: Time frame from online accreditation system access to accreditation for the 41 international access accredited entities (including private sector) (as at 30 April 2021)



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 30 April 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 and in alignment with the country programming process.

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 253 DAEs nominated by the NDAs or focal points of 101 countries in four regions throughout the application process, including via conference calls;
- (b) Providing institutional gap assessments for 41 DAEs nominated by 46 countries from different geographical/regional areas seeking accreditation and action plans based on the gap assessments to address any identified gaps; and
- (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 30 April 2021, 2,274 users, including NDAs/focal points considering nominating entities and entities themselves, had completed the questionnaire.

23. Regarding the pre-accreditation support to the entities indicated in paragraph 22(b) above, as at 30 April 2021:

- (a) In-depth institutional assessments against GCF standards and action plans had been completed for 35 entities nominated by 40 countries. Of these:
 - (i) Twenty-three 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. Five entities are in Stage II (Step 1); and
 - 3. Nine entities are in Stage I; and
 - (ii) In addition, the other 11 entities are working towards closing the identified gaps and intend to thereafter submit their application, and others are in discussion with their NDA to seek additional readiness support to close the identified gaps; and
- (b) Readiness support is underway for the remaining five entities.

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>>.

4.3 Improving the accreditation process

24. 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.

25. 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.

26. The new Digital Accreditation Platform (DAP) addresses all stages in the accreditation lifecycle. It covers the accreditation of new partners (replacing the previous 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, including baseline methodology, 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. Trainings for all DAP users (new and existing applicants, consultancy firms, the AP, and AEs on conditions, MAF, and re-accreditation) are underway, with the training programme to be finalized in Q3 2021.

V. Overview of the portfolio of accredited entities

27. 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, 77 have fully completed the accreditation process to become AEs by having signed and effective AMAs as at 30 April 2021.¹⁵ Further details on AMAs are contained in the limited distribution document GCF/B.29/Inf.07/Add.01 titled "Status of accreditation master agreements and funded activity agreements".¹⁶

28. The AEs demonstrate a variety of accreditation types through the application of the fit-for-purpose approach, and reflect a geographical and institutional balance (see table 1). Information on the various accreditation types is contained in annex II. Details of entities accredited by the Board to date have been published on the GCF website, including the names of the entities, their contact details and the accreditation types.¹⁷

¹⁵ As at 30 April 2021, a total of 88 AMAs have been signed.

¹⁶ To be considered by the Board at B.29.

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

Table 1: Range of options for countries to partner with GCF accredited entities per region: the number of accredited entities in each type of capacity (cumulative, as at 30 April 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.

29. 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.

30. The Secretariat continues to follow up with AEs on accreditation conditions recommended by the AP. These AEs have already closed or are making significant progress in closing the gaps identified by the AP in its assessment of their applications. The detailed status of AEs addressing their conditions is contained in the “Status of the fulfilment of accreditation conditions” (document GCF/B.29/XX/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

31. 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 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.

32. 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 Out of these, the EWPs for a total of 9 AEs were 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.

33. Six draft multi-annual EWPs from regional direct access AEs and 11 from international access AEs are under various stages of the review process by the Secretariat or by the respective AEs. Out of these, five EWPs by IAEs were submitted in 2021. The Secretariat is continuing to provide feedback and guidance to AEs on their EWPs through regular calls, email exchange, and through virtual workshops where needed. Virtual workshops focused on EWPs have not taken place within the reporting period, but the Secretariat is in discussion with several AEs to organize such workshops in the second half of the year. The Secretariat continues to engage with national DAEs, both directly and via NDAs, to support EWP development, as part of the respective country programming processes.

5.2 Support for accredited direct access entities

34. 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 regional DAEs in their EWPs. Further details on the EWPs are contained in section 5.1 above.

35. Under the GCF MAF, IAEs regularly report to the Secretariat on their efforts to support DAEs accredited to or in the process of seeking accreditation with GCF; it is also envisaged that IAEs submit relevant information on these efforts in their re-accreditation applications.

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 concept notes and funding proposals. Such technical assistance has been provided to over 20 DAEs, with two funding proposals already approved by the Board.

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 30 April 2021, the Secretariat was working on 61 active PPF applications with letters of no objection from the NDAs/focal points, of which 37 (60 per cent) are from DAEs. Of these 61 applications, 41 have been approved.

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

Among the 41 approved PPFs, 28 (68 per cent) are from DAEs. The total approved amount for PPF applications was USD 25.9 million, of which USD 18.4 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.29/Inf.05 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 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. For both the annual self-assessment and the mid-term review (based on the GCF fiduciary standards, E&S safeguards and 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 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.

43. In order to operationalize the MAF regarding institutional-level reporting, the Secretariat identified 46 AEs required to provide their annual self-assessment report for the 2020 calendar year and 13 AEs required to undertake the mid-term review.

44. As indicated in paragraph 26 above, the Secretariat launched the DAP, which allows AEs to submit online their annual self-assessment and mid-term review reports to GCF. The relevant templates that have been in use since the operationalization of the MAF have been available on the DAP since 1 January 2021. AEs were requested to submit the completed reports to the Secretariat via the DAP by 28 February 2021 in line with AMA requirements.

45. Of the AEs required to provide an annual self-assessment report, a total of 34 submitted the report by the deadline (74 per cent) while the remaining AEs submitted at various times after the deadline. Of the AEs required to undertake the mid-term review, six (46 per cent) submitted the report by the deadline while the remaining AEs submitted at various times after the deadline. The Secretariat and the AP are in the process of reviewing the AE institutional-level compliance reports and will report to the Board on the outcomes of the review at B.30.

¹⁹ To be considered by the Board at B.29.

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 were 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 were able to submit annual reports on the support they intended to provide (and the support provided) to DAEs through the DAP (see paragraph 26 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 were requested to submit the completed reports to the Secretariat by 28 February 2021, in line with AMA requirements.

49. Of these, 21 provided the report by the deadline while the remaining 12 did so after the deadline. The Secretariat will report to the Board on the outcomes of this reporting at B.30.

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.

52. 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.

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).

53. 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 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 30 April 2021, the Secretariat has issued an extension to five AEs in response to their submitted requests.

54. 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.

55. As at 30 April 2021, of the seven AEs that had to submit their re-accreditation application six months prior to the end of their accreditation term, five requested and were issued extensions due to the COVID-19 pandemic, and four submitted their re-accreditation applications on the DAP. Another AE, whose deadline for submitting the re-accreditation application was in the first quarter of 2021, has also submitted its application. A total of up to 15 AEs will need to submit their applications for re-accreditation in 2021. Recommendations for the re-accreditation of two AEs will be presented to the Board for its consideration at B.29. Assuming extensions for AEs to submit the re-accreditation applications are not required, it is estimated that recommendation for re-accreditation for up to 13 AEs will be presented to the Board at B.30 and B.31.

VI. Applications in Stage II (Step 1) review (accreditation and re-accreditation)

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

57. A total of nine new applicants (applicants 106–114) are presented by the AP for accreditation and two entities (applicants RAPL021 and RAPL003) are recommended for re-accreditation by the Board at B.29. These include:

- (a) Five applicants (applicants 106 to 110) that were presented by the AP for accreditation at B.28 (see annexes IV- VIII of this document and GCF/B.28/11), for which the consideration was deferred to B.29. All five applicants are entities applying under direct access (all are national entities and have the potential to engage with the private sector);
- (b) A further four applicants (applicants 111 to 114) for which the Stage II (Step 1) accreditation review has been completed since B.28 (see annexes IX - XII). All four applicants are entities applying under direct access with one entity being a regional direct access entity; and
- (c) Two entities (applicants R021and R003) are presented by the AP for consideration for re-accreditation by the Board at B.29 (as contained in the document GCF/B.29/XX/Add.02).

58. In addition, the International Fund for Agricultural Development (IFAD) is recommended by the AP for an accreditation upgrade for its project and E&S risk category to large-size and high E&S risk projects (see annex XIII).

59. 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.29 consideration could address the updated Strategic Plan for 2020–2023:

- (a) All nine new applicants are DAEs, which – if accredited and subject to making their AMA effective – would increase the portfolio of DAEs accredited to GCF from 62 to 71 DAEs. The accredited DAE portion would be 63 per cent as compared to 59 per cent during the IRM period;
- (b) Three DAEs have been supported through the Readiness Programme to prepare for accreditation (i.e. the Infrastructure Development Bank of Zimbabwe (IDBZ), the Nacional Financiera, S.N.C., Banca de Desarrollo (NAFIN), and the Vietnam Development Bank (VDB));
- (c) Three DAEs are based in Africa (one of which is a least developed country (LDC)), three are based in the Asia-Pacific region, two are based in the Latin America and the Caribbean region (one of which, the Inter-American Institute for Cooperation on Agriculture (IICA) operates in LDCs), and one is based in the Eastern Europe region;
- (d) Four DAEs will be the first national DAE for the country (i.e. the Development Bank of Zambia (DBZ), IDBZ, Joint Stock Company TBC Bank (JSC TBC Bank), and VDB);
- (e) Seven of the nine DAEs have the potential to engage with the private sector, and four are already actively engaged (i.e. the Development Bank of the Philippines (DBP), IDBZ, JSC TBC Bank, the Moroccan Agency for Sustainable Energy S.A. (Masen) and NAFIN);
- (f) Five DAEs are national financial institutions, three being national development banks (i.e. DBP, DBZ and VDB), one being a government-owned infrastructure development bank (IDBZ), and one being a government-owned development bank focusing on providing access to affordable financing to micro, small and medium-sized enterprises (NAFIN). Another entity is a government-owned sustainable energy development agency (Masen). The two remaining applicants are cooperation agencies, one being a national DAE with an international mandate (the Korea International Cooperation Agency (KOICA)), and the other a regional DAE specializing in agriculture (IICA). All nine applicants have the potential to bring to GCF for consideration transformative projects/programmes aligned with country programming;
- (g) Seven of the nine DAEs are seeking to act as an intermediary for GCF resources through on-lending and/or blending. Additionally, four DAEs seek to undertake equity investments (i.e. DBZ, IDBZ, Masen and NAFIN) and five seek to provide guarantees (i.e. DBP, DBZ, IDBZ, NAFIN and VDB). In addition, seven DAEs are seeking to manage projects/programmes with GCF resources (i.e. DBP, IDBZ, IICA, JSC TBC Bank, Masen, NAFIN 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 (i.e. VDB);
- (h) Seven DAEs have experience in the context of their mandates in the majority of the GCF results areas with respect to mitigation and adaptation, while two focus primarily on mitigation activities (i.e. Masen and NAFIN);
- (i) Both re-accreditation applicants are DAEs, one national (ADA Morocco) and one regional (SPREP) which – if reaccredited – would allow the tendency of gradual

increase of the DAE ratio on the GCF portfolio to be maintained; both entities continue to contribute to GCF programming results as one entity's work reflects national priorities and is incorporated in the country programme (ADA Morocco), and the other is mainly driven by the needs and climate priorities of its member countries, as also reflected in the entity work programme (draft submitted to GCF) (SPREP); for both entities the overall portfolio of activities of the AE beyond those funded by GCF has demonstrated a positive trend towards the low-emission and climate-resilient development pathways in the context of sustainable development.

- (j) The upgrade applicant (IFAD), an IAE, is a specialized agency of the United Nations. IFAD applied for an accreditation upgrade to be able to undertake large-size and high E&S risk projects. The application to upgrade its size of project and E&S risk category would allow IFAD to submit more ambitious projects to GCF and would be an important step in the Great Green Wall initiative.
60. The new 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) Three applicants are being recommended for small-scale projects or activities within a programme,²⁴ five for medium-scale²⁵ and one for large-scale²⁶. The upgrade applicant is being recommended for large-scale;
- (b) Seven of the nine applicants are being recommended to be able to use resources for on-lending and/or blending for loans. In addition to such fiduciary criteria, four applicants are being recommended to be able to also undertake equity investments and five to provide guarantees. Furthermore, seven 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) Two applicants are being recommended for a maximum of high E&S risk (category A/intermediation I (I-1))²⁷, five 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))²⁸, and one applicant

²⁴ As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "small" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above USD 10 million and up to and including USD 50 million for an individual project or an activity within a programme."

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".

²⁷ 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".

²⁸ 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".

is being recommended for minimal to no E&S risk (category C/intermediation I (I-3))²⁹. The upgrade applicant is being recommended for the maximum of high E&S risk (category A/intermediation I (I-1)); and

- (d) Eight out of nine of the new applicants meet the requirements of the GCF Updated Gender Policy.

61. For each of the applicants, including those for re-accreditation – 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 signature or the effectiveness of the AMA during Stage III of the accreditation process, within a number of years following the accreditation decision, prior to or with 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, integrity policies, procurement processes, risk management and project evaluation procedures, information disclosure procedures, E&S management and monitoring systems, grievance redress mechanisms 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) or to be met on an annual basis for a certain number of years following the first disbursement.

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

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

64. The nine new applicants and one upgrade applicant are presented in this document, as contained in annexes IV–XIII, for consideration by the Board for accreditation; two re-accreditation applicants are also presented, as contained in the document GCF/B.29/XX/Add.02, for consideration by the Board for re-accreditation.

65. A summary of recommendations by the AP for entities to be considered by the Board for accreditation, upgrade, or re-accreditation is presented in table 2.

66. 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.

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

²⁹ 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.”

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. Further to the above consideration of potential conditions, during discussion of agenda item 16 at B.28 there was a request to consider potential conditions beyond those recommended by the AP to be included into draft decision text on the APL100.

69. On 12 May 2021, the applicant's Group announced a new policy on climate change, "Reinforcing Efforts against Climate Change",³⁰ setting ambitious climate goals (also available in the document GCF/B.29/07/Add.03). The applicant, effective 1 June 2021, declares that it is ceasing its support for newly planned coal-fired power plants and the expansion of existing plants, and removing the exceptions such as for ultra-supercritical pressure technology provided in its previous 2020 policy.³¹ The policy aims to reducing the outstanding coal-fired thermal power generation loans to zero in the Group's own operation by the 2040 financial year, and to strive to achieve GHG emission reductions in line with the goals of the Paris Agreement, setting a new target to become net zero by 2030; sets a target to establish detailed short-term and medium-term initiatives in a form of concrete action plans defining how to achieve its mid-term and longer-term targets; commits to ensuring transparency by enhancing governance concerning climate change by the newly established Chief Sustainability Officer position to oversee and promote all of the Group's sustainability-related initiatives including climate change. The policy refers to planning the foundation of the Sustainability Committee as an internal committee of the Board of Directors of the applicant to enhance the Board of Directors' oversight of climate change; and confirms the commitment to analyse, quantify and disclose in accordance with Task Force on Climate-related Financial Disclosures (TCFD) recommendations, physical risks under the Representative Concentration Pathways (RCP) 2.6 scenario (2 °C scenario) and RCP 8.5 scenario (4 °C scenario) and transition risks under the International Energy Agency's Sustainable Development Scenario, and the analysis of how much the GHG emissions generated by our loan/investment portfolio will also be disclosed progressively in the TCFD report.

70. Recalling the aforementioned decision B.26/06, paragraph (c), APL100 is being presented for the Board's consideration at B.29, as contained in the draft decision in annex I to this document.

³⁰ Available at [News Release | Sumitomo Mitsui Financial Group \(smfg.co.jp\)](https://www.smfg.co.jp/news_e/e110150_01.html)

³¹ See <https://www.smfg.co.jp/news_e/e110150_01.html>.

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>	<p>Medium (category B/intermediation (I-2))</p>	<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.
<p>APL109 Moroccan Agency for Sustainable Energy S.A., (Masen)</p>	<p>Direct access, national (Morocco)</p>	<p>Large</p>	<p>Basic fiduciary standards; Specialized fiduciary standard for project management; and Specialized fiduciary standard for on-lending and/or blending (for loans and equity)</p>	<p>High (category A/Intermediation (I-1))</p>	<p><u>Conditions 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 05 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. 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;

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>b. Completing a policy and procedures related to transparency and accountability, including whistleblowing and investigative procedures; and</p> <p>c. Formally approving the policies relating to: transparency and accountability, AML and the Code of Ethics, and</p> <p><u>Conditions 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 such as a consulting firm or an accounting firm and minutes from the Audit and Risk Committee that demonstrate 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, Code of Good Conduct, AML/CFT policy and the whistleblower procedures.</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	
APL110 Vietnam Development Bank (VDB)	Direct access, national (Viet Nam)	Small	<p>Basic fiduciary standards;</p> <p>Specialized fiduciary standard for project management;</p> <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>	Medium (category B/Intermediation (I-2))	<p><u>Conditions to be met with the submission of the first funding proposal to GCF:</u></p> <ol style="list-style-type: none"> 1. 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 Accreditation Panel (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: <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

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>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/1-2, for its first funding proposal that is a category B/1-2 project/programme.</p> <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.
APL111 Korea International	Direct access, national (Korea, Republic of)	Small	Basic fiduciary standards; and	Medium (category B)	<u>Conditions to be met prior to the effectiveness of the accreditation master agreement during Stage III of the accreditation process:</u>

Applicant number	Access modality	Accreditation type being recommended under the fit-for-purpose approach			Accreditation conditions (in each case in a form and substance satisfactory to GCF)
		Size ^a	Fiduciary functions ^b	Environmental and social risk category ^c	
Cooperation Agency (KOICA)			Specialized fiduciary standard for project management		<ol style="list-style-type: none"> 1. Provision of evidence by the applicant that its Executive Board has approved its internal control regulations, which shall be substantially consistent with the draft internal control regulations reviewed by the AP; 2. Provision by the applicant of its prohibited practices policy, approved by its Executive Board, which shall include all practices defined as prohibited practices in the GCF Policy on Prohibited Practices; and 3. Provision of evidence by the applicant that its Executive Board has approved its AML/CFT policy, which shall be substantially consistent with the draft AML/CFT policy reviewed by the AP. <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 the composition and competency of the external panel appointed to oversee the applicant's independent GRM.
APL112 Nacional Financiera, S.N.C., Banca de Desarrollo (NAFIN)	Direct access, national (Mexico)	Medium	Basic fiduciary standards; and Specialized fiduciary standard for on-lending and blending (for loans and, guarantees)	Medium (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 by the applicant of evidence of the establishment of its external communication channel(s) such as a website to receive and register external inquiries including E&S related grievances; 2. Provision by the applicant of a written document describing its institutional level GRM;

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>3. Provision by the applicant of a copy of the adoption by its competent bodies of the E&S Information Disclosure Policy in line with the GCF E&S Information Disclosure Policy requirements for E&S risk category I-2 together with a copy of such policy; and</p> <p>4. Provision by the applicant of a copy of the adoption by its competent bodies of the Gender Equality Policy together with a copy of such policy.</p> <p><u>Conditions to be met with the submission of the first funding proposal to GCF:</u></p> <p>1. Provision by the applicant of a gender assessment and action plan as part of its first funding proposal, including a narrative on gender consideration in the context of climate change, as relevant.</p> <p><u>Conditions to be met with the submission of the first funding proposal in E&S risk category I-2 to GCF:</u></p> <p>1. Provision by the applicant of evidence of disclosure of E&S assessment in line with the requirements of the GCF Information Disclosure Policy.</p> <p><u>Condition to be met within three years of the first disbursement by GCF for the first approved project/programme to be undertaken by the applicant:</u></p> <p>1. Provision by the applicant of an independent audit report on applicant's environmental and social management system (ESMS) including a narrative on lessons learned.</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	
APL113 Joint Stock Company TBC Bank (TBC)	Direct access, national (Georgia)	Medium	Basic fiduciary standards; and Specialized fiduciary standard for on-lending and blending (for loans)	High (Intermediation 1(I-1))	<p><u>Condition to be met with the submission of the first funding proposal to GCF:</u></p> <ol style="list-style-type: none"> Provision by the applicant of a gender assessment and action plan as part of the first funding proposal, including a narrative on gender consideration in the context of climate change, as relevant <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"> Provision by the applicant of a copy of the adoption by its competent bodies of a policy for overseeing, assessing and reviewing the procurement procedures of beneficiary institutions and executing entities for GCF-funded projects, together with a copy of such policy; Provision by the applicant of a copy of the adoption by its competent bodies of the information disclosure policy/guidelines for providing information to the public regarding its decisions on on-lending and blending operations, together with a copy of such policy. The policy/guidelines shall cover, inter alia: <ol style="list-style-type: none"> Type or content of information to be provided; Media/channels through which information will be provided; and Timelines within which the award information will be made public.

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 one (1) year following the approval by the Board of the first GCF-funded project/programme to be undertaken by the applicant:</u></p> <ol style="list-style-type: none"> 1. Provision on the applicant’s website of at least the following information on the beneficiaries of the GCF-funded project(s)/programme(s) undertaken by the applicant: <ol style="list-style-type: none"> a. Brief summary of each project/programme; b. Name, address and nationality of the beneficiary/beneficiaries, to the extent permissible by relevant laws and regulations; c. Purpose of the funding provided to each beneficiary; and d. Funded amount and period of funding provided to each beneficiary. <p><u>Condition to be met within three (3) 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 on the applicant’s website of at least the following information on the results of the project(s), to the extent permissible by relevant laws and regulations: <ol style="list-style-type: none"> a. Actual versus planned results/outcomes of the project/programme; and b. Adherence to budgets/costs/timelines.

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	
APL114 Inter-American Institute for Cooperation on Agriculture (IICA)	Direct access, regional	Small	Basic fiduciary standards; and Specialized fiduciary standard for project management	Minimal to no risk (category C/Intermediation 3 (I-3))	<u>Condition to be met prior to the effectiveness of the accreditation master agreement during stage III of the accreditation process:</u> 1. Provision by the applicant of evidence that its Director General has approved the applicant's Prohibited Practices Policy and that such policy is adopted by the applicant.
RAPL021 Agency for Agricultural Development of Morocco (ADA)	Direct access, national (Morocco)	Small (no change to original accreditation type)	Basic fiduciary standards; and Specialized fiduciary standards for project management (no change to accreditation type)	Medium (category B/Intermediation 2 (I-2)) (no change to original accreditation type)	None.
RAPL003 Secretariat of the Pacific Regional Environment Programme (SPREP)	Direct access, regional	Medium (no change to original accreditation type)	Basic fiduciary standards; Specialised fiduciary standard for project management; and Specialised fiduciary standard for grant award and/or funding allocation mechanisms (no change to original accreditation type)	Medium (category B/Intermediation 2 (I-2)) (no change to accreditation type)	<u>Condition to be met within one year from the date of the re-accreditation decision:</u> 1. Provision of the management response and the risk mitigation report on the risks indicated as "Highly likely" in the risk committee report and risk management register of September 2020, as well as in the audit reports of the applicants' projects, such as delays in implementation of projects, recruitment process of the managers and specialists for projects development.

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 at the date of submission of the mid-term report for the second accreditation term:</u></p> <ol style="list-style-type: none"> 1. Provision of the evidence on the increased internal audit unit human resources capacity and on recruitment of additional managers and specialists for the projects as per recommendation of the internal audit report of 2019 and risk committee report of September 2020. 2. Provision of the report on the quality review of the internal audit function that is scheduled to be conducted in 2021-2022. 3. Provision of the audited financial statements for the years 2020-2021.
International Fund for Agricultural Development (IFAD)	International	Large (the entity is already accredited for Medium)	The entity is already accredited for basic fiduciary standards; specialized fiduciary standard for project management; grant award and/or funding allocation mechanisms and on-lending and/or blending (for loans)	High (category A/I- 1) (the entity is already accredited for medium risk (category B/Intermediation 2 (I-2))	None.

^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 (accreditation)

The Board, having considered document GCF/B.29/07 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 IV;
 - (ii) Applicant 107 (APL107) is the Development Bank of Zambia (DBZ), based in Zambia, as contained in annex V;
 - (iii) Applicant 108 (APL108) is the Infrastructure Development Bank of Zimbabwe (IDBZ), based in Zimbabwe, as contained in annex VI;
 - (iv) Applicant 109 (APL109) is the Moroccan Agency for Sustainable Energy S.A., (Masen), as contained in annex VII; and
 - (v) Applicant 110 (APL110) is the Vietnam Development Bank (VDB), based in Viet Nam, as contained in annex VIII; and
 - (vi) Applicant 111 (APL111) is the Korea International Cooperation Agency (KOICA), based in the Republic of Korea, as contained in annex IX;
 - (vii) Applicant 112 (APL112) is Nacional Financiera, S.N.C., Banca de Desarrollo (NAFIN) based in Mexico, as contained in annex X;
 - (viii) Applicant 113 (APL113) is the Joint Stock Company TBC Bank (TBC) based in Georgia, as contained in annex XI;
 - (ix) Applicant 114 (APL114) is the Inter-American Institute for Cooperation on Agriculture (IICA) based in Costa Rica, as contained in annex XII; and
- (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) *Further recalls* decision B.12/30, paragraph (c), in which the Board underlines its expectation that accredited entities 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;
- (d) *Recalls* decision B.27/06, paragraph (a), where the Board endorsed the Updated Strategic Plan for the Green Climate Fund: 2020-2023, in which the GCF committed to foster climate mainstreaming across its partnership network, including through active collaboration with entities seeking accreditation to mainstream climate considerations more broadly across their operations and portfolios to drive institutional transformation;
- (e) *Further recalls*, pursuant to decision B.24/13 and annex XXVI thereto, that the re-accreditation decision by the Board will take into account the Secretariat and Accreditation Panel’s assessment of the extent to which the accredited entity’s overall portfolio of activities beyond those funded by the GCF has evolved in this direction during the accreditation period;
- (f) *Takes note with appreciation* of APL100 new climate policy and action plan (announced as of 12 May 2021, also available in the document GCF/B.29/07/Add.03), and

underlines its relevance for the group's application to the status of Green Climate Fund Accredited Entity; and

- (g) Approves accreditation of the applicant 100 (APL100), Sumitomo Mitsui Banking Corporation (SMBC), based in Japan, as contained in annex IV to document GCF/B.26/03, pursuant to paragraph 45 of the Governing Instrument for the GCF, subject to, and in accordance with, the assessments by the Accreditation Panel and subject to the completion of Stage III of accreditation by having an effective accreditation master agreement, in accordance with decision B.23/11;
- (h) Further approves accreditation of the applicant 106 (APL106), the Development Bank of the Philippines (DBP), based in Philippines, as contained in annex IV;
- (i) Further approves accreditation of the applicant 107 (APL107), the Development Bank of Zambia (DBZ), based in Zambia, as contained in annex V;
- (j) Further approves accreditation of the applicant 108 (APL108), the Infrastructure Development Bank of Zimbabwe (IDBZ), based in Zimbabwe, as contained in annex VI;
- (k) Further approves accreditation of the applicant 109 (APL109), the Moroccan Agency for Sustainable Energy S.A., (Masen), as contained in annex VII;
- (l) Further approves accreditation of the applicant 110 (APL110), the Vietnam Development Bank (VDB), based in Viet Nam, as contained in annex VIII;
- (m) Further approves accreditation of the applicant 111 (APL111), the Korea International Cooperation Agency (KOICA), based in the Republic of Korea, as contained in annex IX;
- (n) Further approves accreditation of the applicant 112 (APL112), Nacional Financiera, S.N.C., Banca de Desarrollo (NAFIN) based in Mexico, as contained in annex X;
- (o) Further approves accreditation of the applicant 113 (APL113), the Joint Stock Company TBC Bank (TBC) based in Georgia, as contained in annex XI; and
- (p) Approves accreditation of the applicant 114 (APL114), the Inter-American Institute for Cooperation on Agriculture (IICA) based in Costa Rica, as contained in annex XII;
- (q) Takes note with appreciation of the assessment conducted by the Secretariat and the Accreditation Panel contained within annex XIV for the following applicant seeking to upgrade its accreditation type:
 - (i) International Fund for Agricultural Development (IFAD) based in Italy, as contained in annex XIII; and
- (r) Agrees to upgrade the accreditation type of the International Fund for Agricultural Development (IFAD) as contained in decision B.14/11, paragraph (b), subject to, and in accordance with the assessment by the Accreditation Panel contained in annex XIII.

Annex II: Draft decision of the Board (re-accreditation)

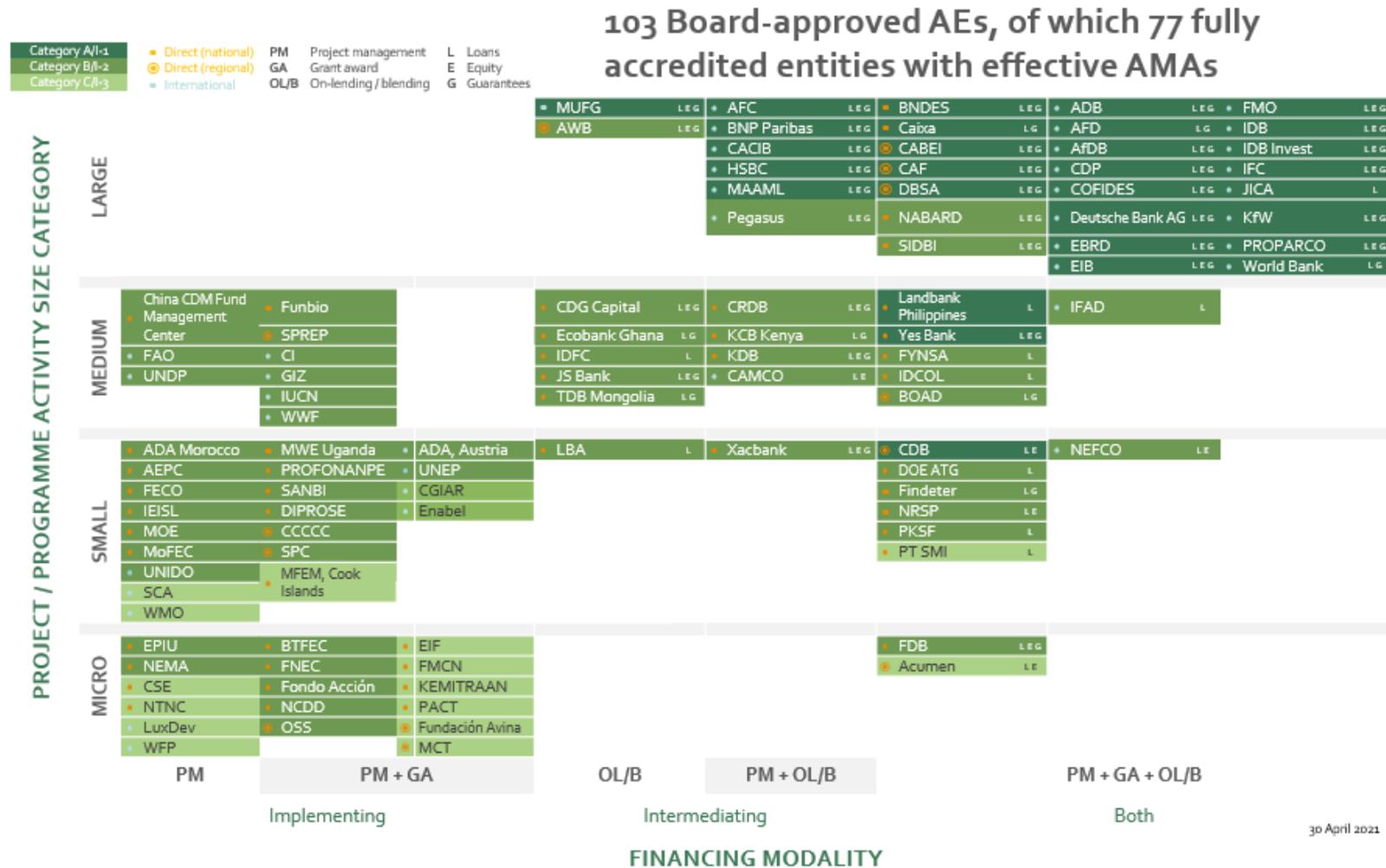
The Board, having considered document GCF/B.29/07 titled “Consideration of accreditation proposals”:

- (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 for re-accreditation:
 - (i) Applicant R021 (RAPL021) is the Agency for Agricultural Development of Morocco (ADA), based in Morocco, as contained in the annex I of Addendum II;
 - (ii) Applicant R003 (RAPL003) is the Secretariat of the Pacific Regional Environment Programme (SPREP), based in Samoa, as contained in annex II of Addendum II, andpursuant 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 amendment to the accreditation master agreement, in accordance with decision B.24/13:
- (b) Approves the re-accreditation of applicant RAPL021, the Agency for Agricultural Development of Morocco (ADA), based in Morocco, as contained in annex I of Addendum II; and
- (c) Further approves re-accreditation of applicant RAPL003, the Secretariat of the Pacific Regional Environment Programme (SPREP), based in Samoa, as contained in annex II of Addendum II.

Annex III: 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 30 April 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 30 April 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 IV: 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 V: 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 VI: 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 that 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 VII: 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 its ISO 9001:2015 certification. The applicant upgraded the documentation to reflect the restructuring. The AP has examined the documentation of critical processes and notes that the ISO re-certification process ensures 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. Three additional staff member have joined the Internal Audit function one more staff is expected in 2021. This provides the ability of Internal Audit to meet the responsibilities contained in its charter but the sufficiency of the output of Internal Audit 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 an 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 April 2021. 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) Not executing the internal audit plan approved by the Audit and Risk Committee;
- (b) 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;

- (c) The need to continue developing corporate risk management procedures, put them in place and execute them; and
- (d) 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 has drafted an updated Code of Ethics in April 2021 as part of its effort to put into place a risk management and compliance function. Based on feedback of the Accreditation Panel the applicant agreed to include financial disclosure aspects; specify the duties and responsibilities of oversight by the Audit and Risk Committee that provides oversight to the Code of Ethics and have it formally approved. As part of this effort, the applicant intends to extend the existing provisions of “code of good conduct” or listing of the ethics elements to which their corporate counterparts and applicable project partners are already held accountable to. This would meet the requirement of the GCF basic fiduciary standard on transparency and accountability.

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 updated its anti-money laundering policy in March 2021 which is in line with the GCF AML/CFT Policy. This policy needs to be formally approved. The applicant has stated that related procedures will include the existing procedures on how to monitor electronic transfers in the framework of the policy. Although the applicant’s policy was only recently updated, its current AML/CFT 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) Making the relevant Code of Ethics provisions applicable to third parties, and updating its anti-fraud policy and procedures (including the whistleblower procedures);
- (b) Having the Code of Ethics and its policy against money laundering and financing terrorism formally approved;
- (c) Demonstrating that there are adequate resources for the investigative function; and
- (d) 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 (Lender Technical Advisor), 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

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.”

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.

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, and the GCF Policy on Prohibited Practices, 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 05 February 2021 for the applicant to meet the requirements of the GCF basic fiduciary standards, including those related to:
 - a. Deploying 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;
 - b. Completing 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.”

Annex VIII: 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 exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in

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

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.

Annex IX: Accreditation assessment of applicant 111 (APL111)

I. Introduction

1. Applicant 111 (APL111), the Korea International Cooperation Agency (KOICA), is a national direct access entity based in the Republic of Korea. The applicant aims to contribute to the promotion of international cooperation by performing various projects to expand relationships and mutual exchanges between the Government of the Republic of Korea and developing countries. It also aims to assist in the economic and social development of such countries. The applicant focuses on all development sectors, including education, health, governance, agriculture and rural development, water, energy, transportation, urban development, climate change, gender equity and human rights.

2. The applicant submitted its application for accreditation to GCF via the online accreditation system on 24 July 2018. Accreditation fees were received from the applicant on 29 November 2018, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 10 July 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 Korea;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or activity within a programme:** small;¹
- (d) **Fiduciary functions:**²
 - (i) Basic fiduciary standards; and
 - (ii) Specialized fiduciary standard for project management; and
- (e) **Maximum environmental and social risk category:** medium risk (category B).³

II. Stage I institutional assessment and completeness check

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

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

² Decision B.07/02.

³ As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), category B is defined as “Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures,” 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 founded as a government agency in 1991 under the Korea International Cooperation Agency Act No. 4313.

2.2 Institutional presence and relevant networks

5. The applicant has a strong global presence with 323 projects implemented in 117 countries, with a focus on developing projects in the least developed countries and small island developing States in the Asia-Pacific region. As a government agency responsible for ensuring the efficiency and effectiveness of the Republic of Korea’s official development assistance and grant aid programmes with its partner countries, the applicant plays an active and critical role in the implementation of the Government’s Country Partnership Strategies.

6. Based on the direction of the strategies, the applicant has implemented official development assistance in the form of grant aid in 24 priority countries identified by the Government, which include 11 countries in Asia, 7 in Africa, 2 in the Middle East and Central Asia and 4 in Latin America. It closely collaborates with national governments in partner countries and promotes partnerships with private sector entities to contribute to the global development agenda.

7. The Republic of Korea has yet to submit a country programme to GCF. The national designated authority envisages that the applicant, if accredited to GCF, has the potential to leverage co-financing through grant aid programmes in adaptation projects. In the absence of the Republic of Korea’s programming priorities with GCF, the applicant, as per its mandate, implements the Government’s grant aid programmes and shares with GCF the objectives of helping to meet the Sustainable Development Goals and the goals of the Paris Agreement.

8. Based on its extensive project experience in developing countries, KOICA has the potential to develop and deliver climate change projects, particularly in adaptation. The

Government of the Republic of Korea also expects KOICA to utilize its overseas development assistance grant financing to co-finance projects with multilateral development banks and/or commercial banks.

9. Although there is a direct access entity from the Republic of Korea accredited with GCF, the Korea Development Bank, the number of projects in which the bank can participate is limited within its accreditation scope owing to its focus on loans through commercial projects. The national designated authority's expectation is that KOICA will be able to develop and propose a wide range of non-commercial projects in developing countries.

10. The applicant is strongly committed to the realization of the nationally determined contributions of the Republic of Korea. In order to assist the country to meet its objectives, the applicant has established its mid-term climate change strategy (2016–2020) and the mid-term action plan for climate action (2019–2021). The applicant aims to focus on:

- (a) Expanding climate action in its foreign aid projects;
- (b) Upgrading a project management system to enhance its environmental impact management;
- (c) Expanding domestic and international partnerships; and
- (d) Increasing blended finance for climate action;

11. In order to advance the objectives of GCF, the applicant intends to:

- (a) Fully comply with GCF policies and strategies and guarantee quality control of the implementation of mitigation and adaptation projects funded by GCF;
- (b) Design innovative low-emission and climate-resilient projects and programmes to drive paradigm shift impact in developing countries, such as e-mobility projects in countries of the Association of Southeast Asian Nations, smart city projects in small island developing States in the Pacific; and waste disposal projects in Central Asia;
- (c) Encourage private sector participation in GCF-funded activities, such as the application of innovative ideas and climate technologies derived from the private sector and promotion of private investments; and
- (d) Continue its close relationship with national governments in partner countries and consult their national designated authorities to develop demand-driven climate projects.

2.3 Track record

12. The applicant has strongly committed itself to meeting the Sustainable Development Goals in the Republic of Korea's partner countries and leading inclusive partnerships for the global development agenda. In order to contribute to meeting the Paris Agreement objectives, it has established mid-term strategies for water, energy, transport and technology for the systematic promotion of official development assistance programmes. In addition, the applicant promotes sustainable agriculture and rural development projects as a response to climate change and adaptation efforts. Furthermore, the applicant supports rural communities for the spread of eco-friendly farming and the improvement of systems and policies for effective utilization of forest and marine resources.

13. Following its mandate, KOICA's current climate change portfolio is about USD 390 million. The types of project under this portfolio cover a wide range of support in greenhouse gas emission reduction and adaptation, with the emphasis on adaptation projects. About 70 per cent of total project costs are being used in the following 24 priority partner countries for development cooperation, most of which are located in the Asia-Pacific region:

- (a) Asia: Bangladesh, Cambodia, Indonesia, Lao People's Democratic Republic, Myanmar, Nepal, Pakistan, Philippines, Sri Lanka and Viet Nam;
 - (b) Central Asia: Azerbaijan, Mongolia and Uzbekistan;
 - (c) Africa: Ethiopia, Ghana, Mozambique, Rwanda, Senegal, Uganda and United Republic of Tanzania; and
 - (d) Latin America: Bolivia (Plurinational State of), Colombia, Paraguay and Peru.
14. The applicant's track record in financing sustainable development and climate change related projects to date includes the following:
- (a) The Saemaul Undong Project of Sustainable Agriculture and Rural Development in Myanmar;
 - (b) The Project for Climate Resilience and Inclusive Green Growth for Poor Rural Communities, MIMAROPA Region in the Philippines;
 - (c) The Project for Establishment of Photovoltaic Power Plant in Galapagos-Santa Cruz Island in Ecuador; and
 - (d) The Project for the Energy Efficiency Improvement in Electric Distribution and Pilot AMR/Billing System in Iraq
15. The applicant also co-financed a number of GCF-funded projects through its official development assistance grants, including the following:
- (a) FP001: Building the resilience of wetlands in the province of Datem del Marañón, Peru;
 - (b) FP071: Scaling up energy efficiency for industrial enterprises in Vietnam; and
 - (c) FP087: Building livelihood resilience to climate change in the upper basins of Guatemala's highlands.

III. Stage II accreditation review assessment

16. 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 GCF policies and standards identified in paragraph 3 above.
17. As part of this assessment, the AP consulted 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

18. The applicant is an organization affiliated to the Ministry of Foreign Affairs of the Republic of Korea, governed in accordance with the stipulations of the Korea International Cooperation Agency Act and managed by the provisions of its articles of association. The main governance body is the Board of Directors, which is chaired by the applicant's President, and conformed by 4 executive directors and 10 external directors. The external directors include officers from specific ministries and non-government affiliated expert professionals. The applicant's President is nominated by the President of the Republic of Korea following the recommendation of the Ministry of Foreign Affairs; the applicant's President then nominates the four executive directors and the relevant ministries nominate the non-executive directors. The governance responsibilities of the Board are supported by the Internal Auditor, who is nominated by the country's President, and by the Ethics Committee. The applicant provided

thorough descriptions, and supporting documentation, of the terms of reference, rules of the appointment and termination, and roles and responsibilities of the components of its governance structure. The applicant's executive management is the responsibility of its President, supported by the four executive directors. The responsibilities, and departments under management, of each Executive Director are clearly defined. The applicant's organizational structure is designed by geographical regions and support units. Finally, an independent evaluation office, reporting to the President, is established. The AP concludes that the applicant has an adequate governance and organizational structure for the appropriate management of its headquarter operations and the operations of its 44 country offices.

19. The applicant provided copies of its planning documents and budgets that demonstrate the appropriateness of its planning and budgeting policies and procedures. The applicant provided a copy of its strategic plan, which is structured to provide reasonable assurance of an effective transition from planning to execution. The main sections of the strategic plan are composed of a definition of strategic objectives and action plans for the execution of the intended activities and achievement of the planned results. The long-term plan provides the required guidance for the preparation of annual business plans and budgets. The applicant's long-term plan, annual plans and budgets are approved by its Board of Directors and approved by the Ministry of Foreign Affairs. The planning and budgeting process, in addition to the final approval by the Ministry of Foreign Affairs, provide assurance of proper alignment of the applicant's long- and short-term plans with its mission as a foreign cooperation agency.

20. According to the 2019 Independent Auditor's Report the applicant prepares its financial statements in compliance with the accounting rules for public institutions and quasi-governmental agencies, which are based on the Korean International Financial Reporting Standards. However, it should be noted that these two accounting standards are not equivalent; the Accounting Rules have precedence and the Korean International Financial Reporting Standards are used for accounting transactions for which the Accounting Rules do not provide guidance.

21. The applicant's financial and accounting management system provides proper support for the administration of accounting and budgeting, both at headquarters and in the overseas offices. Relevant to the management of the applicant's global network of offices is this system's capacity regarding automated accounting for budget allocation, control, expenditure and settlement. The system provides management information reporting classified in three categories of reports: budget management; financial management; and overseas offices financial management.

22. The applicant's payment and disbursement system is regulated by applicable guidance contained in the applicant's accounting manual, its internal control regulations and its budget management system. All disbursements are logged in the budget management system and approved by the designated authorized officer of the requesting department. All payments are reviewed by the financial accounting department to ensure compliance with the delegated authorization amounts and registration in the budget system. The financial accounting department executes payments once it is satisfied that all requirements have been properly satisfied. To provide assurance of the correct application of the payments and disbursement guidelines the audit department undertakes periodic reviews of the system.

23. The applicant is not required, by national regulations, to establish an Audit Committee; in place of such a committee an independent Auditor is appointed. The Auditor is appointed by the country's President following the recommendation of the Ministry of Finance. The Auditor acts independently from the applicant's management and executive team. Furthermore, the professional qualifications and independence of the Auditor are ensured by the selection, nomination and appointment process undertaken.

24. The applicant provided copies of relevant regulations and procedure manuals that document the internal audit unit's terms of reference. These regulations and documents provide an appropriate framework for the internal audit function. The pertinent guidance documents establish internal audit procedures that provide reasonable assurance of appropriate execution of internal audit functions, in accordance with recognized standards. The internal audit department reports to the Auditor and the regulatory requirements, as well as the internal audit guidelines, provide for the required independence and framework for appropriate discharge of internal audit responsibilities. The internal audit department regularly communicates its findings through reports and presentations to the Board of Directors, management, staff and stakeholders. The applicant is subject to annual parliamentary audits and audits by the Board of Audit and Inspection; these audits further strengthen the oversight of the applicant's operations and provide information useful in the evaluation of the quality of the internal audit unit's reviews.
25. The applicant appoints external audit firms for one-year terms, in accordance with the terms of reference defined in the applicant's articles of association. The external audit firms perform their audits based on external audit standards applicable in the Republic of Korea. The applicant is further subject to annual audits by the Board of Audit and Inspection and audits, when required, by the Ministry of Foreign Affairs and the National Assembly. These audits are regulated by relevant national laws and regulations that ensure independence and access to the required financial records and documentation.
26. The applicant's internal control guidance documents and the legal framework that regulates its activities contain the necessary elements for the development of an internal control framework that meets the requirements of the GCF basic fiduciary standards regarding key administrative and financial capacities. The applicant, in response to the AP's comments, developed its internal control regulation (version 1 draft). This regulation is expected to be finalized and approved by June 2021. Although the applicant has not yet implemented its revised internal control regulations, other elements of its organizational structure (for example its Ethical Operation Committee and its fraud and bribery prevention systems) establish an appropriate organizational control environment.
27. The applicant demonstrated its organizational capacities to identify, mitigate and control risks. As evidence of such capacities the applicant provided a copy of its anti-bribery management system's certificate of compliance with Korean Standard A International Organization for Standardization 37001:2016 and a copy of its guidelines for identifying, mitigating and managing corruption risks. These internal control capacities are implemented, both at the head office and at the country office level, to manage such risks in the implementation of the international development cooperation projects it executes. Additionally, it is important to note that the applicant's organizational structure provides for appropriate segregation of duties. Functions are separated according to activities that require checks and balances and/or independence.
28. The applicant's procurement policy and guidelines are contained in the Ministry of Foreign Affairs' Instruction for the Enforcement of Programs of Korea International Cooperation Agency and in its internal regulations for procurement and contracts in international cooperation projects. The procurement guidelines provide specific guidance and contract requirements for different types of goods and services procured. The applicant undertakes the majority of procurement activities required for the projects it executes; however, for specific projects where the applicant outsources the procurement tasks it has relied, based on memorandums of understanding, on the United Nations Office for Project Services. The electronic procurement system used by the applicant provides reliable online access to procurement records. In procurement undertakings that involve a bidding process the outcomes of the process are also accessible in a transparent manner to all interested parties. As evidence of compliance with international procurement standards the applicant notes that a

minor fraction of its foreign cooperation projects involve procurement that includes conditions related to country of origin of goods and services. The applicant has an established procurement dispute resolution process that is managed by a specialized committee established to ensure proper resolution of procurement disputes. Evidence, in the form of resolutions of the Dispute Resolution Committee, was provided for two cases where procurement disputes arose.

29. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of track record, partially meet the GCF basic fiduciary standards on key administrative and financial capacities. The relevant gap is identified in paragraph 25 above and is reflected by the corresponding condition of accreditation in section 4.2 below.

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

30. The applicant's ethics framework is guided by both internal and national regulations. The applicant's code of ethics, applicable to officers and employees, is based on Article 8 of the national Act on Anti-Corruption and the Establishment and Operation of the Anti-Corruption and Civil Rights Commission. Additionally, the applicant has implemented an organizational code of integrity and codes of integrity specifically applicable to the following individuals: i) members of the Executive Board and high-level officers; ii) all employees, except those mentioned in the previous point; and iii) all employees when performing duties related to procurement. The applicant emphasizes appropriate communication of its ethical standards to all relevant parties. As evidence of the applicant's communication efforts its website contains the Ethics Charter and the pledges of integrity. The oversight of the ethics framework is delegated to the Ethics Committee and the ethics sub-committees established by the applicant. The Ethics Committee and the sub-committees are functioning oversight bodies with clearly defined terms of reference and operational guidelines.

31. The applicant's code of ethics includes mandatory financial disclosure requirements. Specifically, the relevant section of the code of ethics titled "Refrainment from Interested Duties" defines the situations in which an officer or employee must present a formal disclosure of relevant information to avoid perceived, potential or real situations of conflict of interest. The formal disclosure is made using a pre-established template and must include relevant supporting documentation. The main situations defined that require disclosure are: i) when an employee has interests in counterparts that are directly related to their professional duties; ii) situations where the relatives of executives and employees (referring to relatives under Article 767 of the Civil Act) are related to their duties; and iii) situations where a corporation or organization in which employees served the two previous years are related to their duties. The applicant's code of ethics provides specific and appropriate guidance for the management of conflict of interest situations. As a practical example, the applicant provided a description of the reasons for excluding a committee member from participating in an agenda point of the Evaluation Committee. As defined in the applicant's technical evaluation guidelines, the reasons for exclusion refer mainly to conflict of interest situations.

32. The applicant's financial mismanagement prevention framework is defined by internal policies, guidelines and standards, as well as the obligation to comply with relevant national regulations related to the prevention of financial mismanagement and engagement in prohibited practices. The applicant's codes of ethics and conduct, whistle-blower protection policy, anti-corruption guidelines and the oversight of the internal audit department, as well as the provisions of the national Act on Anti-Corruption and the Establishment and Operation of the Anti-Corruption and Civil Rights Commission, contain the required guidance for effective prevention of financial mismanagement. However, the definition and prevention of prohibited practices provided by the applicant's current framework need to be broadened in scope (to include practices such as collusion, obstruction and harassment) to comply with the GCF Policy on Prohibited Practices. The applicant has demonstrated throughout its accreditation

application that the appropriate tone of zero tolerance to fraud, financial mismanagement and other forms of malpractice is set by its governing bodies and senior management, supported by the provision of a copy of the statement issued by top management related to zero tolerance for prohibited practices. The applicant has established mechanisms to receive complaints related to prohibited practices such as the clean reporting centre which has established communication channels through which complaints are received. Complaints can also be placed through the website of the national Anti-Corruption and Civil Rights Commission.⁴

33. The applicant's whistle-blower protection policy contains the required guidance for placing complaints, processing cases and ensuring the protection of whistle-blowers (including procedures for avoiding retaliation). The applicant's policy was updated in 2017 and is compliant with the regulations and procedures regarding the protection of whistle-blowers established by the national Anti-Corruption and Civil Rights Commission (ACRC). The applicant's whistle-blower protection policy complies with the requirements of the GCF Policy on the Protection of Whistleblowers and Witnesses; the applicant confirmed that it will cooperate fully under the terms of the GCF policy.

34. It is important to note the efforts undertaken by the applicant to establish policies, guidelines and procedures which promote an organizational culture that is conducive to fairness, accountability and full transparency across the organization's activities and operations. A summary of the applicant's ethics management system can be found on its website.⁵

35. The applicant's regulations assign the authority and responsibility to undertake investigations to the Auditor and the Audit Office, thus ensuring independence of this function. The terms of reference and operational procedures for investigations are contained in the applicant's audit guidance documents, its operating guidelines for processing public interest complaints, its whistle-blower policy and the whistle-blower policy of ACRC. The applicant, as mandated by its whistle-blower policy, established a public interest report centre (as part of the internal audit unit's organizational structure), which is responsible for receiving complaints and establishing the completeness and validity of the complaint. If a complaint is deemed valid it is investigated following established audit procedures and the outcome of the investigation is reported to the appropriate parties for determination of further action required. Investigation cases are processed and recorded as public interest reports, following the procedure for record-keeping of public interest reports. The applicant provided a sample report from ACRC of complaints received and investigated and those resulting in a determination that an ethics violation was incurred. This sample report provides evidence that the record-keeping of investigation cases is appropriate and the applicant, following the guidance of the ACRC reports, includes case trends in the audit reports that are reported to the relevant parties (as noted by the applicant "results of audits are regularly reported to higher ministries and boards in accordance with relevant regulations").

36. The applicant currently does not have an implemented anti-money-laundering and countering the financing of terrorism (AML/CFT) policy. The current focus of the applicant's evaluations is at the overall country risk level but does not address AML/CFT risks explicitly. The AML/CFT risk of the applicant's operating environment, in view of its well-recognized funding sources and focus on international development cooperation, can be considered a low-risk environment. However, the AML/CFT risk increases for activities that involve contracting project execution with private sector entities and with government agencies that serve as executing entities. The applicant has recognized the benefit of developing and implementing its AML-policy to manage and mitigate AML/CFT risks in the projects it undertakes and has provided a draft AML/CFT policy (expected to be approved and implemented by June of 2021)

⁴ Available at <http://www.acrc.go.kr/en/index.do>.

⁵ Available at http://www.koica.go.kr/koica_en/3401/subview.do.

which satisfies the GCF basic fiduciary standards on transparency and accountability and the requirements of the GCF AML/CFT Policy. It is important to highlight that the applicant must include AML/CFT as a prohibited practice in its prohibited practices policy.

37. The AP finds that the applicant's policies, procedures and capacity, supported by the evidence of track record, partially meet the GCF basic fiduciary standards on transparency and accountability, the GCF Policy on the Protection of Whistleblowers and Witnesses, the GCF Policy on Prohibited Practices and the GCF AML/CFT Policy. The relevant gaps are identified in paragraphs 31 and 35 above and are reflected by the corresponding conditions of accreditation in section 4.2 below.

3.1.3 Specialized fiduciary standard for project management

38. The applicant's project preparation and appraisal policies are appropriate for the undertaking of its mission as an international cooperation agency. The applicant's project management guidance documents establish the operational procedures for project identification and project selection. Potential projects are identified through the country offices, in consultation with the partner country, taking into consideration the potential project's impact on the applicant's objectives related to the development strategy of the partner country, the Sustainable Development Goals and the objectives of the applicant's strategic and annual plans. Project proposals are reviewed at headquarters by a review committee that will determine (based on pre-established criteria) whether the project proposal is viable. The results of the committee's evaluation are communicated to the country office.

39. For viable projects, the country office undertakes a preliminary analysis of the project proposal, aided (if necessary) by external specialized experts, and develops a proposed execution plan that is submitted to headquarters. This plan is evaluated by a project committee that decides whether the project is to be presented to the Project Approval Committee, which is composed of both internal and external members, for final decision regarding approval. The Vice-President for Project Strategy chairs the committee meeting. This committee meets at least once a year and all approved projects are presented to the Ministry of Foreign Affairs for final review and budgetary approval.

40. It is important to note that the department responsible for a selected project is required to prepare a project concept paper that assesses project implementation conditions, stakeholder impact and risk management, as well as sectoral feasibility, including an analysis of the technical, economic, social, cultural and environmental aspects of the project. The project concept paper is submitted for evaluation to the independent Evaluation Office.

41. The applicant has a proven project management document that provides appropriate guidance for the establishment of project objectives and baselines for performance evaluation. The applicant's project management documentation includes guidance specific to quality assurance and the establishment of project objectives, expected outcomes, key performance indicators and baselines.

42. To enhance project implementation the applicant established a Technical Assistance Group as part of its project quality assurance system. The group, which has representatives from relevant departments, undertakes a joint review of project implementation. The applicant provided documentation of the group's comments and communication of observations on quality to the units responsible for implementing the project.

43. The applicant's project management policies and operational documentation provide an appropriate framework and guidance for the oversight and control of projects during the implementation stage. Furthermore, the project examples assessed by the AP demonstrate the applicant's capacity to exercise effective project oversight and control. The applicant's Integrated Project Management System and the Project Management Manual included in the

system support project implementation control by integrating project information used to exercise effective oversight.

44. To enhance its project management procedures the applicant indicated that it will improve the project closure guidance that is currently included in its project management documentation. Specifically, the applicant will require that a detailed project closure report be prepared, which will include a description of project results and outcomes, lessons learned and experiences that can be adopted as best practices for future project implementation. The applicant does not make project completion reports publicly available; however, final project evaluation reports, which include project outcomes and results, are publicly available.⁶

45. The applicant's guidelines for project evaluation and for evaluation management provide a clear framework for project monitoring and evaluation. To further enhance its project monitoring capacities the applicant recently implemented its annual project monitoring, evaluation and feedback guidelines. These provide a clear definition of the roles of the departments that cooperate in the project monitoring efforts, which include the country offices, and, at the headquarters level, the regional teams and the country programme team. The country offices assist in performing quarterly monitoring and evaluation exercises on their project portfolio and reporting their findings to headquarters. The country programme team, which is independent of the project origination team (country office), is responsible for analysing the monitoring reports and proposing any corrective actions that may be required. If risks requiring mitigation actions that exceed the decision authority of the country office become apparent during a monitoring exercise, a workshop is organized at the headquarters level to address the risk and establish appropriate mitigation actions.

46. The applicant makes final project evaluations publicly available through its website; however, it does not publish any other evaluation reports or annual monitoring reports. The applicant is committed to fully complying with the GCF report publication requirements. Given the applicant's commitment, and the operational web-based platform for report publication it already has in place,⁷ the applicant has demonstrated its capacity to publish project reports.

47. The guidelines mentioned above, in paragraph 44, for project evaluation and for evaluation management include the applicant's policy for independent project evaluation, which establishes the evaluation criteria, objectives and content of the project evaluation exercises and reports. Furthermore, partnership, impartiality, objectivity, transparency and credibility are defined as guiding principles for project evaluation. The evaluation department is a staff unit in the applicant's organizational structure; it reports directly to the applicant's President and is completely independent of the units responsible for the projects subject to evaluation. In cases where the applicant engages the services of third-party experts to undertake evaluation exercises, appropriate terms of reference are developed. The applicant provided an example of the terms of reference for a third-party independent evaluation, which demonstrate appropriate definition of the requirements and outputs of the evaluation exercise. In addition to the evaluation exercises performed by the applicant, an examination of the applicant's performance is carried out by the Board of Audit and Inspection. Finally, as mentioned above, the applicant publishes evaluation reports on its website.

48. The applicant's annual project monitoring, evaluation and feedback guidelines and the mandate of the technical assistance group provide the framework for appropriate identification, in a timely manner, of project implementation problems, as well as the required guidelines for design and execution of remedial actions. The annual project monitoring, evaluation and feedback guidelines provide adequate definitions of responsibilities and actions, as well as the required separation of duties, for an adequate and independent project-at-risk system. The country programme team, which is independent of project implementation teams, reviews the

⁶ See <http://www.koica.go.kr/koica_en/3496/subview.do>.

⁷ See <http://www.koica.go.kr/koica_en/3496/subview.do>.

quarterly and annual project reports prepared by the country offices, and takes action to promote proper mitigation of any project risks identified.

49. 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

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, equity and/or guarantees)

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

3.2 Environmental and social safeguards

3.2.1 Environmental and social policy

52. The applicant adopted in 2013 and updated in 2017 the Guideline for Implementation of Environmental and Social Safeguards. It has communicated this policy to other agencies and partner agencies in its home country as well as the countries in which it operates.

53. The guideline states that the applicant complies with global norms and standards, including the Organisation for Economic Co-operation and Development (OECD) Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence,⁸ which was adopted on 28 June 2012 and revised by the OECD Council on 6 April 2016, the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action,⁹ and the Sustainable Development Goals. It also has a section specifically on GCF where the applicant commits to striving to comply with all GCF policies. Finally, the guideline states that it will comply with the laws of the host country. In the course of this assessment, the applicant amended the guideline to explicitly state that it has adopted the International Finance Corporation Performance Standards (PS) 1–8.

54. The AP finds that the applicant's E&S management system, comprising the Guideline for Implementation of Environmental and Social Safeguards, supported by evidence of its track record, fully meets the GCF Environmental and Social Policy and interim GCF environmental and social safeguards (ESS) standards for maximum E&S risk category B projects/programmes with respect to PS 1–8.

3.2.2 Identification of environmental and social risks and impacts

55. The applicant has adopted and implemented an E&S risk assessment in three stages of project development: (1) risk avoidance activities at the policy level and activities of ensuring conformance of a project with the applicant's major policies (during the project identification stage); (2) determination of E&S risk categories of a project (during the project preparation stage); and (3) description of the follow-up actions depending on the result of risk

⁸ See [http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?doclanguage=en&cote=tad/ecg\(2016\)3](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?doclanguage=en&cote=tad/ecg(2016)3).

⁹ See <https://www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm>.

categorization (during the project preparation stage). It also submitted summaries of its standards and procedures related to E&S risk categories (A, B and C) consistent with the GCF E&S risk definitions, the contents of the screening form it used, and how it conducts E&S reviews by project type. In the course of this assessment, the applicant updated its risk assessment procedure to require environmental/social impact assessment for E&S risk category A and B projects and to prepare and adopt an environmental and social management plan for both risk categories.

56. The applicant provided examples of projects where it applied its risk assessment procedure, including summaries of how it used screening templates and forms to classify projects and how these were reviewed. Project documents from the Plurinational State of Bolivia, Bangladesh, Senegal, the Lao People's Democratic Republic and Ecuador were provided, with the last two – a small hydropower generation plant and an urban development project, respectively – being E&S risk category B projects.

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 GCF Environmental and Social Policy and interim GCF ESS standards for maximum E&S risk category B/1–2 projects/programmes with respect to PS 1–8.

3.2.3 Environmental and social management programme

58. The applicant has a management programme in place to manage mitigation measures and actions based on the risks it has identified in developing and designing projects. These are incorporated into an environmental and social management plan that enumerates the potential negative environmental and social impacts of projects and lists measures that reduces those impacts, which are described as hazards.

59. The applicant regularly commissions external experts to review its projects and programmes following the OECD Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence and other guidelines. Summaries in English of those assessments and reviews, with recommendations on how to improve implementation and address issues encountered, were provided. Project documents from the Lao People's Democratic Republic and Rwanda provide evidence on the track record of the applicant in implementing its environmental and social management programme.

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

3.2.4 Monitoring and review

61. The applicant has an institutional culture of monitoring and review for effectiveness, including on its implementation of its E&S policies. This is included in its Guideline for Implementation of Environmental and Social Safeguards, and is led by the Office of Assessment and Evaluation, which manages independent evaluations of the applicant's policies, programmes and projects. In conducting these evaluations, the applicant follows the OECD Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence¹⁰.

¹⁰ Available at <<https://www.oecd.org/trade/topics/export-credits/environmental-and-social-due-diligence/>>.

62. The applicant provided summaries/excerpts of internal and independent E&S monitoring reports and reviews of several projects from Cambodia, Senegal, Viet Nam and Zimbabwe. These include country partnership strategy projects and infrastructure (including water supply) projects. The applicant also provided English summaries of E&S evaluation reports, including one from Morocco on the establishment of an automobile training institute submitted to senior management and how this is reviewed through an evaluation and deliberation committee.

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

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

64. The applicant provided its Guideline on Treatment of Civil Petitions, which is based on the national law of the Republic of Korea. This guideline and the related law is mainly applicable to domestic petitions. However, the applicant has accepted petitions from foreign citizens affected by its projects. In the course of this assessment, the applicant enhanced the scope of the civil petitions procedure to accommodate E&S complaints from the public, including persons affected by the project, to align it with the requirements of the GCF Environmental and Social Policy and PS 1.

65. The applicant will receive ESS-related complaints through an "ESS petition email". Its treatment procedure would follow the guideline for the treatment of civil petitions for KOICA-funded projects. The applicant provided annex 2 to its civil petition procedure, which states that the applicant will appoint an external panel to serve as its institutional-level independent grievance redress mechanism (GRM). This external panel will provide an independent oversight of the applicant's GRM. The applicant has not yet appointed such a panel. However, the applicant would be required to identify the composition of the external panel, including its competency, with the submission of its first funding proposal to GCF.

66. In the course of this assessment, the applicant updated its Guideline for Implementation of Environmental and Social Safeguards, particularly with respect to disclosing E&S information for category B projects to conform to the E&S information requirement of the GCF Information Disclosure Policy, including the duration and language requirements. The applicant provided evidence of its track record on E&S disclosure and consultation for projects/programmes that it has financed.

67. The AP finds that the applicant's system of external communications, consultations, information disclosure and GRM partially meets the GCF Environmental and Social Policy, interim GCF ESS standards and GCF Information Disclosure Policy regarding E&S information disclosure requirements for maximum E&S risk category B projects/programmes with respect to PS 1-8. The relevant gap is identified in paragraph 65 above and is reflected by the corresponding condition of accreditation in section 4.2 below.

3.2.6 **Organizational capacity and competency**

68. The applicant assigns the responsibility of ensuring compliance for the implementation of Environmental and Social Safeguards to its Committee for International Development Cooperation, Public Administration Team and Climate Change and Environment Team. Execution of the policy is the responsibility of designated officers for environment and for gender as well as regional and country offices.

69. The applicant provided background information on the professional qualifications of the Director and Managers of the Climate Change and Environmental Team and specialists who are assigned to implement the guideline. The applicant also submitted documentation of capacity-building and training activities directed at mainstreaming E&S standards in its operations.

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

3.3 Gender

71. The applicant's gender policy is embedded in the following: (a) regulation on promoting gender equality and enhancing capacity for women; (b) mid-term strategy and implementation scheme for gender equality; (c) guideline for KOICA staff to mainstream gender equality; and (d) regulation on promoting gender equality and enhancing capacity for women. These define the general standard (basic principles, rules and procedures) for mainstreaming gender equality throughout the implementation of the applicant's projects, which integrates principles of gender equality into the institutions and activities of the applicant's aid programmes.

72. The overall goal of the applicant's gender mainstreaming is to promote gender equality and to contribute to the realization of women's empowerment in developing countries by reflecting the goal of gender equality in foreign aid grant projects.

73. The gender mainstreaming tools used by the applicant include: implementation of gender impact analysis; building and utilization of sex-disaggregated statistics; development and operation of gender mainstreaming education programmes by target group; development and implementation of gender mainstreaming guidelines; and preparation of gender-responsive budget and account sheets. Gender markers, screening and checklists are also used.

74. The applicant submitted a list of projects that prioritize women as beneficiaries, some of which have gender and climate aspects. It also provided examples of water supply and sanitation and health care projects it has implemented in Timor-Leste, Uzbekistan, the Sudan, Afghanistan, Côte d'Ivoire, Senegal and Sri Lanka. These projects have strong gender components and are also related to climate change.

75. 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 recommendation

4.1 Conclusions

76. The AP concludes, following its assessment of the application against GCF standards in accordance with the accreditation requirements identified in paragraph 3 above:

- (a) The applicant partially meets the requirements of the GCF basic fiduciary standards, the GCF Policy on Prohibited Practices and the GCF AML/CFT Policy; and meets the GCF Policy on the Protection of Whistleblowers and Witnesses. In order to fully meet the basic fiduciary standards the applicant must implement its draft internal control regulation; to meet the Policy on Prohibited Practices the applicant must develop and implement a prohibited practices policy consistent with the requirements of the GCF Policy on Prohibited Practices; and to meet the AML/CFT Policy the applicant must implement its draft AML-CFT policy. The aforementioned gaps are described in

paragraphs 32 and 36 above and addressed by the corresponding condition of accreditation in section 4.2 below;

- (b) The applicant meets the requirements of the specialized fiduciary standard for project management;
- (c) The applicant partially meets the GCF Environmental and Social Policy, the interim GCF ESS standards and the GCF Information Disclosure Policy on disclosure of E&S information in relation to a medium E&S risk (category B). The applicant has not identified the composition, including the qualifications and experience, of the external panel to be appointed to oversee its GRM. The aforementioned gaps are described in paragraph 65 above and addressed by the corresponding condition of accreditation in section 4.2 below; and
- (d) The applicant has demonstrated that it has a policy, procedures and competencies in order to implement its gender policy, which is found to be consistent with the updated GCF Gender Policy and has demonstrated that it has experience in gender consideration in the context of climate change.

4.2 Recommendation on accreditation

77. The AP recommends, for consideration by the Board, applicant APL111 for accreditation as follows:

- (a) **Accreditation type:**
 - (i) **Maximum size of an individual project or activity within a programme:** small (including micro);
 - (ii) **Fiduciary functions:**
 1. Basic fiduciary standards; and
 2. Specialized fiduciary standard for project management; and
 - (iii) **Maximum environmental and social risk category:** medium risk (category B) (including lower risk (category C¹¹)).
- (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. The conditions are as follows:
 - (i) Conditions to be met prior to the effectiveness of the accreditation master agreement during Stage III of the accreditation process:
 1. Provision of evidence by the applicant that its Executive Board has approved its internal control regulations, which shall be substantially consistent with the draft internal control regulations reviewed by the AP;
 2. Provision by the applicant of its prohibited practices policy, approved by its Executive Board, which shall include all practices defined as prohibited practices in the GCF Policy on Prohibited Practices; and

¹¹ As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), category C is defined as “Activities with minimal or no adverse environmental and/or social risks and/or impacts,” 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.”

3. Provision of evidence by the applicant that its Executive Board has approved its AML/CFT policy, which shall be substantially consistent with the draft AML/CFT policy reviewed by the AP; and
- (ii) Condition to be met with the submission of the first funding proposal to GCF:
1. Provision by the applicant of the composition and competency of the external panel appointed to oversee the applicant's independent GRM.
78. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 77 above, and agrees to the recommendation.

4.3 Remarks

79. The AP recommends that the applicant consider updating the know-your-customer questionnaires, currently used as part of the process for registering suppliers in the national procurement system, in order to enhance compliance with article 5 of its draft AML-CFT policy.

Annex X: Accreditation assessment of applicant 112 (APL112)

I. Introduction

1. Applicant 112 (APL121), Nacional Financiera, S.N.C., Banca de Desarrollo (NAFIN) is a national direct access entity based in Mexico. The applicant is a development bank that aims to contribute to the economic development of Mexico by providing access to affordable financing to micro, small and medium-sized enterprises (MSMEs) operating throughout the country, and to help Mexico meet its international sustainability commitments and transition into a low-carbon economy, in particular for transport and energy efficiency in MSMEs programmes.

2. The applicant submitted its application for accreditation to GCF via the online accreditation system on 29 July 2017. Accreditation fees were received from the applicant on 21 February 2018, thereby launching the stage I institutional assessment and completeness check. Stage I was completed on 19 November 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;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or activity within a programme:** medium;¹
- (d) **Fiduciary functions:**²
 - (i) Basic fiduciary standards;
 - (ii) Specialized fiduciary standard for project management; and
 - (iii) Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees); and
- (e) **Maximum environmental and social risk category:** medium risk (category B/intermediation 2 (I-2)).³

II. Stage I institutional assessment and completeness check

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

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

² Decision B.07/02.

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

- (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. The applicant had initially applied to be accredited for Project Management but withdrew from the criteria after stage I and prior to the start of the stage II assessment.

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. The applicant was established in Mexico on 30 June 1934 under public registry book 249, section 57, number 13672.

2.2 Institutional presence and relevant networks

6. NAFIN is a development bank wholly owned by the Mexican government. Its principal goal is to provide access to affordable financing to MSMEs operating throughout Mexico. In addition to its headquarters in Mexico City, NAFIN has four regional offices across the country: North East, North West, Western, South. As of May 2021, NAFIN has 952 employees.

7. NAFIN is committed to supporting Mexico’s efforts to tackle climate change. NAFIN provides financing for priority projects of the Mexican government that contribute to the achievement of Mexico’s climate agenda, mainly supporting projects that aim to reduce Greenhouse Gas Emissions. NAFIN’s Sustainable Projects Unit was created in 2009 to participate in the financing of environmentally friendly projects, and the Unit became the Department of Sustainable Projects in 2010.

8. Since 2010, NAFIN has supported several sustainable projects in the country, including priority projects of the Federal Government and programmes addressed to MSMEs. In 2015, NAFIN issued the first ever USD green bond of Mexico and third in Latin America, and in 2016 the first green bond denominated in Mexican peso (MXN).

9. The applicant is strongly committed to sharing knowledge and experience of the GCF’s accreditation process with other national entities that are interested in being accredited. The

applicant's experience as a development bank becoming accredited to GCF would encourage other development banking institutions and public trust funds in Mexico and the LAC region to pursue accreditation with GCF.

10. In order to advance the objectives of GCF, the applicant intends to undertake the following activities:
 - (a) Use GCF funding to finance transport and energy efficiency in MSMEs projects and programmes that will help Mexico achieve its sustainable goals and international commitments and transition into a low-carbon economy;
 - (b) Expand the scale and impact of medium-sized programmes in areas of transport and energy efficiency in MSMEs in Mexico;
 - (c) Promote a paradigm shift within the institution and also for other development banking institutions and public trust funds in Mexico;
 - (d) Share its accreditation experience and know-how with GCF with other entities and ensure downstream entities to comply with GCF standards in project implementation; and
 - (e) Encourage other banking institutions in the region to seek accreditation, thus fostering country ownership.

11. Currently Mexico does not have a Country Programme with GCF, nor is a draft available yet. In 2019, readiness request MEX-RS-001 to support Mexico's Country Programme was approved, which includes continued support to direct access applicants (NAFIN, the applicant, and Banco Nacional de Obras y Servicios Públicos/BANOBRAS, more recently nominated). In addition, the national designated authority (NDA) requested and received readiness resources to support the applicant in preparing for the accreditation process through its Gender Assessment and Action Plan (GAP). One of the main objectives of the NDA in having this applicant accredited to GCF is to have a public institution that can bring private sector projects/programmes, with positive track record on climate change projects, and with sectorial expertise focusing on mitigation. The applicant will be complementary to the already accredited national direct access entity (DAE), Fondo Mexicano para la Conservación de la Naturaleza A.C., which is accredited for the micro-size category, fiduciary functions to manage projects and award grants, and the E&S risk category C/intermediation 3, whereas the current applicant is seeking accreditation for the medium-size category, fiduciary functions to on-lend, blend and provide guarantees, and E&S risk category I-2.

2.3 Track record

12. Since being established by the Mexican government in 1934, the applicant has been providing access to affordable financing to MSMEs throughout Mexico. The applicant is specialized mainly in the industry, trade and services sectors, and has supported priority projects aligned with the Mexican government's strategy on sustainability and climate change.

13. The applicant's track record in financing sustainable development and climate change-related projects to date includes the following examples, among other projects:

- (a) USD 54 million (loan), out of a total financing of USD 147 million, for the Oaxaca Wind Project 1 in Mexico;
- (b) USD 110 million (loan), out of a total financing of USD 565 million, for the Tamaulipas Wind Project in Mexico;

- (c) USD 200 million (loan), out of a total financing of USD 200 million, for the Gas & Combined Heat and Power 1 Project in Mexico; and
 - (d) USD 75 million (loan), out of a total financing of USD 339 million, for the Wind Farm Zacatecas Project in Mexico.
14. The applicant has experience with projects/programmes related to the following GCF results areas:
- (a) Mitigation:
 - (b) Energy generation and access;
 - (c) Transport; and
 - (d) Buildings, cities, industries and appliances.

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 GCF policies and standards identified in paragraph 3 above.
16. 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

17. As a Mexican government-owned development bank, channelling affordable financing to small and medium-sized companies, the applicant has strong and effective systems of oversight and financial management. The 12 directors and 12 alternates of the board of directors include representatives of the government ministries of economy, energy and finance as well as heads of chambers of commerce, two independent members and a secretary of the board. The executive management team is headed by a general director who manages a team of 10 deputies who lead the various departments of NAFIN. There are 16 sub-committees of NAFIN's board and executive management team, overseeing the following areas: audit and internal audit, ethics and prevention of conflicts of interest, transparency, investment and divestment, internal risk management, control and communications, procurement, human resources and institutional development, credit, trust business, evaluation and system planning, financial products and efficient use of energy. Each of these committees has its own manual and operating rules with detail of legal basis, objectives, role and responsibilities, appointments of members and alternates, meeting schedules and minutes, voting and quorum and follow-up agreements.

18. The Government of Mexico plays an active role in the strategy of the applicant, which is aligned with Mexico's National Development Plan and National Financing Programme. Strategic plans have been provided with corresponding budgets for 2017–2019 together with the process whereby plans are approved within the organization and at Government level. NAFIN's strategic plan and objectives for 2020—2024 are published in an official gazette. During the implementation of strategic plans, department heads report to the general director on performance against the plan. 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.

19. Audited financial statements are prepared by the applicant's external auditor using International Auditing Standards and are published in Spanish and English on NAFIN's website. The external auditor's report states that the accounting principles conform with the general provisions applicable to lending institutions issued by the Mexican National Banking and Securities Commission (CNBV). NAFIN has a comprehensive Management Information System (MIS) with reports generated in three key areas: consolidated accounting statements, consolidated income statements and the credit portfolio integration report. The applicant has provided manuals for financial management, risk assessment, control framework and payments and disbursements, as well as their investment credit manual.

20. NAFIN has an effective and well-staffed audit committee that meets regularly with responsibility for reviewing external audits and overseeing the internal audit function. The head of internal audit reports to the audit committee which in turn reports to NAFIN's board. Internal audit follows national and international standards and is monitored and assessed regularly for overall effectiveness, with regulatory oversight of the CNBV. The operations of NAFIN's internal audit function have been demonstrated with examples of minutes of meetings, internal audit plans and reports, and status of action on findings and recommendations.

21. The policy and procedures for internal control have been explained in the input data and track record demonstrated in the internal control reports provided. The applicant's risk management manual has also been provided. Procurement is governed by Mexican regulations and meets GCF basic fiduciary standards on key administrative and financial capacities. Supporting documents for 2 large procurements have been provided in Spanish with summaries in English. Full details of procurements are published on NAFIN's website. The non-public sector intermediaries that work with the applicant do not have to comply with government procurement policies. However, NAFIN has a team that is specialized in the procurement policies of the World Bank and Inter-American Development Bank. This team has experience assisting executing entities to ensure procurement processes align with required standards. This team has the capability to oversee the procurement processes of beneficiaries of GCF supported projects. Examples of procurements and oversight reports have been provided. The procurement manual includes the dispute resolution process and examples of three procurement complaints have been provided.

22. 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**

23. The applicant's code of conduct is available on its website and communicated to staff via email. New employees are required to sign a confirmation of acceptance of this code of conduct. A summary has been provided of the process followed in cases of violation of the code and the involvement of the board's subcommittee for ethics and prevention of conflicts of interest. In addition to addressing potential conflicts of interest, NAFIN's 2020 updated code of conduct addresses financial mismanagement and obstructive practices consistent with GCF's Policy on Prohibited Practices, as well as the GCF Policy on the Protection of Whistleblowers and Witnesses. General management promote a culture conducive to fairness, accountability and full transparency together with a policy of zero tolerance for fraud, financial mismanagement and malpractice.

24. All Government of Mexico employees, including NAFIN staff, have to present and sign on an annual basis a declaration of assets and disclosure of conflict of interest, in order to comply with national regulations. Examples of the electronic invoice issued by the authorities after staff

present and sign their declaration have been provided. The applicant has shared its conflict-of-interest review and resolution procedures.

25. The claims and allegations operating manual explains the investigation function and disciplinary procedures in the event of breaches of the code of conduct. While the applicant does not track case trends, there is an internal procedure to detect patterns of complaints made. Detailed summaries of cases and reports of violations have been provided for 2017 to 2019.

26. The applicant has a robust anti-money laundering and combatting of terrorism (AML/CFT) policy and know your customer (KYC) procedures within its compliance manual. The KYC processes for assessing client risk and the examples provided demonstrate NAFIN's capacity to meet GCF AML/CFT Policy. Mechanisms to trace and monitor electronic funds transfer have also been demonstrated.

27. 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,⁴ the Policy on Prohibited Practices⁵ and the AML/CFT Policy.⁶

3.1.3 Specialized fiduciary standard for project management

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

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

29. 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).

30. NAFIN's on-lending is governed by its credit manual, which includes due diligence as well as monitoring and evaluation procedures. The manual details the criteria for assessing eligibility of intermediaries. Due diligence track record has been demonstrated with two reports on credit lines to non-bank financial intermediaries. In addition, two reports have been provided with analysis of the lending portfolio of financial intermediaries.

31. In response to an AP request, NAFIN has updated its website to include a section for publishing details of future on-lending. The framework of this new section is available on the website and will in future include information regarding GCF concept notes, supported projects and beneficiaries' reports. Since Mexico has legislative elections in June 2021, there is currently a ban on government agencies publishing information until after the elections, in order to maintain a fair playing field during the campaigns. This means that the applicant, as well as all government agencies, temporarily cannot make changes or publish anything on its website. However, examples of information that is already published on projects managed by the applicant as a financial agent of the Government of Mexico, and those the applicant manages with the support of multilaterals, are already on the website and demonstrate NAFIN's intention and capacity to publish details of GCF funded projects.

32. As a national development bank, the applicant operates under the Government's objectives and priorities. This includes NAFIN's treasury operations which are governed by a

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.

treasury operations manual and a money desk manual and for the management of liquidity and investments. Two investment portfolio management reports have been provided.

33. Details have been provided of the computer systems used to ensure funds are transparently channelled as well as the process of monitoring compliance with on-lending obligations and agreements. Financial performance of non-bank intermediaries and direct borrowers is also analysed periodically.

34. The risk management sub-committee of NAFIN's board is responsible for reporting on management of assets and liabilities as well as ensuring adherence with NAFIN's financial risk management policies. A general risk management strategy has been provided as well as a recent risk report. Evidence of the effectiveness of risk management strategy and operations are evidenced in a recent internal audit report on the risk management function. Minutes of recent meetings of the risk management committee as well as minutes from three recent Asset Liability Committee (ALCO) meetings have been provided. Details have also been provided of the segregation of duties and approval authorities between treasury and operations.

35. The applicant has an extensive track record of working with international organizations for on-lending operations. NAFIN's annual funding plans for the last three years have been provided with details of financial resources raised locally and internationally. This includes credit lines and financing programmes from Inter-American Development Bank, Corporación Andina de Fomento, Kreditanstalt Für Wiederaufbau (KfW) and the World Bank in USD and in EUR totalling over USD1.2 billion. The applicant's on-lending operations include direct lending to beneficiaries, lending to other financial intermediaries for on-lending to small companies and acting as a financial agent for the Government of Mexico to channel multilateral funding to government-supported projects. Documents for three clean energy on-lending projects demonstrate the applicant's track record.

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 on-lending and blending for loans and guarantees.

3.2 Environmental and social safeguards

3.2.1 Environmental and social policy

37. The applicant's Environmental and Social Risks Management System (ESRMS), abbreviated as SARAS in Spanish, is described in the SARAS manual. The ESRMS lays out the process for the applicant's review and due diligence of potential environmental and social impacts of the projects/programmes of its clients applying for credit for their first tier (direct) loans.

38. Specifically, the ESRMS directs the applicant to:

- (a) Identify, evaluate, mitigate, and monitor the environmental and social risks of the applicant's operations;
- (b) Validate compliance with national legislation, as well as the alignment with international environmental and social standards of the projects/programmes financed by the applicant; and
- (c) Oversee the environmental and social performance of the applicant's clients, investors, and other stakeholders in projects/programmes financed by the applicant.

39. The applicant voluntarily adheres to the Equator Principles (EP) including the performance standards (PS1–8) of the International Finance Corporation (IFC). The ESRMS

manual and adjoining annexes are in line with the implementation requirements of the national policies of the United Mexican States (e.g. Federal Law of Environmental Responsibility, and General Law for Ecological Equilibrium and Environmental Protection). E&S management has been periodically updated over the past several years to integrate the evolving E&S safeguard requirements of the applicant's international financing partners, leading to the formal approval of the SARAS manual by the applicant's senior management in June 2020. This SARAS largely reflects the internal organizational changes and related E&S review responsibilities. The ESRMS is within the purview of the applicant's credit review and approval process for its loans. The Coordinator of ESRMS is responsible for ensuring its conformance and for its execution. The SARAS Coordinator reports directly to the Deputy General Director of Credit, who in turn reports directly to the General Director. The ESRMS manual has been communicated to all levels within the organization and is available on the applicant's website. The applicant provided evidence on having organized a training course for all the staff on the application of the ESRMS in September 2020.

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

3.2.2 Identification of environmental and social risks and impacts

41. The SARAS manual describes the applicant's procedure on the identification of E&S risks and impacts including E&S risk categorization including the responsibilities for determining the categorization and its implementation. The applicant's E&S experts propose an initial E&S risk screening and categorization of projects/programmes into E&S risk level A, B or C, and according to the classification by industrial activity and associated sector, as defined in the ESRMS manual. The ESRMS Coordinator validates the proposed E&S risk category. The E&S manual contains checklists and scorecard template to guide the applicant's E&S experts in conducting the E&S screening and categorization based on the PS1-8.

42. The applicant provided examples of E&S risk screening scorecards for two projects, a photovoltaic solar park and a wind project, categorized as E&S risk category B, including the indication on who within the organization determined the categorization in line with the SARAS manual.

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

3.2.3 Environmental and social management programme

44. The SARAS manual describes the applicant's institutional process for managing mitigation measures and actions stemming from the E&S risk identification process. The project developer is responsible for preparing an Environmental Impact Statement (Spanish acronym, MIA) or Preventive Report, which is a mandatory document for the development of any construction project that the project developer must submit to the Ministry of the Environment and Natural Resources (SEMARNAT). The MIA evaluates the environmental and social impacts of a project, including the mitigation measures to be implemented by the project developer and approved by the SEMARNAT. The MIA defines the actions and related milestones for environmental and social compliance to be followed by the applicant's borrowers throughout the life of the project.

45. The applicant initially conducts a desk-level risk assessment to review the E&S scorecards to verify the E&S risk categorization. This is followed by the applicant's E&S due diligence (ESDD) and recommendation on an E&S corrective action plan for implementing the identified E&S mitigation measures. The ESDD findings are submitted to the Credit Committee for its review and determination on whether to finance a project. If approved, the legal team integrates the E&S corrective action plan into the legal contract with the applicant's borrowers.

46. The applicant provided the ESDD documents for the photovoltaic solar park and wind projects processed in line with the SARAS manual. The applicant also provided technical feasibility reports prepared by the developers of these projects, which further detailed their E&S assessment.

47. 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.

48. The applicant also confirmed that the SARAS has not undergone an independent audit of the effectiveness of its ESMS and has indicated its willingness to commission an independent audit of its ESMS during the implementation of its first funding proposal to GCF.

49. The AP finds that the applicant's management programme fully meets the GCF Environmental and Social Policy and interim ESS standards for maximum E&S risk category 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 48 above and is reflected by the corresponding condition of accreditation in section 4.2.

3.2.4 **Monitoring and review**

50. The SARAS manual describes the applicant's internal processes to support the E&S monitoring/supervision process that tracks and ensures completion of mitigation and performance improvement measures. The applicant or its executing entity, as applicable, hires an independent E&S expert for monitoring and reporting (M&R) for complex E&S risk Medium and High/A projects/programmes. The E&S Coordination Unit validates the independent expert's M&R reports. Each mitigation measure is monitored and followed throughout the project cycle to ensure full and timely implementation.

51. Once the financing of the projects is authorized, the applicant starts the contractual arrangement with the borrower on environmental and social monitoring. Specifically, this would involve monitoring of the Environmental and Social Action Plan (ESAP) for the construction and operation phases (Spanish acronym PAAS) of a project, as well as the Social Environmental Management System (Spanish acronym SGAS) and the Environmental and Social Management Plan (Spanish acronym PGAS), and reporting on the performance under the Equator Principles during the term of the loan.

52. E&S monitoring throughout the life of the credit is carried out semi-annually to review the E&S compliance of the financed operations and carry out an E&S supervision including a site visit if necessary. The monitoring and verification of the environmental and social contractual requirements of ESRMS is carried out through the System of Credit Monitoring platform (SISEC – Sistema de Seguimiento de Créditos in Spanish) to verify the degree of compliance of the borrowers. The Directorate of Supervision and Recovery is in charge of the SISEC and uses it to monitor all the credits offered by the applicant, ensuring they comply with

all the requirements established in the credit contracts. The contractual requirements of each credit are uploaded to the SISEC, including their periodicity and are monitored in the SISEC. The E&S Unit analyses all the monitoring data before issuing its E&S opinion for project disbursements.

53. The applicant provided a sample of the E&S monitoring and evaluation reports for the photovoltaic solar park and wind project based on the information provided by the developer and its subcontractors. The E&S monitoring reports are in line with the SARAS manual and the PS1-8.

54. The AP finds that the applicant's system of monitoring and review, supported by evidence of its track record, fully meets the GCF Environmental and Social Policy and interim GCF ESS standards for maximum E&S risk category 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**

55. The applicant has not provided information on its External Communication channels, such as provision on its website, to receive and register external communications including grievances. The applicant provided only a narrative without a written document on its institutional level grievance redress mechanism (GRM) outlining the procedure to receive, assess and resolve E&S grievances in line with the UN Guiding Principle No. 31 on Business and Human Rights. The applicant indicated that it plans to establish an independent unit to provide independent oversight of its GRM. The applicant indicated that it would provide a written document describing its institutional-level GRM, including the information on its external communication channels in the next few weeks.

56. In line with the Equator Principle No. 6, the applicant will apply the requirement for its executing entities to include grievance mechanism in projects/programmes. More specifically, for all E&S risk category A/I-1 and B/I-2 projects/programmes, the applicant will require its clients (executing entities) to establish effective grievance mechanisms which are designed for use by affected communities and workers, as appropriate, to receive and facilitate resolution of concerns and grievances about the project or programme's environmental and social performance. The grievance mechanisms required would be scaled to the risks and impacts of the projects/programmes, and will seek to resolve concerns promptly, using an understandable and transparent consultative process that is culturally appropriate, readily accessible, at no cost, and without retribution to the party that originated the issue or concern. Grievance mechanisms would not impede access to judicial or administrative remedies. The client will inform affected communities and workers about the grievance mechanisms in the course of the stakeholder engagement process.

57. The applicant has not formally adopted a policy on E&S information disclosure in line with the GCF Information Disclosure Policy (IDP) for maximum E&S risk category I-2 including the duration and language requirements. The applicant indicated that it would provide its formally adopted information disclosure policy in the next few weeks. The applicant's track record on the disclosure and consultation of E&S information for its projects/programmes complies with the requirements of the Equator Principles which falls short of the requirements of the GCF IDP, specifically as related to the types of E&S assessment documents to disclose and the duration and language of the disclosed documents. The applicant has indicated its willingness to comply with the E&S information disclosure in line with the GCF IDP for its GCF funded projects/programmes.

58. The AP finds that the applicant's system of external communications, consultations, information disclosure and grievance redress mechanism do not meet the GCF Environmental and Social Policy, interim GCF ESS standards and GCF Information Disclosure Policy regarding E&S information disclosure requirements for maximum E&S risk category I-2 projects/programmes with respect to performance standards 1-8. Furthermore, the AP finds that the applicant's track record is insufficient. The relevant gaps are identified in paragraphs 55 and 57 that identify the gaps above and are reflected by the corresponding conditions of accreditation in section 4.2.

3.2.6 Organizational capacity and competency

59. The SARAS manual contains the organizational chart showing the key departments and units responsible for implementing the SARAS, along with the reporting lines. The General Department of Credit through its E&S Coordination Unit implements the ESRMS. The objective of the E&S Coordination Unit is to manage the E&S risks through application of the environmental and social risk management system in order to ensure that the operations and applicant's projects/programmes are aligned to legal and normative framework, as well as in line with best international practices. The CVs of the staff in the E&S Coordination Unit along with a description of their roles and responsibilities were provided attesting to their qualifications and experience with the IFC PS1-8. The applicant also provided CVs of its two environmental and social consultants who can also be hired to conduct specialized E&S due diligence tasks as required. The applicant provided a sample of work done by the staff and the external consultants including the E&S risk categorization of projects attesting to their experience in applying the PS1-8.

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

3.3 Gender

61. The applicant provided its institutional standalone draft Gender Equality policy developed with the assistance of a consultant from the Global Green Growth Institute (GGGI). The Gender Equality policy is aligned with the commitments adopted by the United Mexican State to promote, respect, protect and guarantee the full exercise of girls and women's human rights, as well as the achievement of the UN Sustainable Development Goals; following the standards on gender equality established in both the national legal framework and the international commitments assumed by the State according to Article 1 of the Political Constitution of the United Mexican States.

62. The applicant provided its draft Gender Equality policy which is further guided by the National Programme for Equal Opportunities and Non-Discrimination against Women 2013-2018 (PROIGUALDAD) developed by the Government of Mexico and reflected in the applicant's institutional Code of Conduct. At the time of the accreditation review, the applicant has indicated that it would provide its approved gender policy in the next few weeks. The Code of Conduct expresses the applicant's commitment to promote gender equality within its own institution and across its operations, products and services and describes gender equality in the applicant's workplace, outlining the actions taken to ensure non-discrimination in the salaries provided to its staff. The applicant has allocated adequate human resources to implement the Code of Conduct and the related gender commitments through the appointment of qualified Gender Focal Points and the establishment of the Working Group for Labour Equality and Non-Discrimination (a committee that oversees gender issues). The applicant provided a gender tool

(checklist) developed by GGGI to guide the applicant in implementing its Gender Equality Policy.

63. The applicant has conducted a workshop for all its Deputy General Directors in February 2021 to familiarize them with the Gender Equality Policy and GCF Gender Policy requirements. As a result of this meeting, the Deputy General Directors appointed focal points of each area to be part of the Gender Working Group. The Gender Working Group was trained in February 2021 by GGGI's gender expert. They learned about gender equality, non-discrimination, sexism, national and international gender frameworks, and the importance of gender for GCF supported activities. The applicant provided CVs of the members of the Gender Working Group dedicated to implementing the Gender Equality policy. Furthermore, the applicant will continue to be advised on gender issues by the GGGI's gender specialist. The Director for the International Financial Institutions will oversee the monitoring, operation, and evaluation of the Gender Equality Policy.

64. The applicant provided documents on its 'Women Entrepreneur Program' and its achievements including the amounts of credits provided to women-led businesses as examples of its lending operations that specifically target women among project/programme beneficiaries. However, the applicant could not provide adequate evidence on its track record in conducting gender assessment in line with the GCF Updated Gender Policy.

65. The AP finds that the applicant's draft gender policy, when adopted, and procedures and capacities fully meet the Updated Gender Policy. Furthermore, the AP finds that the applicant's track record is insufficient. The relevant gaps are identified in paragraphs 62 and 64 above and are reflected by the corresponding conditions of accreditation in section 4.2.

IV. Conclusions and recommendation

4.1 Conclusions

66. The AP concludes, following its assessment of the application against the standards of the GCF in accordance with the accreditation requirements identified in paragraph 3 above:

- (a) The applicant 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;
- (b) The applicant meets the requirements of the specialized fiduciary standard for on-lending and blending for loans and guarantees;
- (c) The applicant partially meets 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 I-2). The key gaps are (i) lack of an external audit of its ESMS; (ii) lack of policies on GRM including information on external communication channels to receive and register E&S complaints; and (iii) lack of E&S information disclosure policy and related track record in line with the GCF IDP; and
- (d) The AP finds that the applicant's draft gender policy, procedures and capacities partially meet the Updated Gender Policy. Furthermore, the AP finds that the applicant's track record on formulating a gender assessment and action plan, including addressing the linkage between gender and climate change for its projects/programmes, is insufficient. The relevant gaps are identified in paragraphs 62 and 64 above and are reflected by the corresponding conditions of accreditation in section 4.2.

4.2 Recommendation on accreditation

67. The AP recommends, for consideration by the Board, applicant APL112 for accreditation as follows:

- (a) **Accreditation type:**
- (i) **Maximum size of an individual project or activity within a programme:** medium⁷ (including micro and small);
 - (ii) **Fiduciary functions:**
 - 1. Basic fiduciary standards;
 - 2. Specialized fiduciary standard for on-lending and blending (for loans and, guarantees); and
 - (iii) **Maximum environmental and social risk category:** medium risk (category I-2) (including lower risk (category I-3⁸)).
- (b) **Conditions:** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the condition(s). The AP will thereafter assess whether the condition(s) have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes:
- (i) Conditions to be met prior to signature of the accreditation master agreement during stage III of the accreditation process:
 - 1. Provision by the applicant of evidence of the establishment of its external communication channel(s) such as a website to receive and register external inquiries including E&S related grievances;
 - 2. Provision by the applicant of a written document describing its institutional level GRM;
 - 3. Provision by the applicant of a copy of the adoption by its competent bodies of the E&S Information Disclosure Policy in line with the GCF E&S Information Disclosure Policy requirements for E&S risk category I-2 together with a copy of such policy; and
 - 4. Provision by the applicant of a copy of the adoption by its competent bodies of the Gender Equality Policy together with a copy of such policy.
 - (ii) Conditions to be met with the submission of the first funding proposal to GCF:
 - 1. Provision by the applicant of a gender assessment and action plan as part of its first funding proposal, including a narrative on gender consideration in the context of climate change, as relevant.
 - (iii) Conditions to be met with the submission of the first funding proposal in E&S risk category I-2 to GCF:

⁷ 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.”

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.”

1. Provision by the applicant of evidence of disclosure of E&S assessment in line with the requirements of the GCF Information Disclosure Policy; and
- (iv) Condition to be met within three years of the first disbursement by GCF for the first approved project/programme to be undertaken by the applicant:
1. Provision by the applicant of an independent audit report on applicant's environmental and social management system (ESMS) including a narrative on lessons learned.
68. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition(s), as identified in paragraph 67 above, and agrees to the recommendation.

Annex XI: Accreditation assessment of applicant 113 (APL113)

I. Introduction

1. Applicant 113 (APL113), the Joint Stock Company TBC Bank (the applicant), is a national direct access, private sector entity based in Georgia. The applicant is a leading banking group with the main business activities of retail banking; micro, small and medium-sized enterprises (MSME) banking; and corporate banking. The applicant offers a wide range of banking products and services paired with innovative digital solutions, which is in line with the Bank's strategy, centered on the core principles of sustainable development, digitalization, innovation and efficiency. As Georgia's largest banking group, the applicant plays an important role in Georgia's economic growth, supporting its leading players to access financing in sectors such as energy, food, healthcare, hospitality and tourism, trade, real estate, transport, etc.

2. The applicant submitted its application for accreditation to GCF via the online accreditation system on 25 December 2018. Accreditation fees were received from the applicant on 18 June 2019, thereby launching the stage I institutional assessment and completeness check. Stage I was completed on 26 March 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 Georgia;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or activity within a programme:** medium;¹
- (d) **Fiduciary functions:**²
 - (i) Basic fiduciary standards; and
 - (ii) Specialized fiduciary standard for on-lending and/or blending (for loans);
- (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), "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 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) “Policy on Prohibited Practices” (decision B.22/19);
- (d) “Anti-Money Laundering and Countering the Financing of Terrorism Policy” (AML/CFT Policy) (decision B.18/10);
- (e) “Policy on the Protection of Whistleblowers and Witnesses” (decision B.BM-2018/21);
- (f) “Environmental and Social Management System: Environmental and Social Policy” (decision B.19/10);
- (g) “Comprehensive Information Disclosure Policy of the Fund” (decision B.12/35) regarding the disclosure of environmental and social (E&S) information;
- (h) “Gender Policy and Action Plan” (decision B.09/11); and
- (i) “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 joint stock company on 17 December 1992 at the Constitutive Meeting of the Shareholders and was registered by the National Bank of Georgia pursuant to Resolution No. 85 dated 20 January 1993.

2.2 Institutional presence and relevant networks

5. The applicant is a leading financial institution in Georgia in terms of total banking assets, total loans and deposits. The applicant has a strong presence across all major sectors of Georgian Economy as well as across all major market segments, serving more than 2.5 million customers in Retail Banking segment, which is around 90 per cent of the adult population in Georgia. As of May 2021, JSC TBC has 6,905 employees. The applicant is a strategic partner for businesses in Georgia, supporting large and mid-sized corporates, as well as MSMEs and start-ups at different stages of development. The applicant is dedicated to working with start-ups through the provision of both financial and non-financial support, including: easing access to finance, sharing knowledge and expertise, developing innovative products and services specially customized for their business needs.

6. In addition, the applicant acknowledges the importance of social and environmental matters for its the long-term, sustainable development. In this regard the applicant intends to identify opportunities for climate change finance within its loan portfolio and enhance green lending operations. With its extensive banking expertise and advanced digital and analytical capabilities, the applicant aims to capture new growth opportunities in markets and create value for all its stakeholders (businesses, communities and shareholders). For many years, the applicant has attracted special purpose facilities from different International Financial Institutions to support young entrepreneurs, women-led MSMEs, businesses operating in rural areas, energy efficiency and renewable energy projects. Going forward, the applicant intends to increasingly engage with partner International Financial Institutions and increase green financing.

7. The applicant is strongly committed to the realization of Georgia’s nationally determined contributions. It aims to demonstrate leadership and take action to combat climate change by targeting sectors with high greenhouse gas emissions in Georgia, such as the public transportation, manufacturing, agriculture, construction and energy sectors. The applicant

intends to identify opportunities in its loan portfolio and offer various financial products designed specifically to promote sustainable energy in these sectors.

8. In order to advance the objectives of GCF, the applicant intends to leverage GCF financing, as well as direct its own financial flows, towards low-emission and climate-resilient development pathways. The applicant intends to undertake the following potential projects:
- (a) Implement a green lending program with an objective to reach energy savings or GHG emission reduction in Georgia. The program will finance energy-efficiency solutions, in different economic sectors and rural as well as urban areas.
 - (b) Promote and increase investments in electric and hybrid cars by developing strategic cooperation with car dealership businesses and providing low-cost financing incentives for legal entities as well as private individuals. This would also include implementing financing of electric car charging systems throughout big cities in Georgia;
 - (c) Cooperate with public sector and support greening the country's urban transport system through financing Low emission transport projects.
 - (d) Provide financing for green construction and green buildings, as well as for resilient infrastructure projects, in order to support the country's transition to a low-carbon economy. In addition, launch Green Mortgage loan initiatives in the retail sector;
 - (e) Finance agro-projects by designing and offering customized agro-products with, favourable business conditions, flexible payment schedules, longer grace periods, in order to empower borrowers' engagement in low-emission, climate resilient agro practices;
 - (f) Support the country to use its untapped renewable energy potential by providing affordable financing for solar and wind energy projects.

2.3 Track record

9. As a leading financial institution in the country, the applicant has strongly committed to preserve the environment by conducting its daily business in a responsible and sustainable way. The applicant has taken active measures to reduce the environmental footprint from both direct and indirect activities. Based on its environmental policy and environmental management system, the applicant is obliged to comply with social and environmental regulations and standards in its lending activities. In addition, the applicant has promoted sustainable finance development in areas of renewable energy and energy efficiency and committed to ensuring its stakeholders and clients fulfil their environmental and social responsibilities.

10. The applicant is a leader in financing the energy sector in Georgia, having exposure of GEL 462 million specifically in renewable energy projects. The applicant's track record in financing sustainable development and climate change-related projects to-date includes the following:

- (a) USD 65 million (loans) for a 50 megawatt (MW) hydropower plant;
- (b) USD 63 million (loans) for to construct two 50 MW hydropower plants
- (c) EUR 1.5 million (loans) provided to MSMEs for an infrastructure project in Georgia;
- (d) GEL 2.4 million (loans) for an energy-efficient project for installing household appliances in Georgia;
- (e) The applicant financed a leading manufacturing company in Georgia focused on renewable energy projects, to build Shilda hydro power plant (Shilda HPP). The capacity

of Shilda HPP is 5 MW and produces 32 GWh of electricity annually. By producing 32 GWh of electricity, Shilda HPP could reduce more than 10,000 tons of CO₂ emissions in Georgia annually;

- (f) In 2020, in close partnership with Georgian government schemes – “Produce in Georgia” and “Preferential Agro Credit” – the applicant has disbursed 1,800 loans in the amount of GEL 191 million to businesses; and
11. The applicant has experience with projects/programmes related to the following GCF results areas:
- (a) Mitigation:
- (i) Energy generation and access;
 - (ii) Transport;
 - (iii) Buildings, cities, industries and appliances; and
 - (iv) Forests and land use.
- (b) Adaptation:
- (i) Health, food, and water security; and
 - (ii) 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 GCF policies and standards identified in paragraph 3 above.
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 (hereinafter referred to as TBC or the Bank) is the largest bank in Georgia. It represents 98 per cent of the assets of the TBC Bank Group PLC (hereinafter referred to as the Group), the holding company of the Group, which includes insurance, leasing and investment banking businesses. Over 99 per cent of the Group’s business is in Georgia with international operations in Azerbaijan, Israel and Uzbekistan. The Group is a company listed in the United Kingdom of Great Britain and Northern Ireland that is part of the Financial Times Stock Exchange 250 Index (FTSE 250), an index of the largest 250 companies by market capitalization. Shareholders include International Finance Corporation (IFC), the European Bank for Reconstruction and Development (EBRD) and TBC management and founders, with a free float of 75 per cent of the shares, as of 31 March 2021.
15. As a company listed in the United Kingdom, the applicant complies with United Kingdom reporting requirements and is committed to the highest standards of corporate governance in accordance with United Kingdom and international best practice. This means a corporate culture that is aligned with the company’s purpose and business strategy and which promotes transparency, integrity and diversity. JSC TBC Bank’s Supervisory Board is comprised of seven members: Chairman (Arne Berggren), Tsira Kemularia, Maria Luisa Cicognani, Nicholas Haag, Abhijit Akerkar, Nikoloz Ehlukidze and Eric Rajendra. The Supervisory Board has

established their respective four principal committees: Corporate Governance and Nomination Committee; Audit Committee; Risk Committee and Remuneration Committee. According to the legislation of Georgia, the members of the Supervisory Board are elected for a term of four years and their emoluments are published in a remuneration report.

16. The applicant has provided 2021–2023 strategies for key business directions: corporate and investment banking; MSME banking, digital business; mass retail banking; and payments business. Each of these areas follow a demanding annual strategy and budget cycle that starts with a corporate concept of “Make Life Easier”. The Bank strives to have this idea of excellence with simplicity as the driving force for everything they do. From this overriding concept, each business area presents their vision and mission statements with corresponding objectives, leading to goals and new initiatives for growth. Ambitious financial and qualitative key performance indicators are applied and regularly tracked. Quarterly business reviews are prepared for senior management and the board, and the measurement of results leads to lessons learned and analyses of long-term strategic gaps. This approach leads to strong linkages and alignment between long-term and short-term objectives and applicant’s various visions and missions.

17. Audited financial statements are prepared by the applicant’s external auditor under international standards and are published on the applicant’s website. The applicant has a comprehensive management information system and example reports have been provided. The payments and disbursements system has established approval and authorization limits, and annual compliance checks are performed by the external auditor. Evaluation procedures and reports of any significant deficiencies are submitted by the external auditor to the audit committee. This assessment by the external auditor is part of the annual financial audit, such that findings (if any) are disclosed in the annual audit report. No findings requiring corrective actions were identified regarding disbursement and payment operations in the 2018 and 2019 reports.

18. The applicant has an effective audit committee that meets at least quarterly with responsibility for reviewing external audits and overseeing the internal audit function. The internal audit function is governed by an internal audit charter and complies with the Institute of Internal Auditors’ international standards, which require independence of internal audits from the applicant’s management. The head of internal audit reports to the audit committee, which is comprised of members of the applicant’s board. The operations of the applicant’s internal audit function have been demonstrated with examples of minutes of meetings, internal audit plans and reports, and statuses of action on findings and recommendations. The applicant’s audit handbook details the quality assurance process for the internal audit function. It includes very regular self and internal management assessments that are reported to the audit committee. In addition, an external quality assessment by a qualified independent entity is performed at least every five years, with the last one taking place in 2019.

19. The policy and procedures for internal control have been explained in the documents provided and the track record demonstrated in the internal control reports provided. The applicant’s internal control policy defines the key risk and control mechanisms in place for effective financial control. The internal control function reports to the applicant’s operational risk committee at least once a quarter.

20. As one of the largest purchasers in Georgia, the applicant has developed Green Procurement Recommendations that provide guidelines regarding purchasing environmentally friendly goods and services. Furthermore, applicant has developed a compulsory E&S Risk Screening questionnaire for its suppliers, in order to evaluate and select only those suppliers who comply with Applicant’s standards. The applicant’s procurement policy distinguishes between different types of purchase by monetary value, complexity and other characteristics of the goods and services being acquired. The process ensures transparent and fair procedures including a platform for bidders to ask questions on the process, with responses made available

to all bidders to ensure a fair playing field. The procurement function is regularly monitored by the internal control function and periodic assessments are done by internal audit. The applicant does not currently oversee and monitor the procurement procedures of executing entities. However, the applicant has confirmed their capacity to do this and ability to legally request any documentation and information from an executing entity to ensure procurements are done transparently and in accordance with local regulations and best practices. Once accredited, the applicant will develop a formal policy for overseeing, assessing and reviewing the procurement procedures of executing entities for GCF-funded projects.

21. 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 key administrative and financial capacities. The relevant gap is identified in paragraph 20 above and is reflected by the corresponding conditions of accreditation in section 4.2.

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

22. The applicant's code of conduct and code of ethics are provided to all new staff in a welcome letter and further explained during the onboarding process as well as regular future training days. These codes detail the employee's responsibilities and information disclosure requirements to prevent conflicts of interest and financial mismanagement. A summary has been provided of the process followed in cases of violation of the codes of ethics and conduct and the role of the board's Risk Committee.

23. The applicant has various control mechanisms to identify related parties and possible conflicts of interest. Information disclosed by management is cross-checked against commercial registries and an alert system in the applicant's core banking software and monthly reports flag potential related parties within the portfolio of clients. Heads of business lines are required to escalate suspected cases to the compliance department and internal audit reviews the accuracy and completeness of insider lists on an annual basis. Examples of conflicts of interest have been provided showing how they were identified, reported and resolved.

24. The applicant's fraud risk management policy outlines the procedures to prevent financial mismanagement including the definition, reporting, prevention, detection and investigation of possible fraudulent activity. The applicant has a number of policies addressing requirements of the GCF AML/CFT Policy and the Policy on the Protection of Whistleblowers and Witnesses. These include a tax evasion policy, whistle-blower policy, financial crime policy statement, as well as the applicant's code of conduct and code of ethics.

25. The investigation function follows a step-by-step process for investigating criminal activities that involves internal audit, the risk function, business areas, public relations and external stakeholders such as the police and regulatory and investigation authorities. The fraud risk management policy details the applicant's zero tolerance for fraud and sanction procedures. It also outlines the key controls and roles and responsibilities with respect to the fraud risk and control framework. Cases and trends are reported quarterly to management. Detailed summaries of cases and reports of violations and respective corrective measures have been provided for 2017 to 2019.

26. As would be expected of a United Kingdom-listed financial institution, the applicant has comprehensive anti-money laundering and countering the financing of terrorism (AML/CFT) policies and procedures as well as know your customer (KYC) procedures. The KYC processes for assessing client risk and the examples provided demonstrate the applicant's capacity to comply with the GCF AML/CFT Policy. Mechanisms to trace and monitor electronic funds transfers have also been demonstrated.

27. 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,⁴ the Policy on Prohibited Practices⁵ and the AML/CFT Policy.⁶

3.1.3 Specialized fiduciary standard for project management

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

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

29. 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)

30. The applicant's policies and procedures for its on-lending and blending operations are detailed in three main documents: the Credit Approval Procedures, the Debt Capital Market Procedure and the Syndicated Loan Disbursement Procedure. The applicant does not work through intermediaries, but rather provides the loans to the end beneficiaries directly. The applicant has also provided a series of guidelines and procedures that regulate its lending portfolio analysis and monitoring for corporate clients, retail clients and small and medium-sized enterprises (SMEs).

31. The applicants' Information Disclosure Policy currently does not include provisions for public disclosure on its website for information regarding its decisions on on-lending and guarantee operations as well information on beneficiaries and results of projects/programmes that could be funded by GCF. However, the applicant is committed to develop an information disclosure policy specifically for GCF-funded projects. Also, the applicant will develop a dedicated web page on the official TBC website including information about GCF-funded activities. Correspondingly, the public disclosure of information on beneficiaries and results of projects/programmes will be demonstrated during and at the end of the implementation of GCF-funded projects/programmes.

32. The applicant's investments are managed by the Group's Risk appetite framework, financial risk management policies and credit risk management procedures. Lending guidelines for business borrowers have been tailored to individual economic sectors, outlining key lending criteria and target ratios within each industry. According to the financial risk management procedures, the applicant carefully manages market liquidity, counterparty and interest rate risks in its banking book. A comprehensive credit risk assessment framework is in place with a clear segregation of duties among the parties involved in the credit analysis and approval process.

33. The applicant has diversified loan products in place, including several specific-purpose programmes financed by the international finance organizations that lend to the applicant, and the applicant further invests borrowed money into the eligible sub-loans. For such programmes, there are additional procedures and checks in place. The eligibility loan criteria are predetermined in the contract with donor organizations such as: purpose, amount of loan, tenor currency, E&S risk category and borrower's sector of activity. When a loan is disbursed under the specific programme, the borrower and project are checked against established criteria at the appraisal stage. The examples of loan management reports for three primary segments of operations – corporate, retail and SMEs – were reviewed by the AP.

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 uses a robust monitoring system to react promptly to macro and micro developments, identify weaknesses in the credit portfolio and outline solutions to make informed risk management decisions. The applicant has comprehensive monitoring procedures in place for retail and business loans (such as loan monitoring procedures), guidelines for conducting the monitoring process, as well as loan systems through which it carries out daily operations. Credit officers, risk managers and other involved parties assess, disburse and monitor loans according to internal policy and procedures. The monitoring process of the loans is undertaken quarterly through the preparation and submission of comprehensive reports about financed sub-borrowers, including qualitative and quantitative data on the loans disbursed.
35. There is a proper segregation of duties and responsibilities of the treasury and banking operations performed by different departments of the applicant. The applicant complies with the rules and regulations of the National Bank of Georgia regarding the treasury responsibilities and tasks. The treasury ensures that there is adequate liquidity to fund the ongoing business operations and their projected growth. As part of its liquidity risk management framework, the Group has a liquidity contingency plan in place outlining the risk indicators for different stress scenarios and respective action plans.
36. The applicant's financial risk management framework includes the market risk policy, liquidity risk policy, counterparty risk and interest rate risk policy. The credit assessment process is distinct across segments, and is further differentiated across various product types. Bank has multi-tiered loan approval committees in place with different approval levels to consider the borrower's overall indebtedness and risk profile. Different committees are involved in decision making based on the size and risk of the borrower. At the highest level, the Chief Executive Officer, Corporate Business Director and Chief Risk Officer are involved.
37. In assessing potential borrowers, the applicant applies the methodology for credit risk assessment, which includes the specific indicators for the calculation of the borrowers' capacities and potential risks. The applicant also has an established audit process in place to assess the quality of the portfolio of the borrowers as well as annual financial statements and the loan disbursements.
38. The applicant has an active asset and liability committee in place which ensures that the Bank is able to meet its obligations and maintain its solvency under stressed circumstances and performs proper risk management. The records of the Asset-Liability committee (ALCO) meetings (reports) were provided as evidence of the committee's activity.
39. The applicant has obtained financial resources (GEL 2 billion) from various multilateral and bilateral institutions such as EBRD, European Investment Bank, European Investment Fund, Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden, OPEC Fund for International Development, International Finance Corporation and the Asian Development Bank, among other institutions, which provide the long-term funding needed for investments, especially in the energy, infrastructure, construction, transport and SME sectors.
40. The track record of undertaking on-lending and providing financial guarantees was provided in the form of syndicated lending agreements, loan agreements and guarantee agreements with sub-borrowers, as well as due diligence and appraisal reports of the approved investments. This indicates that comprehensive information on the application of the applicants' systems, policies, procedures and capacities was provided, except for the track record of the publication of information on the projects' beneficiaries and results.
41. The AP finds that the applicant's policies, procedures and capacity partially meet the specialized fiduciary standard for on-lending and/or blending for loans. The relevant gap is identified in paragraph 31 is reflected by the corresponding condition of accreditation in section 4.2.

42. The AP finds that the applicant's track record is insufficient. The relevant gaps are identified in paragraph 40 are reflected by the corresponding conditions 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 Risk Management System (ESMS) comprises its 2019 Environmental and Social Policy (E&S Policy) and the Environmental and Social Risk Management (ESRM) Procedure, along with the tools necessary to implement the procedures. The key principles of the E&S Policy are to promote sustainability finance among the applicant's clients through ensuring compliance with the applicable environmental, health, safety, and labour regulations, and addressing measures to mitigate and manage negative environmental and social impacts. The E&S Policy conforms with ISO 14001:2015 and is consistent with the applicant's ESMS with overall objectives to enhance environmental performance and fulfilment of E&S compliance obligations of the applicant's clients.

44. The applicant has adopted the safeguard standards of the IFC Performance Standards (PS 1–8) as well as the EBRD Performance Requirements (PR) and Asian Development Bank Safeguards Requirements, all of which are consistent with the GCF interim Environmental and Social safeguard standards. The objective of applying these procedures is to focus on the environmental and social issues associated with commercial lending and investments to maximize the opportunities for environmental and social sustainability. The applicant provided evidence of the approval of the E&S Policy by its Board and the approval of the ESRM Procedure by the applicant's Chief Risk Officer's (CRO). The applicant also submitted a delegation of authority document signed by its CEO, under which he grants the CRO authority to approve any changes in the applicant's E&S Policy. The E&S Policy and ESRM Procedure have been disseminated to all levels of staff including related targeted training within the applicant's institution.

45. The AP finds that the applicant's environmental and social management system, comprising the E&S Policy and ESRM Procedure, supported by evidence of its track record, fully meets the GCF Environmental and Social Policy and interim GCF 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

46. The ESRM Procedure describes the applicant's institutional process to identify the E&S risks and impacts of projects/programmes consistent with the practice of its international finance institutions (IFIs) partners including the PS 1–8 and has been integrated into its operations. The applicant has adopted a mitigation hierarchy as an overall principle to managing environmental and social risks and impacts. In screening activities, the applicant and/or its clients assess cumulative impacts and associated facilities impacts, as relevant. The applicant and/or its clients will follow the principle of Free Prior and Informed Consent in projects/programmes involving consultations with the indigenous people.

47. The environmental and social risk of applicant's projects/programmes are categorized according to the applicable IFIs indicated in paragraph 44. The ESRM Procedure applies a four-tier E&S risk category: Low, Medium, High and A. The Low, Medium, and High categories are equivalent to the corresponding GCF E&S risk categories A, B and C. The applicant's E&S risk category A is special High category requiring the engagement of an external expert in the E&S due diligence process. The E&S risk categorization is automatically assigned through the

macros-based computerized system based on the sector/industry/subsector relevant to the individual loan application.

48. The applicant provided a sample of its internal E&S screening forms (labelled as PS/PR forms) for projects/programmes comprising hydropower plants, urban road construction and manufacturing of road construction materials including cement, corresponding to E&S risk categories High/A, High and Medium. The applicant organized an online demonstration for the AP of its automated macros-based system to show how the E&S risk screening process is performed, leading to the assignment of the appropriate E&S risk category in line with the PS 1–8.

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 interim GCF 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 ESRM Procedure describes the applicant’s institutional process for managing mitigation measures and actions stemming from the E&S risk identification process. The outcome of the applicant’s environmental and social mitigation and management is reflected in its E&S due diligence (ESDD) process according to the following E&S risk categories:

- (a) For the Low E&S risk category, the ESDD is carried out by the applicant’s credit analyst and approved by their respective project coordinator;
- (b) For Medium E&S risk category, the ESDD is carried out by the applicant’s credit analyst and approved by Credit Risk Manager; and
- (c) For High E&S risk category, the ESDD is carried out by the E&S Risk Managers; additionally, category High/A activities are assessed by the applicant’s external consultants.

51. The ESDD form documents the applicant’s assessment of its borrower’s E&S assessment based on the application of the IFC/EBRD E&S standards and local legislative requirements and the automatically generated E&S category-based (PS/PR) forms. The ESDD form is submitted for review and approval by the Credit Risk Committee. The applicant communicates its E&S risk assessment including recommendations on relevant mitigation measures and actions outlined in a Corrective Action Plan (CAP), which is obligatory for the borrower to fulfil. The Environmental and Social Impacts Assessment/Environmental and Social Management Plan (ESIA/ESMP) documents are also submitted to the Ministry of Environmental Protection for its approval before the applicant grants credit approval of its borrower’s loan application.

52. The applicant provided three examples of the E&S Impacts Assessment/E&S Management Plan (ESIA/ESMP) conducted by the applicant’s borrowers for projects financed by it in E&S risk category High/A. The applicant also provided three examples of ESDD forms for the same projects for which ESIA/ESMP documents were provided attesting to the applicant’s own due diligence and oversight regarding its borrowers’ E&S assessments. The applicant’s online demonstration for the AP of its automated macros-based system showed how the ESDD including follow-up actions is documented in line with PS 1–8. The applicant also provided a summary report on the findings and recommendations of the audits conducted by its IFI partners on the applicant’s ESMS: the Global Climate Partnership Fund (GCPF), IFC and ADB. The applicant provided evidence of its actions to address and close the audit findings reflecting further improvement in the ESMS.

53. 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 interim GCF ESS

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

3.2.4 **Monitoring and review**

54. The ESRM Procedure describes the internal processes to support a monitoring/supervision programme that tracks and ensures the completion of E&S mitigation and performance improvement measures. The ESRM Group carries out the monitoring of its borrowers' E&S performance once a year and according to the activities and milestones defined in the CAPs. After the expiration of the CAP deadlines, the borrower is obliged to provide documents confirming the achievement of the CAP, which allows the E&S Risk Manager to prepare respective E&S monitoring reports. The ESRM Group in turn reports the borrowers' E&S performance to its senior management and IFI partners, as relevant, on an annual basis.

55. The applicant provided a sample of E&S monitoring reports for the E&S risk category Medium, High and High/A for the same projects/programmes indicated in 6.2. The applicant's online demonstration for the AP of its automated macros-based system also showed how the applicant documents its E&S monitoring reports consistent with its ESDD and in line with PS 1–8. The applicant provided evidence on the measures and steps taken by the applicant to address the recommended corrective actions in the internal audit report on the E&S performance.

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

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

57. The applicant provided information on its external communications channels including its institutional-level website to receive, screen and assess and register external communications including grievances from the public or project-affected people. The applicant indicated that it has not received any complaints so far regarding any E&S issues. The applicant's institutional-level grievance redress mechanism (GRM) is described in its document "Addressing external E&S concerns for GCF projects and programs" and is in line with the United Nations Guiding Principle No.31 on Business and Human Rights. The applicant has designated its "Customer Support Department" as the independent function managing the applicant's GRM to oversee customer concerns and complaints and acts as a mediator between the community groups and the applicant. The Customer Support Department is comprised of qualified staff who undergo regular customer protection training. The Customer Support Department is closely monitored by the National Bank of Georgia as well. The applicant's GRM document reflects the requirement for the applicant's executing entities to include a project-level GRM.

58. The applicant has agreed on a commitment to implement the E&S information disclosure policy in line with the requirements in the GCF Information Disclosure Policy for E&S risk category A/I-1 and B/I-2, including the duration and language requirements. The applicant's sample ESIA's included evidence of the public consultation process as well as the inclusion of the GRM at the project level.

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

3.2.6 Organizational capacity and competency

60. The applicant provided its institution's organization chart and description of the roles, responsibilities, reporting lines and authority to implement the ESMS, which includes its E&S staff and senior management. The Environmental and Social Risk Management Group is responsible for the assessment of environmental and social risks and for ensuring that all necessary measures are in place to minimize or avoid such risks. This Group is part of the applicant's Corporate & Small and Medium Enterprise within the Credit Risk Management Department, which is under the subordination of the CRO. This Group is staffed by three full-time employees: the Head of Environmental and Social Risk Management Group and the Environmental and Social Risk Managers. The Head of ESRM Group serves as the overall Environmental Coordinator responsible for overseeing the execution of the ESMS. The applicant provided CVs of its E&S staff and evidence of the various internal and external E&S training undertaken by them attesting to their competency in reviewing and assessing applicant's E&S assessment in projects/programmes in line with the PS 1-8.

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

3.3 Gender

62. The applicant provided its July 2017 institutional-level "Gender Equality Policy", which is in line with the Constitution of Georgia, the Law of Georgia on Gender Equality, and related international agreements. The Gender Equality Policy establishes basic guarantees of equal rights, freedoms and opportunities for men and women and non-discrimination in recruitment and promotion. Furthermore, the applicant is updating its institutional level Gender equality Policy, based on the international principles of women's economic empowerment. The new policy is expected to be finalized in June and approved on supervisory board.

63. In 2021 the applicant executed a cooperation agreement with UN Women Georgia to assist it in building its institutional gender mainstream capacity. UN Women Georgia's working scope involved conducting a gender gap assessment of the applicant's institution and developing an action plan on how to close identified gaps. This led to the applicant developing its "Gender Integration Guidelines in GCF-related projects and programs", including gender guidelines/checklist developed with the assistance of an external gender expert. As explained in this document, the mainstreaming of gender in the applicant's projects/programmes will be done in three stages:

- (a) Gender analysis: to understand the social, economic and political factors underlying gender inequality, and the potential contributions of women and men to societal changes in order to address the economic empowerment of women;
- (b) Gender integration actions: methods and tools to promote gender equality and reduce gender disparities through project action; and
- (c) Gender-sensitive monitoring and evaluation (M&E): measuring the outcomes and impacts of project activities on women and men through gender-responsive M&E.

64. The core elements of gender mainstreaming required in the applicant's project cycle design will include:

- (a) Aligning with national policies and Sustainable Development Goal priorities;
- (b) Conducting an initial socioeconomic and gender analysis in order to proactively incorporate a gender-sensitive approach to project planning design and implementation arrangements;

(c) Determining how a given project/programme can respond to the needs of women and men in view of the specific project activities;

(d) Identifying and designing specific gender elements to be included in project/programme activities.

65. The applicant's Gender Integration Guidelines contains the checklist(s) to guide the implementation of the gender policy. The applicant provided the CV of the external consultant who would assist it in implementing applicant's gender policy and guidelines. The applicant is already implementing its institutional-level Gender Policy. The applicant has committed to organizing training sessions on gender equality for its entire staff to increase their awareness.

66. The applicant confirmed that in its loan portfolio, women borrowers comprise approximately 25 per cent. Since 2017, together with EBRD, the applicant has had in place a "Women in Business" (WIB) loan programme, which is a risk-sharing facility that offers beneficial terms for women entrepreneurs and provides business advisory services to women-led SMEs. More specifically, under this programme women borrowers can obtain a loan from the applicant with lighter collateral requirements compared to other loan programmes. There are also training platforms and workshops organized for this target segment. Additionally, together with the Swedish government (Swedish International Development Cooperation Agency), the applicant has in place a guarantee programme that is targeted at SMEs. It offers more favourable loan terms if a beneficiary is a woman entrepreneur or if the loan purpose is resource-efficient or cleaner production. However, as the applicant's gender integration guidelines were developed only recently, it could not provide evidence of conducting gender assessment in its projects/programmes.

67. The AP finds that the applicant's gender policy, procedures and capacities fully meet the updated GCF Gender Policy. However, the AP finds that the applicant's track record is insufficient. The relevant gap is identified in paragraph 66 and is reflected by the corresponding condition of accreditation in section 4.2 below.

IV. Conclusions and recommendation

4.1 Conclusions

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

(a) The applicant fully meets the requirements of the GCF basic fiduciary standards, the GCF Policy on the Protection of Whistle-blowers and Witnesses, the Policy on Prohibited Practices and the GCF AML/CFT Policy;

(b) The applicant partially meets the requirements of the specialized fiduciary standard for on-lending and/or blending for loans and guarantees. TBC is yet to develop an information disclosure policy specifically for the GCF-funded projects. Correspondingly, the public disclosure of information on beneficiaries and results of projects/programmes will be demonstrated during and at the end of implementation of GCF-funded projects/programmes;

(c) The applicant meets the GCF Environmental and Social Policy, the interim GCF ESS standards and the GCF Information Disclosure Policy on disclosure of E&S information in relation to a high E&S risk (category I-1); and

(d) The applicant has demonstrated that it has a policy, procedures and competencies in order to implement its gender policy, which is found to be consistent with the updated GCF Gender Policy. However, the applicant could not provide evidence of conducting

gender assessment in its projects/programmes including experience in gender consideration in the context of climate change.

4.2 Recommendation on accreditation

69. The AP recommends, for consideration by the Board, applicant APL113 for accreditation as follows:

(a) **Accreditation type:**

(i) **Maximum size of an individual project or activity within a programme:** medium⁷ (including micro and small);

(ii) **Fiduciary functions:**

1. Basic fiduciary standards;
2. Specialized fiduciary standard for on-lending and blending (for loans); and

(iii) **Maximum environmental and social risk category:** high risk (category I1) (including lower risk (I-2⁸ and category I-3⁹)).

(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 with the submission of the first funding proposal to GCF:

1. Provision by the applicant of a gender assessment and action plan as part of the first funding proposal, including a narrative on gender consideration in the context of climate change, as relevant;

(ii) Conditions to be met prior to the submission of the first funding proposal to the Board:

1. Provision by the applicant of a copy of the adoption by its competent bodies of a policy for overseeing, assessing and reviewing the procurement procedures of beneficiary institutions and executing entities for GCF-funded projects, together with a copy of such policy;
2. Provision by the applicant of a copy of the adoption by its competent bodies of the information disclosure policy/guidelines for providing information to the public regarding its decisions on on-lending and

⁷ 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.”

⁸ 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.”

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.”

blending operations for GCF-funded projects, together with a copy of such policy. The policy/guidelines shall cover, inter alia:

- a. Type or content of information to be provided;
 - b. Media/channels through which information will be provided;
 - c. Timelines within which the award information will be made public;
- (iii) Condition to be met within one (1) year following the approval by the Board of the first GCF-funded project/programme to be undertaken by the applicant:
1. Provision on the applicant's website of at least the following information on the beneficiaries of the GCF-funded project(s)/programme(s) undertaken by the applicant:
 - a. Brief summary of each project/programme;
 - b. Name, address and nationality of the beneficiary/beneficiaries, to the extent permissible by relevant laws and regulations;
 - c. Purpose of the funding provided to each beneficiary;
 - d. Funded amount and period of funding provided to each beneficiary; and
- (iii) Condition to be met within three (3) years of the first disbursement by GCF for the first approved project/programme to be undertaken by the applicant:
1. Provision on the applicant's website of at least the following information on the results of the project(s), to the extent permissible by relevant laws and regulations:
 - a. Actual versus planned results/outcomes of the project/programme;
 - b. Adherence to budgets/costs/timelines.
70. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition(s), as identified in paragraph 69 above, and agrees to the recommendation.

Annex XII: Accreditation assessment of applicant 114 (APL114)

I. Introduction

1. Applicant 114 (APL114), the Inter-American Institute for Cooperation on Agriculture (IICA) is a regional direct access entity based in Costa Rica. Founded in 1942, the applicant specializes in agriculture with a mission to encourage, promote and support its member countries to achieve agricultural development and improve rural welfare in the Americas. To achieve its mission, the applicant aims to undertake programmatic actions to assist its member countries in areas of bioeconomy, rural development, family farming, international agricultural trade, climate change, gender and youth, natural resources management, agricultural health, food safety, technology and innovation.

2. The applicant submitted its application for accreditation to GCF via the online accreditation system on 29 November 2017. Accreditation fees were received from the applicant on 18 October 2018, thereby launching the stage I institutional assessment and completeness check. Stage I was completed on 17 November 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, regional. The applicant received a national designated authority or focal point nomination for its accreditation application from Costa Rica, Mexico, Suriname and El Salvador;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or activity within a programme:** small;¹
- (d) **Fiduciary functions:**²
 - (i) Basic fiduciary standards; and
 - (ii) Specialized fiduciary standard for project management; and
- (e) **Maximum environmental and social risk category:** minimal to no risk (category C).³

II. Stage I institutional assessment and completeness check

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

- (a) “Guiding Framework and Procedures for Accrediting National, Regional and International Implementing Entities and Intermediaries, Including the Fund’s Fiduciary Principles and Standards and Environmental and Social Safeguards” (decision B.07/02);
- (b) “Guidelines for the Operationalization of the Fit-for-purpose Accreditation Approach” (decision B.08/02);

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

² Decision B.07/02.

³ As per annex I to decision B.07/02, 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.”

- (c) “Policy on Prohibited Practices” (decision B.22/19);
- (d) “Anti-Money Laundering and Countering the Financing of Terrorism Policy” (AML/CFT Policy) (decision B.18/10);
- (e) “Policy on the Protection of Whistleblowers and Witnesses” (decision B.BM-2018/21);
- (f) “Environmental and Social Management System: Environmental and Social Policy” (decision B.19/10);
- (g) “Comprehensive Information Disclosure Policy of the Fund” (decision B.12/35) regarding the disclosure of environmental and social (E&S) information;
- (h) “Gender Policy and Action Plan” (decision B.09/11); and
- (i) “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 under the Convention on the Inter-American Institute for Cooperation on Agriculture opened for signature by the Member States of the Organization of American States on 15 January 1944.

2.2 Institutional presence and relevant networks

5. The IICA regional framework of operations is supported by agreements signed with 34 Member States, including Antigua and Barbuda, Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, United States of America, Uruguay, Venezuela, and one permanent office for Europe in Spain.

6. In 1979, the Inter-American Board of Agriculture (IABA) was created as the highest governing body, composed of representatives of 34 Member States, engaged in agricultural and rural development. The IABA is constituted by the Ministers of Agriculture, who define overarching country-level priorities for IICA technical cooperation. This includes facilitating horizontal coordination between actors in the agricultural sector and other public institutions, including national designated authorities (NDAs), to reinforce dialogue, planning and action on shared expected results in natural resources, risk management and common areas in natural environmental and social development.

7. The applicant receives grants and funds from a diverse group of multilateral and bilateral donors, national governments, as well as private sources (e.g. individuals, foundations and corporations). The largest institutional donors are the United States Department of Agriculture, the International Fund for Agricultural Development, the European Union, Agence Française de Développement and Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH.

8. As of May 2021, IICA had 500 employees distributed at its headquarters in Costa Rica and 34 regional offices. The applicant works closely with and supports its 34 Member States. With official representatives, technical and administrative personnel present in each Member State responsible for implementing IICA’s strategy in the region, the applicant aims to achieve a competitive, inclusive and sustainable agriculture sector that contributes to economic growth and development, as well as to foster greater rural well-being and sustainable management of its natural capital.

9. To increase its presence in countries and facilitate regional collaboration, the applicant works with multiple stakeholders, such as ministries of agriculture, private sector, government institutions, international organizations, non-governmental organizations and research centres.

10. The applicant is strongly committed to aligning its objectives with the objectives of the Paris Agreement and undertaking programmatic actions aligned with member countries' Country Programmes. As most Latin American and Caribbean (LAC) member countries' Country Programmes include and emphasize agriculture as a priority sector, the applicant aims to support member countries in promoting sustainability of agriculture and natural resources, particularly water and soil, through strengthening intersectoral coordination among public sector, private sector and civil society.

11. For example, the GCF Country Programmes for Belize and Jamaica include IICA as a strategic institution to contribute to national achievements on agriculture climate change mitigation and adaptation national priorities. Belize's pipeline of projects and programmes for GCF funding includes the national initiative "Establishing Climate Change Resilient Model Communities across Rural Belize" proposed by the Caribbean Community Climate Change Centre, a GCF accredited entity, and indicates the applicant, which has achieved cross-cutting results in land use and forestry, agriculture and water resources impact areas, as a potential executing entity.

12. In order to advance the objectives of GCF, the applicant intends to:

- (a) Support national authorities in developing strategies and policies related to climate change for the achievement of countries' Nationally Determined Contributions, Nationally Appropriate Mitigation Actions and National Adaptation Plans;
- (b) Promote agriculture and livestock production systems with lower carbon and energy footprints;
- (c) Reduce the vulnerability and increase resilience of rural economic systems by focusing on traditional communities, peasants, indigenous populations and women heads of household;
- (d) Support adaptation and mitigation synergies, including effective management of soil and water resources, improving the capacity of innovation systems, strengthening climate information systems and integrated risk management programmes;
- (e) Promote projects and business initiatives on eco-services, eco-tourism and green businesses; and
- (f) Strengthen the readiness of national agricultural sectors for project development and implementation with capacity to access international funds.

2.3 Track record

13. Since its foundation more than 70 years ago, the applicant has specialized in agriculture and acted as an organizer, mobilizer and encourager for activities related to sustainable agriculture and rural development of its member countries. It integrates science and knowledge management to support informed and effective decision-making on policies and investments and assists the groundwork for the agriculture sector. In addition, the applicant builds collaborative channels to provide cooperation services and technical support in areas of environment biodiversity, international agriculture trade, gender and youth and climate change. The five largest projects implemented by IICA in the last three years were in Barbados, Guatemala, Haiti, Honduras and Nicaragua.

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

- (a) USD 4.98 million (grants) for the Sustainable Access to Renewable Thermal Energy in Peru;
 - (b) USD 7.68 million (grants) for the project for Development of Irrigated Agriculture under Sustainable Scenarios in Brazil;
 - (c) USD 19.44 million (grants) for the Programme on Family Agriculture for Productive Chains in El Salvador;
 - (d) USD 33.87 million (grants) for the Solidarity Grant for Productivity project in Honduras; and
 - (e) USD 41.39 million (grants) for the Technical Cooperation Project for Water Sector Development and Institutional Strengthening with the Scope of the Ministry of National Integration in Brazil.
15. In addition to the applicant's track record as an implementing entity for climate change projects/programmes, it has completed the Financial Management Capacity Assessment to serve as a Readiness Delivery Partner for the GCF Readiness and Preparatory Support Programme. The applicant prepared the readiness proposal "Strengthening the foundation for a climate responsive agricultural sector in the Caribbean" for 14 CARICOM Member States and has obtained support from 10 countries and financial support for up to USD 1.04 million as of May 2020. This readiness proposal represents an important milestone to develop a pipeline of projects for the Latin American region.

III. Stage II accreditation review assessment

16. 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 GCF policies and standards identified in paragraph 3 above.
17. 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

18. The applicant's governance and organizational structure is appropriate for its purpose and scope of activities. The applicant's ranking governance authority is the Inter-American Board of Agriculture (IABA). The IABA is composed of representatives from the 34 Member States. The IABA's authority and responsibilities are defined in the relevant provisions of the Convention on the Inter-American Institute for Cooperation on Agriculture and the IABA Rules of Procedure (1). The IABA is mainly responsible for providing strategic and policy direction, appointment of the Executive Committee (EC) and bi-annual budget approval. The IABA relies on the EC for detailed annual oversight of the applicant's operations. The EC is regulated by its Rules of Procedure (2) and meets on an annual basis. The EC is composed of 12 members and its main responsibilities include monitoring the execution of policy and strategy directives issued by the IABA and approval of the General Directorate's annual report. In addition to the IABA and the EC, the applicant has an established Audit Committee and a Management Advisory Committee; both of these governance organs have their own statute and rules of procedure which provide for their independence from the applicant's executive management. The applicant's executive management is the responsibility of the Director General, who is supported by a clearly defined organizational structure composed of technical units, support

and regional coordination units (the applicant has offices throughout the Americas and exercises oversight from its headquarters in Costa Rica).

19. The applicant's long-, medium- and short-term objectives are established by the IABA and the EC. The General Directorate is responsible for the achievement of the objectives established by the IABA and the EC, through the execution of specific results-based projects that are monitored on a regular basis. In order to ensure that the set objectives are effectively reached, the Director General issues directives for the development of strategic and annual plans. Furthermore, the progress made towards achievement of objectives is annually reported by the Director General to the IABA, the EC and the Organization of American States (OAS). To provide evidence of the quality and content of its planning process the applicant provided a copy of its 2010–2020 Strategic Plan; this plan covers the applicant's economic and operating environment, the institutional capacity and modernization efforts required for successful execution of the Plan, and an analysis of the possible implementation scenarios and the need for institutional adaptability to changing conditions. Overall, the 2010–2020 Strategic Plan demonstrates that the applicant's planning and execution procedures are appropriately developed. Finally, the applicant prepares annual budgets and plans which are managed with the use of its SAP financial system and align with the annual milestones required to achieve the longer-term objectives.

20. The applicant's financial statements are prepared in accordance with the generally accepted accounting principles in the United States of America

21. The applicant's financial guidelines establish that accounting records shall be prepared for each activity, project, programme, office location and funding source. The accounting system shall generate the reports required to satisfy the applicant's internal information requirements, as well as the requirements of Member States, funding sources, observers and donors. The applicant uses the SAP system for its accounting record-keeping and reporting.

22. The applicant provided a summary and samples of the main reports generated by its SAP system. The applicant's appropriate reporting capacity is effectively demonstrated. In addition to generating standard accounting reports and financial statements, the applicant's system generates specialized reports required for effective management of its multi-country, multi-currency and funding sources diversity.

23. The applicant's financial guidelines define relevant procedures for proper administration of payments and disbursements. Furthermore, the applicant's SAP financial accounting system, implemented in all its country offices, provides the required internal controls to ensure that payments and disbursements are executed in accordance with the established approval requirements and limits. The payment and disbursement procedures implemented by the applicant include proper segregation of disbursement responsibilities and authorities. Further assurance is provided by the periodic audits by the Internal Audit Department of the applicant's payments and disbursements (applicant provided a sample audit report for AP assessment).

24. The applicant's Audit Committee statute establishes that the Committee will be composed of three members, none of the same nationality, elected by the Executive Committee for six-year terms and they shall fulfil their oversight responsibilities with complete independence from the applicant's management team. The members of the Committee "shall be a high-ranking official of the office or entity responsible for examining the accounts for the public administration of the Member State of which he is a national."⁴ The Audit Committee is mainly responsible for exercising oversight of the internal and external audit activities. The

⁴ See at <http://repositorio.iica.int/bitstream/handle/11324/3128/estatuto_CRA_ing.PDF>.

Audit Committee meets at least once a year and presents a written report to the Executive Committee (applicant provided samples of the Audit Committee Reports).

25. The Internal Auditor, and the staff necessary to perform the required audit functions, are appointed by and report to the Director General. The Internal Audit Department executes its functions in accordance with the guidance of the applicant's Audit Manual (approved by the Director General) and chapter five of the Financial Rules, (approved by the Executive Committee). The internal audit unit executes its reviews in accordance with international auditing standards and ensures that the audit procedures applied are regularly updated to incorporate changes in internal audit best practices. The Internal Audit Department prepares and executes annual audit plans that are reviewed and approved by the Director General.

26. Coordination of internal audit activities is achieved through an effective audit planning process and communication of audit requirements; when audits involve missions to country offices, appropriate coordination is secured with the relevant headquarter and country parties. The Internal Audit Department maintains records of its findings, the status of resolution and a summary of pending actions which enables appropriate monitoring of management's attention to the audit recommendations and implementation of appropriate follow-up actions. It is also important to note that the reviews of the internal audit unit are subject to oversight by the Audit Committee.

27. The applicant provided copies of its external audit financial reports for the period from 2013 to 2019 thus demonstrating that it consistently engages an external audit firm to review its financial accounts. The applicant provided the terms of reference of a bid for external audit services that corroborate the applicant's commitment to engage competent external auditors and provide the conditions for an independent assessment of its financial statements. The applicant provided, for AP assessment, a copy of the Management Letter issued by the external auditors as part of the 2019 year-end audit. In this letter, it is demonstrated that the external auditors issue relevant recommendations regarding the applicant's internal controls over its accounting processes and reports. The assurance provided by the external audit engagements is supported by the review the Audit Committee undertakes of the external auditor's findings and reports.

28. The applicant's corporate governance structure provides the appropriate strategic, executive and oversight bodies to ensure a functional control framework. The top governance structure includes the Inter-American Board of Agriculture, the Executive Committee and the General Directorate. Each of these governance bodies has its own rules of procedure that define roles for strategic guidance, executive management, control and institutional oversight. Additionally, the oversight of the Audit Committee and the Internal Audit Unit provide essential oversight support. The applicant's Financial Management Guidelines contain adequate guidance for an effective internal control environment, including clear segregation of incompatible duties. The applicant is in the process of implementing substantial enhancements to its risk management and internal control framework. In the past twelve months, a risk management manual has been approved, a Risk Committee established and the automated risk management system is expected to be operational in December of 2021. The applicant's internal processes used in core financial management areas, facilitate appropriate identification and assessment of required controls, which are well supported by its SAP financial management system.

29. The applicant's procurement activities are regulated by its Manual for the Procurement of Goods and Services (updated 2017) and by an executive order that regulates procurement of consultancy services. The procurement manual contains procedures that are aligned with international best practices for procurement that contribute to the applicant's efficiency. The applicant's procurement manual defines the requirements of different types of procurement, specifically procedures for three main categories of procurement practices are defined: (i) direct procurement, (ii) comparative procurement, and (iii) institutional bidding. The applicant has established two procurement-specific oversight committees, the Institutional Procurement

Committee and the National Procurement Committee. The Institutional Committee exercises oversight of all the applicant's procurement policies and procedures, as well as approving purchases at headquarters above an established threshold, The National Committees are responsible for procurement oversight in their countries or the projects under their country office's responsibility. Procurement information and records are recorded in the applicant's SAP system. The records are available for review and verification by all applicant employees and officers authorized to access this data. The applicant's Policy on the Protection of Whistle-blowers and Witnesses, in Articles III, IV and in its Complaint Management Procedure, is applicable to procurement disputes.

30. In response to the GCF assessment process the applicant implemented required enhancements to its procurement procedures in order to ensure proper oversight of executing entities' procurement activities. Specifically, the applicant upgraded the guidelines it uses to evaluate and select project executing entities, including the assessment of executing entities' procurement capacities. Furthermore, detailed guidance for verifying and selecting executing entities was also added to the relevant operational manuals.

31. 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**

32. The applicant's code of ethics establishes the ethical standards expected to be upheld by the applicant's employees, officers and third parties that have contractual relationships with the applicant. The code of ethics defines general professional behaviour expected as well as professional conduct in relationships with co-workers, suppliers, strategic partners, external authorities and in situations that may present moral and ethical dilemmas. In addition to providing guidance for appropriate behaviour the applicant's Code of Ethics covers conflicts of interest, use of institutional resources and fraud. Also, the Ethics Committee and its functions are defined in the code of ethics, as well as the procedures for investigations and the protection of whistle-blowers. The terms of reference of the Ethics Committee were updated in 2019 and, based on the specific guidance provided by the terms of reference, the Ethics Committee held its first meeting in 2019; the applicant provided a copy of minutes of this meeting that demonstrate it is now a functioning committee.

33. The applicant issued its Conflict of Interest Policy in November of 2020. This policy is applicable to all applicant employees, officers and third parties with whom the applicant maintains a contractual relationship. The policy defines what constitutes a conflict of interest and categorizes them into real, potential and perceived levels. The policy also provides clear guidance on the identification and reporting of conflict of interests, as well as the procedure to report and resolve conflict of interest situations. The investigation, if required, of any potential conflict of interest situation will be investigated by the Ethics Committee, and specialized communications channels have been established to place conflict of interest complaints.

34. The applicant has a well-developed Anti-Fraud and Anti-Corruption Policy dated November 2020. This policy complies with most of the requirements of the GCF Prohibited Practices Policy; however, there are specific practices such as coercive practices, collusive practices, obstructive practices and harassment that need to be specified in the applicant's prohibited practices policy. The applicant has provided its draft Prohibited Practices Policy that meets international requirements and standards as established by the GCF. The applicant's Anti-Fraud and Anti-Corruption Policy, together with its draft Prohibited Practices Policy provide a well-founded basis for effective prevention of financial mismanagement and prohibited practices. The approval of the applicant's prohibited practices policy by its Director General is a requirement for full compliance with the GCF Prohibited Practices Policy.

35. The applicant's whistle-blower policy, updated in November 2020, further develops the institutional whistle-blower provisions found in the applicant's Code of Ethics. The updated 5policy clearly establishes the framework for presenting complaints, the process to be followed for investigating and resolving complaints and the protections afforded to whistle-blowers. The whistle-blower guidance encourages all individuals within the scope of applicability of the whistle-blower policy to present justified complaints related to unethical behaviour observed. The scope of applicability includes both applicant employees and officers, as well as third parties with a contractual relationship to the applicant. The complaints are presented to the Ethics Committee either through a dedicated email or the section in the applicant's website designed to receive complaints. The Ethics Committee, following the procedure detailed in the annex to the whistle-blower policy, will investigate the alleged wrongdoing. Additionally, this policy contains clear guidance for the protection of whistle-blowers against retaliation and the remedies available, the obligations of cooperating with investigations, and the appropriate provisions to protect the confidentiality and privacy of the accused individual.

36. The annex "Procedure for the Processing of Reports or Complaints", found in its whistle-blower policy and publicly available on its website, provides the applicant's documented procedure for the undertaking of investigations. The Ethics Committee is responsible for receiving complaints through the previously mentioned channels and investigating the allegations; sufficient organizational safeguards are established to ensure the independence of the committee and the chair of the committee reports directly to the Director General. The published investigations procedure provides clear guidance for the process to receive complaints, initiate an investigation process and issue a resolution regarding the complaint. A case file is to be opened for every complaint received and appropriate records are to be kept of the entire investigation. Execution of the investigation process can be delegated by the Ethics Committee to an organizational unit that has more relevant competencies to undertake the investigation. The applicant's whistle-blower policy provides the required safeguards for individuals under investigation to protect their privacy during the investigation process and after finalization.

37. The applicant provided a copy of its Policy for the Prevention of Money Laundering and Financing of Terrorism, updated in November 2020. This policy is developed based on anti-money laundering and countering the financing of terrorism standards (AML/CFT) contained in the relevant provisions of the Charter of the Organization of American States (OAS), the Charter of the United Nations (UN), and the recommendations of the OAS and the Financial Action Task Force (FATF). The policy establishes the principles and procedures that will be observed to prevent illicit use of the applicant's projects and programmes. To ensure appropriate application of this policy and know your customer (KYC) procedures, templates and guidance have been developed. The administration sections of the applicant's headquarters and country delegations are responsible for the proper implementation of the AML-CFT policy and the Internal Audit Department is responsible for ensuring compliance with the AML-CFT provisions. The Director General (or the individual to whom the Director General delegates this responsibility) shall be informed of AML-CFT issues, including recommendations to improve the AML-CFT mechanisms to ensure that the risk is mitigated. The AML-CFT policy includes clear provisions regarding the applicant's obligation to cooperate with national and international authorities in the investigation of AML-CFT cases, as well as provisions for the maintenance of AML-CFT records for a five-year period, or longer if contractually obligated. It is important to note that the applicant's operations are not materially exposed to AML-CFT risks. Its operating environment is positively influenced by the Member States and recognized international entities from which it receives funding.

38. 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

Whistle-blowers and Witnesses,⁵ the Policy on Prohibited Practices⁶ and the AML/CFT Policy.⁷ The relevant gap is identified in paragraph 34 above and will be reflected by the corresponding condition of accreditation in section 4.2.

3.1.3 Specialized fiduciary standard for project management

39. The applicant's manual for externally funded projects will be followed for the identification, assessment and design of GCF funded projects and programmes. The project manual is complemented by the applicant's guidance documentation for the identification of expected results and development of monitoring and evaluation indicators. In accordance with the procedures defined in the applicant's project manuals, Project Support Teams undertake multidisciplinary research efforts, based on the project's objectives and complexity, to appraise proposals received. Additionally, the Technical Cooperation unit reviews project proposal information provided and determines that there is alignment with the results the applicant seeks to achieve through the projects it implements. The applicant is in the process of developing a project specific risk matrix and action plan. The applicant's newly developed (November 2020) risk management documentation contains a specific chapter on identification and mitigation of project management risks, this chapter provides guidelines for assessing project risks and designing mitigation actions. Documentation for four projects executed by the applicant was provided demonstrating capacity to appropriately identify, assess and design projects and programmes.

40. The applicant has a proven track record of using a results-based management strategy. Based on this strategy it has designed and implemented its operational policies and guidelines, as well as its information systems, to enable the management reporting and decision-making that makes extensive use of objectives, results and indicators. This same strategy is adopted for the applicant's management of its projects and programmes. The project appraisal, design and approval process makes effective use of objectives, indicators, baselines, targets and results. To further enhance this strategy the applicant updated, in 2021, its guidance material for the development of indicators and definition of expected results.

41. The previously mentioned project management manuals include an appropriate project preparation framework and guidance for the identification of expected results and development of project monitoring indicators. The applicant's project management procedures are supported by the "Unified Institutional Management System" (SUGI). This platform consists of a computerized system used to standardize the planning process for each project, with the necessary monitoring and control mechanisms, through an online platform accessible to all applicant units (Headquarters and Offices in the Member Countries) which are responsible for the implementation of externally funded projects. To further demonstrate its project management oversight and control capacities the applicant provided copies of the project templates and project implementation plans. Project oversight is exercised on a permanent basis aided by the applicant's information systems (SAP and SUGI). Through the monitoring and evaluation unit (PMED) the applicant exercises monthly oversight of projects. Furthermore, SAP and SUGI update business intelligence dashboards every 24 hours for use by project managers. In addition, the applicant publishes project status information on its website at <http://apps.iica.int/dashboardproyectos>. Although information provided via the website is not consistent across projects, it does demonstrate the applicant's capacity to effectively publish comprehensive project execution status reports for GCF funded projects, in alignment with GCF requirements. Finally, the applicant has established procedures for project closure and for recording lessons learned.

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.

42. The applicant's Planning, Monitoring and Evaluation Division (PMED) is responsible for Monitoring and Evaluating projects and programmes. The applicant's updated (February 2021) Evaluation Policy and updated (March 2021) PMED guidance document provide an appropriate framework and guidance for the PMED to undertake its monitoring and evaluation functions. The structure of the PMED, and the manner in which it will independently execute project monitoring and evaluation, is clearly detailed in the documents previously mentioned. The roles and responsibilities defined for the PMED, and the information available in the project information systems, provide reasonable assurance of the appropriate competency of the applicant's monitoring and evaluation function. The applicant's financial management and project management systems record critical information required for effective monitoring and evaluation (i.e. information such as project status, budget execution, and measurement of project indicators and results). The applicant provided examples of project monitoring dashboards drawn from its business intelligence application, as well as examples of midterm monitoring reports and final evaluation reports. It is relevant to note that the applicant updated its policy for publication of monitoring and evaluation reports, this updated policy emphasizes the relevance of transparency and sharing of knowledge as critical priorities.

43. The PMED serves as the applicant's in-house independent project evaluation unit. Project evaluations are undertaken independently, and the PMED's evaluations are guided by the institutional evaluation policy (which serves as the PMED's Evaluation Terms of Reference), the unit's operational documentation and the obligation of delivering formal evaluation reports. The evaluation policy establishes the independence of evaluation exercises, the evaluation criteria and the objectives of the evaluation reports. The evaluation responsibilities are divided into strategic and operating levels. The Director General is responsible for ensuring that proper evaluations are executed and that institutional resources are available for evaluation activities. At the operating level the PMED is responsible for ensuring compliance with the evaluation policy, fostering a culture of evaluation of project results, proposing an annual institutional evaluation plan and leading the evaluation of technical cooperation projects.

44. The applicant's risk management guide and its business intelligence application, which integrates relevant project risk management information from the applicant's transactional information systems (SAP, SAPIENS and SUGI) systems), provide the framework and timely information for effective project risk management.

45. The applicant's Guide to Risk Management (November 2020) provides specific guidance for the management of project risks. Additionally, the applicant provided document "Risk management implementation of projects: roadmap: 2020-2021" which establishes the dates for full implementation of the applicant's updated project risk management capacities. This roadmap establishes that by the end of the current year the applicant will have fully implemented its updated project risk management framework. The updated risk framework will provide project risk management capacities, supported by a fully automated risk management system, and independent from the project execution units.

46. 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**

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

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

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

3.2 Environmental and social safeguards

3.2.1 Environmental and social policy

49. The applicant applied for environmental and social (E&S) risk category C and hence does not require a stand-alone E&S policy. Nevertheless, the applicant has a well-developed Environmental and Social Sustainability Policy in place that was established in November 2017 and updated in November 2020. The policy contains the principles for projects' ESS risk categorization, the use of the International Finance Corporation performance standards (PS1–8), implementation of the environmental and social considerations of the Policy in the applicant's processes for selection and management of initiatives and technical cooperation projects. The Policy demonstrates the applicant's commitment to complying with national laws and regulations of the international financial institutions, gender equality and labour working conditions. The Policy is available on the applicant's website and applies to the applicant and to its executing entities.

50. The environmental and social sustainability policy covers the full project cycle including:

- 1) Preliminary environmental review and classification;
- 2) Environmental impact assessment formulation;
- 3) Final environmental technical review clearance;
- 4) Monitoring of the effectiveness of mitigation measures and reporting on the Environmental Management Plan;
- 5) Final report/lessons learned; and
- 6) Post-project evaluation of environmental impact.

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

3.2.2 Identification of environmental and social risks and impacts

52. All the applicant's projects/programmes are subject to E&S screening. The applicants' Environmental and Social Sustainability Policy (ESSP) defines the framework for E&S risk identification and assessment and the responsibilities of the applicant and the executing entities. It provides the definitions of the E&S risk categories A, B and C. The applicant has an institutional system in place guided by the Management Programme document describing the process of the assessment of the ESS risks and their mitigation management for the projects in various sectors against PS1–8.

53. The applicant has in place the screening tools and guidance, including the screening report template, which provide a full safeguards' checklist and guidance on how to assess risk consequence and likelihood and how to categorize projects/programmes from A (high risk) to C (low risk). The process of the identification of the environmental and social risks in the applicant's projects is undertaken in accordance with the Environmental and Social Review Form (ESRF). The designated project leader/staff member reviews the project against the criteria included in the supporting checklist to identify project type, analyses the project components, objectives and outcomes. Based on this analysis the designated staff member for category C projects provides the certified statement that the project has minimal or no adverse environmental and social impacts. The applicant provided several examples of project

documents, mostly categorized as C and focused on capacity development and climate resilience/adaptation research, to demonstrate its track record with impact identification and categorization.

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

3.2.3 Environmental and social management programme

55. Category C projects/programmes, once screened, typically do not require any further E&S assessment and only need to apply standard best practices. However, the applicant has well developed management programme guidelines for the incorporation of structured risk management into its projects and units. According to the applicants' guidelines for risk management the following steps to develop a response plan are indicated:

- 1) Identify the most appropriate management strategy for the prioritized risk;
- 2) Identify a tangible response, the time and cost of which can be estimated;
- 3) Identify an indicator (trigger) for each response, which would allow for identifying the
- 4) best moment in time to implement the response (generate an alert);
- 5) Identify the person responsible for implementation and follow up; and
- 6) Determine the approximate cost of the response action (a key prerequisite for the plan).
- 7) The cost of a response should never exceed that of the potential risk (should it materialize).

56. Based on this assessment a risk response plan for a particular project is prepared and the AP has been provided with the standardized template used.

57. All risks identified in the planning module become an integral part of the institutional monitoring module, which is overseen by the planning, monitoring and evaluation division (PMED). Risk monitoring involves continuously following up on the risks identified for each project or technical cooperation action, via the customized monitoring module.

58. Throughout a project's implementation, the person responsible must report on the activation of an associated risk or the likelihood of its occurrence. Should any risk arise that has not been reported, or if the PMED is not alerted in a timely manner, the unit responsible for the project's implementation will assume responsibility for the consequences.

59. The applicant provided examples of the risk response plan and its application in projects implemented in the agricultural sector.

60. 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 interim GCF ESS standards for maximum E&S risk category C projects/programmes with respect to performance standards 1–8.

3.2.4 Monitoring and review

61. The applicants' E&S monitoring process is undertaken in accordance with the Environmental Social Sustainability Policy (November 2020) that defines a process of project implementation and provides the general guidelines for conducting project monitoring. The applicant has also provided an Environmental and Social Safeguards document including the section (Monitoring and Review) of this document that contains a description of the monitoring

process, including conducting site visits, reviews and preparation of the environmental management plan (EMP).

62. The evaluation of project risks is undertaken in accordance with the applicant's Guide to Risk Management. As indicated in this Guide, project monitoring, including environmental and social risks, is ongoing. For category C project monitoring, it is recommended that projects have a category review and confirmation one year after the first risk category identification and subsequently on an annual basis. This review is conducted using the standardized template for monitoring and review of category C projects to confirm that they should remain in the low-risk category (C). If the project appears to move to a higher risk category (A or B), the applicant will prepare the appropriate documentation and then follow the process for category B or A projects.

63. Once the monitoring report is prepared it is presented to the applicants' institutional authorities for their approval. Records of the application of the standardized E&S monitoring template for the preparation of monitoring reports for category C projects were provided.

64. The AP finds that the applicant's system of monitoring and review, supported by evidence of its track record, fully meets the GCF Environmental and Social Policy and interim GCF ESS standards for maximum E&S risk category C 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 applicant's external communication process is based on the IICA communications policy and guide for spokespersons, IICA Policy Protection for Whistle-blowers, Environmental and Social Safeguards policy and Grievance Redress Mechanism procedure. In accordance with the Environmental and Social Safeguards Policy the report on any inquiries and complaints is reviewed by the Director of the Human Talent division, Legal Unit, the coordinator of the ad hoc team on environmental and social safeguards, as well as manager of Climate Change and Natural Resources programme. The applicant is using the established mechanisms to ensure confidentiality, transparency, respect for human rights, objectivity, impartiality, integrity and due process.

66. In order to be fully compliant with the GCF E&S Standards the applicant adopted the new Grievance Redress Mechanism (GRM) procedure on 20 April 2021 for project level grievances. The document contains a description of the scope and application, principles, compliance process, role of the Ethics Committee in considering and resolving project-related E&S complaints, and record keeping. The process flowchart in the grievance redress mechanism document mentions that the complaints relevant to implementation of the E&S Sustainability Policy are being considered by the Ethics Committee.

67. For ease of accessibility the applicant has included a mechanism on its official internet page (Reporting/Complaints menu) and has created a specific email address to submit reports or complaints to be sent to the Ethics Committee for its consideration. In addition the IICA is committed to provide easily accessible and simple information to communities that have limited access to internet platforms or that are marginalized, thus ensuring the principle of equal treatment. The GRM procedure contains a standardized template for registering E&S complaints, and serves as a basis for grievances and complaints resolution and recording.

68. The AP finds that the applicant's system of external communications, consultations, information disclosure and grievance redress mechanism fully meets the GCF Environmental and Social Policy, interim GCF ESS standards and GCF Information Disclosure Policy regarding E&S information disclosure requirements for maximum E&S risk category C projects/programmes with respect to performance standards 1-8.

3.2.6 Organizational capacity and competency

69. The applicant has a strong ad hoc team that focuses on the environmental and social safeguards, climate change and productive risks programme, bioeconomy programme and includes the specialists of the IICA representations in Brazil, Colombia, Ecuador and Uruguay. The team has extensive expertise in various sectors and types of projects, including: renewable energy, energy efficiency, natural resources, agriculture, bioenergy and biosafety.

70. The main responsibilities of the ad hoc team in environmental and social matters will be to:

- Develop appropriate and efficient measures to avoid, or if not possible, to at least minimize, mitigate or offset negative social and environmental impacts, in line with the performance standards that have been adopted;
- Identify opportunities that produce additional environmental and social benefits;
- Monitor compliance with environmental and social commitments during the execution of its projects;
- Monitor compliance with these commitments in projects executed by counterparts; and
- Support countries' rural development.

71. If the project is being implemented in geographies or contexts where Indigenous Peoples are involved, in the context of the environmental impact assessment an Indigenous People's Plan (IPP) will be formulated and monitored by qualified professionals, in consultation with stakeholders and the communities. The draft IPP will be disclosed in a timely manner, before appraisal formally begins. The plan must include specific measures to monitor the benefits/risks affecting indigenous peoples throughout project implementation and to develop specific mitigation actions, culturally appropriate benefits/compensation, including grievance, monitoring and evaluation and budget arrangements.

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

3.3 Gender

73. The applicant has developed and institutionalized its Gender Policy, which sets the principles, objectives and guidelines related to gender. The Policy recognizes that gender aspects influence women's and men's access to and control over decisions, resources, and all other relevant information and tools, and that the impacts of climate change can exacerbate existing gender inequalities. It also acknowledges that climate change initiatives are more sustainable, equitable and likely to succeed when gender equality and women's empowerment are considered, therefore women should be effectively engaged in discussions and decisions that affect them. The Gender Policy is closely aligned with the United Nation Sustainable Development Goals (SDGs), and with the existing relevant frameworks, policies and standards of GCF.

74. The specific objectives of the Gender Policy focus on the need to (a) advocate for gender equality and equity in the exercise of rights and for equal opportunities and treatment in all areas of the applicant's work; (b) increase awareness of and capacities to carry out strategic actions related to gender topics in the Institute's management and technical cooperation actions; (c) ensure that gender equity and equality is integrated into all of the applicant's policies, programmes, projects, technical cooperation practices, and internal management; and (d) carry out continuous communication, training and awareness-raising activities necessary to implement this policy at the internal and external levels.

75. To ensure full application of the gender policy, the applicant has developed a mainstreaming network of professionals that allows to address the topic of gender and rural women throughout the continent. Specialists in topics such as territorial development, family agriculture, sustainable development, environment and health, international cooperation, gender and youth, support technically the execution of programmes, projects and activities that the applicant promotes to improve the living conditions of rural women and reduce gender gaps in rural areas. The CVs and brief description of the competencies of the relevant staff members provided to the AP demonstrate that the specialists responsible for overseeing implementation of the applicant's Gender Policy have extensive knowledge and experience for establishing the gender action plans (and appropriate indicators) and monitoring their implementation.

76. For non-discriminatory practices in terms of benefits and remuneration for both men and women the applicant's Gender Policy provides rules for salaries based on the categories of positions and each employee's level of responsibility and performance with no distinction on the basis of gender.

77. The applicant has developed a number of projects and programmes oriented to gender equality and presented the relevant project documents. These are a number of capacity-building and research programmes on innovation models combining value chains, diversification, climate change, as well as research programmes in the agricultural sector.

78. For evidence of the track record of the gender action plan the applicant has provided the document titled Gender Action Plan Examples that contains a description of the parameters to be monitored and reported during the project implementation. In addition, the applicant has provided a comprehensive report on the strategy for gender and rural women in agricultural development and rural territories stipulating implementation measures for the technical cooperation programmes. Further, the report on the Emprendesur Hondural programme (a sustainable rural development programme for the southern region of Honduras, financed by IFAD and developed by the applicant) provides information on the results of implementing gender action plans in development programmes.

79. 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 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 3 above:

- (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, as it's prohibited practices policy is still in draft form and is pending formal adoption and approval by its Director General;
- (b) The applicant meets Environmental and Social Policy, interim ESS standards and the Information Disclosure Policy on disclosure of E&S information in relation to the minimal to no E&S risk (category C). The applicant demonstrates a greater degree of E&S policy and E&S management system maturity than is required by the Environmental and Social Policy and interim ESS standards for category C against which the applicant is seeking accreditation. Building on its experience in implementing higher

E&S risk projects and programmes, the applicant may, in the future, seek an upgrade in accreditation for high E&S risk (category B/I-2)]; and

- (c) The applicant has demonstrated that it has a policy, procedures and competencies in order to implement its gender policy, which is found to be consistent with the updated GCF Gender Policy, and has demonstrated that it has experience in gender consideration in the context of climate change.

4.2 Recommendation on accreditation

81. The AP recommends, for consideration by the Board, applicant APL114 for accreditation as follows:

(a) **Accreditation type:**

(i) **Maximum size of an individual project or activity within a programme:** small⁸ (including micro);

(ii) **Fiduciary functions:**

1. Basic fiduciary standards; and
2. Specialized fiduciary standard for project management; and

(iii) **Maximum environmental and social risk category:** minimal to no risk (category C/I3).

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

(i) Condition to be met prior to the effectiveness of the accreditation master agreement during stage III of the accreditation process:

1. Provision by the applicant of evidence that its Director General has approved the applicant's Prohibited Practices Policy and that such policy is adopted by the applicant.

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

⁸ 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."

Annex XIII: Accreditation assessment of upgrade application from the International Fund for Agricultural Development (IFAD)

I. Introduction

1. The International Fund for Agricultural Development (IFAD) is a specialised agency of the United Nations. The applicant aims to address (1) the need to increase food production and resilience in the poorest food deficit countries; (2) the potential for increasing food production in other developing countries; and (3) the importance of improving the overall resilience and nutritional level of the poorest populations in developing countries and the conditions of their lives. In addition, with its objective to mobilize additional resources on concessional terms for agricultural development in its developing member states, the applicant provides financing primarily for agricultural development and poverty alleviation. The applicant also introduces, strengthens, expands and improves food value chains and strengthens related policies and institutions within the framework of national priorities and strategies.

2. The applicant was accredited without conditions by the Board on 14 October 2016 in decision B.14/11, paragraph (b), and signed its AMA with GCF on 24 September 2018, which became effective on 9 November 2018, for the following parameters, as recommended by the Accreditation Panel (AP), under the fit-for-purpose approach of GCF:

- (a) **Access modality:** international access;
- (b) **Track:** fast track under the Adaptation Fund (AF) and the Global Environment Facility (GEF);
- (c) **Maximum size of an individual project or activity within a programme:** 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); and
- (e) **Maximum environmental and social risk category:** medium risk (category B/intermediation 2 (I-2)).³

3. The applicant submitted its application for accreditation upgrade to GCF via the online accreditation system on 26 November 2020. Accreditation fees were received from the applicant on 9 December 2020, thereby launching the stage I institutional assessment and completeness check. Stage I was completed on 30 April 2021 and the applicant was progressed

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 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.”

to the stage II (step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of GCF:

- (a) **Access modality:** international access;
- (b) **Track:** fast track under the Adaptation Fund (AF) and the Global Environment Facility (GEF);
- (c) **Maximum size of an individual project or activity within a programme:** large;⁴
- (d) **Maximum environmental and social risk category:** high risk (category A/intermediation 1 (I1));⁵ and
- (e) **All other criteria for which the applicant was accredited:**⁶ no change.

4. The applicant submitted its application for an accreditation upgrade to be able to undertake large-size and high environmental and social (E&S) risk projects. The application to upgrade its size of project and E&S risk category would allow IFAD to submit more ambitious projects to GCF and would be an important step in the Great Green Wall initiative and other important regional or global programmes..

II. Stage I institutional assessment and completeness check

5. The applicant is eligible for, and applied under, the fast track accreditation process as a GEF and AF entity. Its application has been assessed by the Secretariat during stage I in accordance with the requirements and gaps identified in decisions B.08/03, B.10/06, B.12/30, B.14/09, B.15/09, B.17/13, B.18/05, B.19/14, B.22/09, B.23/13, B.24/11 and B.26/01 and in accordance with the GCF policies and standards below:

- (a) “Guiding Framework and Procedures for Accrediting National, Regional and International Implementing Entities and Intermediaries, Including the Fund’s Fiduciary Principles and Standards and Environmental and Social Safeguards” (decision B.07/02);
- (b) “Guidelines for the Operationalization of the Fit-for-purpose Accreditation Approach” (decision B.08/02);
- (c) “Interim Policy on Prohibited Practices” (exhibit A of the accreditation master agreement (AMA) 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 Whistle-blowers and Witnesses” (decision B.BM-2018/21);
- (g) “Environmental and Social Management System: Environmental and Social Policy” (decision B.19/10);

⁴ 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.”

⁵ 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.”

⁶ For example, the fiduciary functions.

- (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

6. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. IFAD was established through the United Nations Conference on the Establishment of an International Fund for Agricultural Development on 13 June 1976, in Rome, Italy. As indicated in paragraph 1 above, GCF and IFAD have entered into an AMA.

2.2 Institutional presence and relevant networks

7. As a specialised agency of the United Nations, the applicant has offices in over 40 countries. As at June 2020, the applicant has 679 staff members. The applicant has a long track record of empowering and supporting national governments, farmers’ associations, commodity cooperatives, and formal and informal private sector actors in scaling up climate change mitigation and adaptation projects that enhance the livelihoods of farming communities.

2.3 Track record

8. The applicant has developed, financed or co-financed several climate change adaptation and mitigation projects including:
- (a) USD 133 million of blended finance (grants and loans) for the Climate Adaptation and Livelihood Protection Project in Bangladesh;
 - (b) USD 116 million of blended finance (grants and loans) for the Climate Resilient Agricultural Livelihoods Programme in Kenya;
 - (c) USD 119 million of blended finance (grants and loans) for the Livestock Marketing Resilience project in Sudan whose purpose is to increase the food security, incomes and climate resilience of poor households in pastoralist communities; and
 - (d) USD 83 million of blended finance (grants and loans) for the Climate Resilient Post-Harvest and Agribusiness Support Project in Rwanda.
9. Five IFAD funding proposals have been approved by GCF:
- (a) USD 20 million (grants, loans, and equity) for Resilient Rural Belize (FP101);
 - (b) USD 202.5 million (grants and loans) for Planting Climate Resilience in Rural Communities of the Northeast in Brazil (FP143);
 - (c) USD 143.33 million (grants and in-kind) for the Africa Integrated Climate Risk Management Programme: Building the resilience of smallholder farmers to climate change impacts in 7 Sahelian countries of the Great Green Wall (GGW) (FP162);
 - (d) USD 13.89 million (grants and loans) for Inclusive Green Financing for Climate Resilient and Low Emission Smallholder Agriculture in Niger (SAP012); and
 - (e) USD 31.72 million (grants) for Climate Proofing Food Production Investments in Imbo and Moso Basins in the Republic of Burundi (SAP017).
10. Two additional funding proposals and three concept notes have been submitted:

- (a) USD 181.36 million (grants and loans) for Increased Resilience to Climate Change of Smallholders Receiving the Services of the Inclusive Agricultural Value Chains Programme, DEFIS+ (funding proposal received by Secretariat);
- (b) USD 315 million (grants and loans) for Inclusive Green Financing Initiative (IGREENFIN): Greening Agricultural Banks and Financial Sector to Foster Climate Resilient and Low Emission Agriculture for Smallholders in the Great Green Wall (GGW) area (phase 1 and phase 2) (funding proposal received by Secretariat and under interdivisional review);
- (c) USD 94 million (grants and loans) for Reduced Emissions through Climate Smart Agroforestry (or Achieving Emission Reductions in the Central Highland and South Central Coast Region of Viet Nam to Support National REDD-plus Action Programme Goals) (concept note answered by Secretariat);
- (d) USD 62 million (grants and loans) for Financial Inclusion and Cluster Development (FINCLUDE+) in Eswatini (concept note answered by Secretariat); and
- (e) USD 86.16 million (grants, loans and in-kind) for CASP+: Community-based Agriculture Support Programme 'plus' – Phase II in Tajikistan (concept note received by Secretariat).

2.4 Potential support for direct access entities

11. The applicant intends to work with national and regional counterparts and allocate additional parts of its budget to training and capacity-building. This would involve training and awareness on fiduciary principles, social, environmental and climate change assessment procedures and project cycle management, including monitoring and evaluation as well as improving climate vulnerability assessments and improved ability to access climate finance while improving in-country coordination. The applicant also intends to work closely with the national designated authorities (NDAs) towards the strengthening of relevant institutions and networks relevant to climate change communication, education, training and public awareness at all levels, as well as support policy relevant to climate change. IFAD supports many direct access entities (DAEs) that are partners or executing entities (EEs). The support IFAD plans to provide to DAEs in the coming years includes:

- (a) Support banks on their readiness for future accreditation to GCF and direct access through the Inclusive Green Financing for Climate Resilient and Low Emission Smallholder Agriculture project. These banks include Banque Agricole du Niger (BAGRI), Banque Nationale du Mali (BNDA), Banque Agricole du Faso (BADF), ARB Apex Bank of Ghana, Banque Nationale d'Investissement (BNI), Nigerian and Ivorian banks to be determined;
- (b) In the framework of its existing portfolio in Morocco, which includes GEF and Adaptation for Smallholder Agriculture Programme (ASAP) funding, IFAD collaborates with Agence pour le Développement Agricole (ADA). As it is now reviewing its programming framework in Morocco (through its upcoming Country Strategic Opportunities Programme, COSOP), IFAD will engage with ADA to identify potential opportunities to build its capacity to develop and implement GCF-funded projects;
- (c) The IFAD IGREENFIN project will support La Banque Agricole (LBA) of Senegal to access GCF resources and establish green lines of credit at zero per cent interest rate for smallholders including women and youth engaged in agriculture, but will also undertake capacity-building on green lending and products, assisting LBA to become a greener bank; and

- (d) IFAD will consider engaging with Observatoire du Sahara et du Sahel (OSS), based in Tunis, in the framework of the Great Green Wall Initiative Umbrella Programme (GGWI UP) and IGREENFIN regional project. The scope and nature of that collaboration remains to be determined.

III. Stage II accreditation review assessment

12. The applicant is eligible for, and applied under, the fast track accreditation process as a GEF and AF entity. Its application has been assessed by the AP during stage II (step 1) against the accreditation standards of GCF and gaps identified in decisions B.08/03, B.10/06, B.12/30, B.14/09, B.15/09, B.17/13, B.18/05, B.19/14, B.22/09, B.23/13, B.24/11 and B.26/01 and in accordance with the accreditation requirements below:

- (b) GCF policies and standards identified in paragraph 3 above.

13. As part of this assessment, the AP consulted 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. This applicant is seeking an upgrade to the size of funding proposals it can present for large-scale projects for consideration by GCF. This application responds to the potential pipeline of projects the applicant expects to put forward for GCF funding. The applicant's strategy, governance structure and organization are the same as at the time of initial accreditation. Also, the applicant provided the final review report and formal acknowledgement letter from the GEF on the 2020 updated fiduciary standards assessment in which IFAD was fully compliant with all standards, and presented a confirmation of the re-accreditation at GEF. The assessment below focuses on the updates in the applicant's policies, procedures and demonstrated track record and their adequacy to manage large-scale projects and programmes.

15. The applicant's capacity to meet the requirements of GCF basic fiduciary standards was demonstrated at the time of its initial accreditation assessment, and this capacity is appropriate for medium-size funds, as well as for large-size projects. The applicant established in its upgrade application that it already undertakes large-scale programmes using the key fiduciary procedures assessed during the initial accreditation. An upgrade to large-scale projects will allow the applicant to present the funding proposals the AE is currently preparing. The AE provided a document "GCF Entity Work Programme 2021" describing in detail the IFAD strategy for engaging with GCF over the GCF replenishment period. The summary table of total pipeline for GCF1 (2020–2030) was provided. The programme includes 20 projects, including small-scale, medium-scale and large-scale projects and programs. Each project summary provides a description of alignment of the project to the country priorities and GCF priorities.

16. To support its application for a project size accreditation upgrade, the applicant provided detailed of the project portfolio it has managed, indicating several large-scale projects, as well as supporting documentation in the form of project design reports, supervision/monitoring reports, evaluation reports and other relevant documents.

17. As stated in the original accreditation recommendation the applicant's governance structure is appropriate for the management of large-scale activities. The regulatory requirements of the supervision provide the framework for effective governance for various departments responsible for the financial reporting, internal audit, internal controls, project design and supervision. The applicant's historic track-record demonstrates that its governance

structure is adequate for effective oversight and management of large-size projects in various regions of IFAD operations. In 2019, the applicant also updated its framework for operational feedback from stakeholders, enhancing transparency, governance and accountability to improve the overall governance system.

18. The applicant provided, for the assessment of its upgrade application, updated copies of its financial management and administration manual for staff and consultants (dated October 2019), revised Charter of IFAD office audit and oversight (dated 2018), updated IFAD handbook for financial reporting and auditing of IFAD-financed projects (dated March 2021) and Internal Control Framework (dated August 2019). In these manuals the applicant establishes the general guidelines for financial management and reporting, as well as internal and external audit of the projects based on the fiduciary obligations pertaining to the member states (donors) contributions. The AP concludes that the applicant's financial management and reporting, internal and external audit, supervision, as well as internal control framework is appropriate for an organization managing large-scale financial transactions. The applicant also provided the records of the training related to financial crime and controllership conducted in 2020.

19. As concluded in the original assessment, the applicant's strategic planning capacity, as well as its accounting systems, its audit arrangements and its payment and disbursement systems are appropriate for the management of large-scale projects. To complement this upgrade application, updated audited financial statements for the recent financial years, 2018 and 2019 contained in the publicly available Annual Report 2019 were reviewed by the AP. The financial statements demonstrate the increased pledges from the member states in 2019 and the sound financial position.

20. During review of the audited financial statements, the AP has noticed that negative retained earnings were reflected in the balance sheet of 2018 and 2019. However, the entity provided the clarification that negative retained earnings are driven by some accounting policies (International Financial Reporting Standards) applied to the IFAD business model, according to which IFAD provides funding to its beneficiary countries on grant and loan basis. The grants are accounted straight into the Profit and Loss (statement of comprehensive income), in the year in which the expenditures have been incurred. This is creating some deficit accumulated over the years. Nevertheless, this deficit is fully compensated by replenishment contributions from member states which are accounted in the Balance Sheet, as paid-in capital.

21. The entity's Procurement Guidelines were updated in June 2020 and a Standardized Procurement Risk Matrix was developed to improve transparency of the procurement process risk assessment of the counterparty and are found to satisfy the procurement requirements of the GCF basic fiduciary standards. These guidelines, in addition to the positive assessment of the original accreditation, demonstrate that the applicant's procurement policy and procedures satisfy the requirements of GCF basic fiduciary standards.

22. The AP finds that the applicant's policies, procedures and capacity, supported by its track record, fully meet the GCF basic fiduciary standards on key administrative and financial capacities. Furthermore, this policies, procedures and capacity are appropriate for the management of large-size projects

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

23. The applicant's Ethics Committee has updated its code of conduct for employees in August 2017 to include provisions for conflict of interest, remuneration and other guiding principles on how staff members should work with clients, partners and each other.

24. The applicant's framework for management of prohibited practices is described in the original accreditation recommendation document. In addition, the new policies were developed

and updated in 2017–2020 to enhance the policy on prohibited practices, such as the IFAD policy on sexual harassment, sexual exploitation and abuse and IFAD policy on preventing fraud and corruption, and whistle-blower protection procedures. The revised Policy on Preventing Fraud and Corruption in its Activities and Operations aims at strengthening the criteria and due diligence of the borrowers and grant recipients in relation to the downstream partners.

25. The applicant's capacity to effectively undertake investigations is described in the initial assessment recommendation. Given that the applicant has a track record managing large-size projects, and based on the conclusions of the initial accreditation, the applicant's investigations capacity is appropriate for large size projects.

26. An important enhancement implemented after the initial assessment is the applicant's update of its Anti-Money Laundering and Countering the Financing of Terrorism Policy (AML/CFT) policy (2019). The Integrity Due Diligence procedures aim to improve the due diligence process required for on-boarding and continuous monitoring of parties that use the funds provided by the applicant. The applicant also provided recent examples of the due diligence undertaken for its financial intermediaries in developing countries. Due diligence of a counterparty is undertaken prior to the loan approval in accordance with the know-your-customer due diligence procedures. Once the loan is approved the project expenditures for start-up activities become eligible for financing.

27. The examples of the due diligence reports reflect the integrity due diligence process of the loan recipients, including information about compliance with the AML/CFT policy and policy on prohibited practices, such as potential criminal and anti-money laundering activities, involvement of politically exposed persons, project host country risks, and other risk assessments.

28. The applicant utilizes a well-developed and transparent electronic system to authorize, issue and monitor wire transfers. IFAD uses PeopleSoft as the enterprise resource planning system, including specific modules for General Ledger, Accounts Payable/Purchasing Orders. IFAD also uses several other key corporate systems, in particular Oracle Flexcube (FXC) as its loan and grant financial management system which is interfaced on a daily basis with IFAD'S PeopleSoft. FXC supports IFAD for loan and grant disbursements, debt servicing (issuance of bills for principal and interest repayments) and financial reporting in these areas. FXC is IFAD's primary tool to track projects from approval through full disbursements and, in the case of loans, full repayment. The Flexcube electronic system reflects the names of all counterparties of the approved projects and the history of the transactions and their approvals.

29. These IFAD processes are supported by strong segregation of duties. The Financial Controllers Division takes care of processing transactions while Treasury Cash Management executes transactions with the banks. Copies of the reports of the recent electronic transfers were provided as proof of the transparency and accuracy of the system.

30. The applicant's AML-CFT capacity, as mentioned in the initial accreditation recommendation is appropriate for effective management of AML-CFT risks. The implementation of an Integrity Due Diligence and monitoring automated screening solution further strengthens the applicants capacity.

31. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the GCF basic fiduciary standards on transparency and accountability, the GCF Interim Policy on Prohibited Practices and the GCF Anti-Money Laundering and Countering the Financing of Terrorism Policy.

3.1.3 Specialized fiduciary standard for project management

32. The original assessment demonstrated that the applicant has the capacity to design, prepare and successfully manage medium-size projects and programmes. However, since 2016 the applicant has approved and is implementing over 10 large-scale projects and programmes. The capacity demonstrated by the applicant during the initial accreditation, and the track record evidenced and presented during the upgrade accreditation validate its capacity and experience to manage large projects and programmes. As relevant documentary evidence the applicant provided a description of the important update to the project management procedures pertaining to the applicant's capacity to design, prepare, implement, supervise and evaluate large-scale projects.

33. In order to improve the planning, implementation and monitoring of projects, including large-scale ones, the applicant adopted new Project Design Guidelines in January 2020 to include a new Development Effectiveness Matrix. Projects are classified and processed according to their risk profile (track 1 for more risky operations, track 2 for normal operations, and track 3 for fast track (low-risk operations)). This new classification is an important addition in the context of the application for upgrade for large-scale projects and programmes.

34. All IFAD-financed projects develop a result-based logical framework at design, with clear indicators at outreach, output and outcome level. The applicant provided the guidance on how to best elaborate log frames, as well as measurement guidelines to support projects on how to apply correct methodologies for baselines, mid-term and final results assessments. Examples of the project design documents for the large-scale projects approved by the applicant's Board were provided.

35. The applicant's capacity to exercise effective oversight and control and monitor the investments it executes was assessed during the initial accreditation assessment. However, some improvements in the procedures and systems were made after the initial accreditation in 2016. All the applicant's projects are evaluated by applicant's teams once a year. For that purpose, the applicant assesses the performance of all projects by using standardized performance score descriptors as described in the updated Project Implementation Guidelines.

36. All implementing entities working with the applicant need to update achievement of results in annual progress reports which are validated during annual supervision missions. As defined in the applicant's project implementation guidelines, the project implementers should update the progress indicators against the logical framework before all supervision missions and for progress reports, using the latest information available. These updates should not only focus on the ongoing year results but should also check the consistency of previous years' results and cumulative data. The updated project implementation guidelines contain the provisions for the more detailed analysis of expenditures compared to project budget and provide the results and cumulative data from the previous years. Examples of the several implementation/progress reports for large-scale projects were provided.

37. As per the applicant's updated Project Implementation Guidelines, IFAD deploys supervision missions annually. The process of problem identification was also improved, as well as mid-term review missions (site visits) and checklist preparation. Based on standardized performance score descriptors, the applicant classifies all projects according to four risk categories: "Not-at-risk", "Potential Problem Project", "Actual Problem Project", "Chronic Problem Project". In addition, the applicant's 2018 policy on project restructuring provides an enabling framework for proactive management of projects under implementation so as to improve quality and performance and mitigate the risks that are identified during project implementation. Examples of problem projects/high risk projects that have been adjusted during implementation, and relevant documentation describing the adjustments, were provided.

38. The applicant's updated Project Implementation Guidelines clearly set out the monitoring and supervising function at project level and describe the respective roles of all

actors involved (country director, regional portfolio advisors, etc.). Regional divisions within the applicant's programme management department are responsible for the supervision and monitoring at project level. The organization's portfolio reporting department is responsible for overall portfolio monitoring and reporting, using aggregated data from project performance and progress reports. Examples of the supervision/monitoring reports for large-scale projects were provided.

39. The applicant's Guidelines for project completion review were harmonized with the evaluation policy and evaluation manual. The project completion review is a process undertaken by the borrower in close coordination with the applicant at the end of the project implementation cycle, in order to report on the results achieved through project interventions. The main purposes of the completion review process are to promote accountability, reflect on performance and elicit lessons learned to inform new project design, and to define an appropriate post-project strategy. Examples of the independent evaluation reports prepared for recently finalized large-scale project activities were provided.

40. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the GCF specialized fiduciary standard for project management in relation to the management of large-size projects.

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

41. During the original accreditation assessment the applicant provided sufficient evidence for its capacity, experience and track record to manage grant awards and funding allocation programmes for medium-scale projects. Since then the applicant has financed and implemented a number of both medium-scale and large-scale projects that required grant award funding for specific components of the projects along with concessional loan finance as a main financial instrument. The grant component in the large-scale project typically consists about 3–10 per cent of the total project finance.

42. There have been some changes to the systems, policies and procedures since the original accreditation regarding some fiduciary procedures affecting the large-size grant award and funding allocation mechanisms of grants in the context of programmes. These changes are described in the paragraphs below.

43. The grant financing procedures (2018) were revised after the first accreditation to improve the selection process, supervision of the activities under the grant awards funding and evaluation of the activities. Also, the additional policy "IFAD_5.2.1a Grant Competitive Selection" was developed containing references to the following new/updated policies: IFAD Policy on Sexual Harassment, Sexual Exploitation and Abuse; IFAD Policy on Preventing Fraud and Corruption; and IFAD Handbook for Financing, Reporting and Auditing of IFAD-financed Projects. The new updates are considered by the AP to improve the quality of the grant award selection process and are in line with GCF standards for grant award mechanisms.

44. The applicant's performance-based allocation system (PBAS) allows the fund to allocate resources to its recipient member states, including grant component. The PBAS determines the volume of financing that the applicant provides to each recipient country during a given replenishment cycle. The PBAS consists of a mathematical formula consisting of two components: a country needs component and a country performance component. The variables included within the formula reflect the best practices of other international financial institutions that use performance-based systems for allocating resources, and also the specificity of the applicant's mandate. The PBAS is a transparent and predictable way of allocating the applicant's resources to its recipient states in that it is formula-based and uses standardized sources of information compared to alternative systems.

45. As evidence of the effective implementation of the updated grant financing procedures, the monitoring (grant status) reports and evaluation reports for three projects were provided. Projects that attract grant financing are subject to the supervision missions and also yearly external audits. Procedures for undertaking the audit are contained in the updated audit handbook.

46. IFAD demonstrated evidence of good standing with the multilateral organizations by presenting the independent assurance report and supporting document for the European Union Pillars assessment and lending due diligence report from the external audit firm at the request of the Ministry of Foreign Affairs of a donor state for a large concessional partner loan.

47. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the GCF specialized fiduciary standard for grant award and/or funding allocation mechanisms in relation to large-size projects with the use of grant award/funding allocation mechanisms.

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

48. The applicant, during the original and upgrade-related accreditation review, demonstrated that it has the capacity to exercise appropriate due diligence to evaluate investments and potential loan recipients. The policies and procedures it applies are appropriate for the effective management and monitoring of allocation and repayment of loans to large-scale projects. The due diligence policies and procedures are also appropriate for the management of large-size projects and programmes, considering that the applicant has deployed concessional finance to a significant number of medium and large-scale project activities.

49. During the initial accreditation, and in the documents made available for the upgrade assessment, the applicant demonstrated its capacity and experience in deploying concessional loans as a main financial instrument.

50. Financial management and fiduciary risk assessments of executing entities are conducted at design stage. Details are provided in the updated financial management and administration manual (FAM). Project risks are reassessed during supervision missions. Projects are also subject to yearly external audits. Procedures are detailed in the FAM and in the updated audit handbook.

51. Information on the funds for on-lending and blending received from the multilateral donors is contained in the applicant's Annual Report of 2019. In total, in the financial 2019 IFAD received USD 1,639 billion, whereas the total financing in 41 years (1978–2019) comprises USD 21,429 billion. Currently, there are 203 projects under implementation worldwide and the amount of financing provided by IFAD in a form of loans and grants comprises USD 7,5 billion.

52. The information on the investment portfolio for the financial year 2018–2020, as well as information on the investment management objectives for the project portfolio of 2020 onwards was provided.

53. In 2020 IFAD was rated by Fitch and S&P as an AA+ institution with a stable outlook. IFAD was the first UN organization that was rated by the rating agencies and the high rating obtained demonstrates the applicant's strong position as an international financial institution.

54. The relevant competencies and track record required for satisfying the specialized fiduciary standards for on-lending and/or blending are described in the previous paragraphs, and the applicant's competency remains appropriate. In terms of the size upgrade, the applicant has provided sufficient evidence of its experience and capacity to manage large-scale projects. Various examples of project documentation described in the sections with regard to project

management and grant award function, such as design reports, supervision reports, evaluation reports for the large-scale projects that were financed by concessional loans, were provided.

55. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the GCF specialized fiduciary standard for on-lending and/or blending for loans in relation to large-size projects.

3.2 Environmental and social safeguards

3.2.1 Environmental and social policy

56. The applicant's Environmental and Social Policy comprises in its "Updated Social, Environmental and Climate Assessment Procedures (Updated SECAP)", approved by its Executive Board in December 2020. The Updated SECAP will become effective during 2021. In the meantime, all the applicant's project Concept Notes being submitted to its September 2021 Executive Board must be compliant with the Updated SECAP. The Updated SECAP applies to all investments for loans and grants and non-sovereign operations (NSOs) for which the applicant's financing is sought. The Updated SECAP draws on the "Framework for Advancing Environmental and Social Sustainability in the United Nations System" prepared by the UN Environment Management Group (2019).⁷ The Updated SECAP is a revised version of the applicant's 2017 SECAP which reflected updated versions of its previous SECAP dating from 2012. The Updated SECAP includes nine environmental and social safeguard (ESS) standards, online screening tool, a 4-tier E&S risk rating system replacing its previous 3-tier risk rating system, strengthened validation of E&S risk categories, mainstreaming of several themes including climate financing, due diligence process for the private sector, roles/responsibilities for grievances and compliance monitoring, and broadened E&S safeguard requirements for social, climate, private sector and procurement.

57. The applicant commits to ensure that its projects would comply with national and international laws, conventions and treaties, such as the UNFCCC, and the United Nations Agreement on Reducing Emissions from Deforestation and Forest Degradation, plus the sustainable management of forests and the conservation and enhancement of forest carbon stocks.⁸ The applicant's supported projects would avoid the construction of roads and other infrastructure in natural forests and other sensitive habitats. The objectives of the Updated SECAP are to help the applicant to identify social, environmental and climate risks and their significance and determine the level of risk management required to address risks and impacts associated with its supported investments and global and regional grant funded programmes, and to support borrowers/recipients/partners and the applicant in improving decision-making and promoting the sustainability of project and programme outcomes through ongoing stakeholder engagement.

58. The Updated SECAP includes the following nine ESS standards of which the first seven are equivalent to GCF interim Environmental and Social Safeguard standards (Performance Standards (PS) 2-8) : biodiversity conservation, resource efficiency and pollution prevention, cultural heritage, indigenous peoples, labour and working conditions (new), community health and safety, physical and economic resettlement, financial intermediaries (new - private sector), and climate change (new). The ESS standards are directed predominantly to borrowing governments and private sector partners, which are responsible for undertaking environmental, social and climate risk assessments, and for implementing projects. The ESS standards are accompanied by a set of tools, non-mandatory guidance notes and 'how to do notes' to assist clients in implementing the ESS standards, applicant's project development

⁷ See <<https://sustainabledevelopment.un.org/content/documents/2738sustainabilityfinalweb-.pdf>>.

⁸ See <https://redd.unfccc.int/fact-sheets/warsaw-framework-for-redd.html>.

teams in conducting due diligence, and to provide support to stakeholders in sharing good practices. The overall responsibility to ensure conformance with the policy and be responsible for its execution lies with the Environment, Climate, Gender and Social Inclusion Division. The Updated SECAP is communicated to all levels/within the organization and available on the applicant's website.

59. The AP finds that the applicant's environmental and social management system, comprising the environmental and social policy, supported by evidence of its track record, fully meets the GCF Environmental and Social Policy and interim GCF 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 environmental and social risks and impacts

60. The Updated SECAP describes the applicant's E&S risk and impacts identification including categorization process. Each project is screened to identify the main social, environmental and climate impacts and risks associated with the potential project based on the screening tool against the nine SECAP ESS standards that are consistent with PS 1–8. The E&S risk categories consist of four levels ("High", "Substantial", "Moderate", "Low") previously as A, B, and C in SECAP 2017. The screening findings are included in the project concept note (PCN) for consideration at the Operational Strategy and Policy Guidance Committee review meetings. Any risks or potentially adverse impacts on disadvantaged groups, women, men, girls and boys are identified as early as possible as part of the screening and are reflected in the SECAP Review Note. The screening exercise also allows the applicant to highlight investments with a higher potential for climate adaptation and greenhouse gas emissions and the probability of losses/damages from climate related events, which can also help the applicant to make a case for the allocation of additional climate finance. The preliminary/final category and classification and the basis for their selection is reflected on the applicant's corporate dashboard (through the Grants and Investments Projects System) and in the relevant sections of the respective documents (PCN, Project Design Report, President's Memo) including the SECAP Review Note, which is an annex of the Project Design Report. The project E&S risk category and classification are monitored on a regular basis throughout the life of the project and updated based on any changes, as necessary.

61. The applicant provided PCNs which include E&S risk and impacts identification including categorization for category A comprising (i) Malawi Transforming Agriculture through Diversification and Entrepreneurship and (ii) Mozambique Inclusive Agri-food Value-Chain Development Programme; and for category B projects comprising (iii) Brazil Planting Climate Resilience in Rural Communities of the Northeast, co-financed by GCF and (iv) Vietnam Climate Smart Agriculture Transformation Project in the Mekong Delta (CSAT).

62. The AP finds that the applicant's system of identification of E&S risks and impacts, supported by evidence of its track record, fully meets the GCF Environmental and Social Policy and interim GCF ESS standards for 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

63. SECAP describes the applicant's E&S mitigation and management programme. The E&S assessment studies of projects required at the design stage are primarily the responsibility of the borrower/recipient/partner, including any further assessment/study deemed necessary during implementation of the project. The studies/assessments have to meet the requirements of the nine SECAP ESS standards and other relevant guidance (e.g. SECAP Guidance Notes, World Bank Environmental, Safety and Health Guidelines, etc.), and be proportionate to the risks and potential impacts of the applicant-supported investment as reflected in its project risk categorization. For projects that are classified as High Risk or Substantial Risk, the

studies/assessments carried out include environmental and social impact assessments (ESIA), and Resettlement Action Framework/Plan (RAF/RAP), which are carried out by independent experts, selected by the borrower/recipient/partner as per existing national legislation. The borrower/recipient/partner will ensure adherence to the environmental and social covenants of the Financing Agreement and is responsible for the implementation and monitoring of management plans at the implementation stage. For Substantial Risk category projects, one or more of the following may be internally required: a formal SECAP Review Note or abbreviated Environmental, Social and Climate Management Framework (ESCMF); an abbreviated RAF/RAP; and/or Indigenous Peoples Plan/Free, and Prior Consent Implementation Plan. The SECAP Review Note/abbreviated ESCMF incorporates an Environmental, Social and Climate Management Plan (ESCMP). ESIA reports are approved by the government and subsequently cleared by the applicant's relevant Regional Director after technical judgement has been provided by the Environment, Climate, Gender and Social Inclusion Division (ECG).

64. The Updated SECAP ESS standard requires financial intermediaries (FIs) (such as private equity funds, commercial banks and microfinance institutions, which are the financial service providers to finance subprojects with sub-clients) including the non-sovereign operations (NSO) to put in place and maintain an environmental and social management system (ESMS).

65. The applicant provided a copy of its June 2016 Evaluation Synthesis Report on Environment and Natural Resource Management. The 2017 SECAP and the Updated SECAP made significant steps in strengthening the ESS in response to the findings and recommendations of the evaluation report. Specifically, the 2019 action plan greatly increased the focus on environment and climate related matters resulting in an improved SECAP compliance function in the Operational Policy and Results (OPR) Division, thus bolstering the implementation of the applicant's operations.

66. The applicant provided evidence on its track record in the form of the SECAP Compliance Review forms summarizing comments on the ESIA's submitted by the Project Delivery Team at the Design Review Meeting and approved by the OPR for the following projects in category A: (i) Malawi Agriculture Transformation Programme, (ii) Rwanda irrigation scheme, and (iii) Mozambique irrigation scheme; and in category B (iv) Zimbabwe Smallholder Agriculture Cluster Project, and (v) Central African Republic Rural Infrastructure Project (PRORIR).

67. The applicant also provided its E&S assessment of its FI/NSO projects, Babban Gona Farmer Services Nigeria Limited, and Economic Enterprise Restart Facility in Uganda.

68. 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 interim GCF 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**

69. The Updated SECAP describes the applicant's internal E&S processes to support a monitoring/supervision programme that tracks and ensures completion of mitigation and performance improvement measures. This process is further elaborated in the applicant's Project Implementation Guidelines that clearly sets out the monitoring and supervising function at project level and describes the respective roles of all actors involved (Country Director, Regional Portfolio Advisors, etc.). The applicant's Regional Divisions within its Programme Management Department are responsible for the supervision and monitoring at project level. Monitoring will normally include tracking implementation and performance of recommended social, environmental and climate adaptation/mitigation actions/measures (including adaptive management processes) contained in the ESCMP, relevant plans (e.g. RAP, Indigenous Peoples

Plan), bidding documents and other relevant Financing Agreement covenants. For projects involving co-financiers or third parties responsible for managing specific risks/impacts or mitigation measures, based on an agreed common approach, the applicant and the borrower will collaborate with the co-financiers/partners to monitor performance of such mitigation measures. The SECAP indicator ratings, based on project supervision, are reflected in the Operational Results Management System.

70. The applicant provided a sample of its monitoring/supervision reports that addressed E&S matters in line with SECAP for its projects in category A: Malawi Programme for Rural Irrigation Development, Bangladesh Char Development and Settlement Project IV, and Philippines Second Cordillera Highland Agricultural Resource Management Project; and in category B: Brazil Semi-arid Sustainable Development Project in the State of Piauí (Viva o Semiárido), and Fostering Climate Resilient Upland Farming Systems in the North East (Mizoram and Nagaland States), in India.

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

72. The applicant provided its website SECAPcomplaints@ifad.org to receive and register external communications including grievances from the public or project affected people. The applicant provided its institutional level grievance redress mechanism (GRM) which is described in its Complaints Procedure⁹ and includes contact email for reporting alleged non-compliance with its social and environmental policies and mandatory aspects of its SECAP. The SECAP Redress Service, located in the OPR of the Programme Management Department, serves as the corporate-level entry point for project-affected people and communities to voice grievances. It also supports project teams in addressing grievances and provides guidance to help efficiently manage and resolve complaints. After receipt of a complaint, the SECAP Redress Service will verify whether the complaint is known and/or already being processed by the project-level grievance redress mechanism. If not, the SECAP Redress Service decides on the eligibility of the complaint within 21 business days after the acknowledgement of receipt. During this phase, further information may be requested from the complainant and/or the regional division to clarify the complaint. In case of partial or total ineligibility, the SECAP Redress Service will, if possible, advise the complainant on which alternative measures could be taken and/or to which institution the concerns may be addressed. In the case of full eligibility, the complainant will receive a notice with information on the next steps, and the complaint will be registered in the applicant's case register managed by the SECAP Redress Service. The applicant's GRM also requires all borrowers to provide an easily accessible grievance and redress mechanism to facilitate the resolution of concerns and complaints of project-affected parties (for projects that pose special risks, this is on a case-by-case basis). The applicant provided evidence on incorporation of a GRM in its projects for the South Sudan Livelihoods Resilience Programme, and in the Climate Smart Agriculture Transformation Project in the Mekong Delta.

73. The Updated SECAP describes the applicant's policy on E&S information disclosure and consultation. The applicant's "Framework for Operational Feedback from Stakeholders", approved by the Executive Board in 2019, outlines commitment to engage key stakeholders and mobilize their feedback in its supported projects throughout the project life cycle. For category A or high risk projects, disclosure at local level is required at least 120 days prior and for

⁹ See <<https://www.ifad.org/en/accountability-and-complaints-procedures>>.

category B or moderate risk at least 30 days prior, and disclosure of the ESIA/ESMF/ESMP is required in advance of the applicant or GCF Board making a decision. The applicant provided evidence of the practices followed by itself and executing entities on the disclosure and consultation of E&S assessment documents for its projects in category A and B with the public, in line with the Information Disclosure Policy of GCF.

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

75. The applicant provided its organizational structure that defines roles, responsibilities, reporting lines and authority to implement the ESMS, which includes senior management. In order to strengthen technical support to projects and enhance the mainstreaming agenda and management of global and regional knowledge, the Environment and Climate Change Division (ECD) became the new Environment, Climate, Gender and Social Inclusion Division (ECG) and was moved to the Strategy and Knowledge Department. In addition to leading the applicant's environment and climate work, ECG also focuses on mainstreaming other cross-cutting themes (youth, gender, and nutrition) and Indigenous Peoples. The compliance aspects of IFAD's Social, Environmental and Climate Assessment Procedures (SECAP) have been moved to the new Operational Policy and Results Division (OPR) in the Programme Management Department. This new division oversees operational policies, procedures, compliance performance and results, and, in collaboration with the ECG, organizes capacity building and training for staff and implementation partners.

76. The applicant provided curricula vitae of its ECG staff including their qualifications and experience and training undertaken in implementing the SECAP. There are 37 staff across the Environment and Climate clusters that are positioned to provide inputs to project designs and SECAP documents. This includes all the UN level P5, P4, P3 and P2 staff as well as the nationally recruited staff, National Professional Officers at levels B and C. It is the applicant's requirement that all staff are assigned to Project Delivery Teams to support IFAD designs. Per project, consultant support is also brought in to provide technical inputs to SECAP documents as required. Additionally, the OPR has three permanent positions dedicated to reviewing and assessing SECAPs.

77. The AP finds that the applicant's organizational capacity and competency, supported by evidence of its track record, fully meet the GCF ESS standards for maximum E&S risk category A/I-1 projects/programmes with respect to Performance Standards 1–8.

IV. Conclusions and recommendation

4.1 Conclusions

78. 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:

- (a) The applicant meets the requirements of the GCF basic fiduciary standards, the GCF Policy on the Protection of Whistle-blowers and Witnesses, the GCF Policy on Prohibited Practices, the GCF AML/CFT Policy, the GCF specialized fiduciary standard for project management, specialized fiduciary standard for grant award and/or funding allocation

mechanisms, and the GCF specialized fiduciary standard for on-lending and/or blending for loans, with respect to a maximum large-size category; and

- (b) The applicant meets Environmental and Social Policy, interim ESS standards and the Information Disclosure Policy on disclosure of E&S information in relation to the high E&S risk (Category A/I-1).

4.2 Recommendation on accreditation

79. The AP recommends, for consideration by the Board, IFAD for an upgrade in its accreditation type, as originally accredited in decision B.14/11, paragraph (b), and annex IV to document GCF/B.14/17, as follows:

- (a) **Accreditation type:**
1. **Maximum size of an individual project or activity within a programme:** large (including micro, small and medium);
 2. **Maximum environmental and social risk category:** high risk (category A/I-1) (including lower risk (category B/I-2¹⁰ and category C/I-3¹¹)), and:
 3. **All other criteria for which the applicant was accredited:**¹² no change; and
- (b) **Conditions:** none.

80. The applicant has been informed of the recommendation for accreditation, including the accreditation type, and agrees to the recommendation.

¹⁰ 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.”

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.”

¹² Decision B.14/11, paragraph (b), and annex IV to document GCF/B.14/17.

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

I. Background

1. In decision B.08/03, paragraphs (e–g), the Board decided that entities accredited by the Global Environment Facility (GEF), the Adaptation Fund (AF) and the Directorate-General for International Development and Cooperation (DG DEVCO) up to and including 17 October 2014 and in full compliance with those institutions' requirements, as contained in annex V to decision B.08/03 (annex V to document B.08/45), are eligible to apply under the fast-track accreditation process for the accreditation requirements of GCF identified in the relevant paragraphs of the decision.
2. In decisions B.10/06, B.12/30, B.14/09, B.15/09, B.17/13, B.18/05, B.19/14, B.22/09, B.23/13, B.24/11 and B.26/01, the Board expanded the list of entities eligible to apply under the same fast-track approach, assuming all prerequisite criteria were met to include those under the GEF, the AF and DG DEVCO up to and including 9 July 2015, 9 March 2016, 14 October 2016, 17 December 2016, 6 July 2017, 2 October 2017, 1 March 2018, 28 February 2019, 8 July 2019, 14 November 2019, and 29 April 2020 respectively.
3. The entity presented below has been accredited by AF since 31 January 2021. No new entities have been accredited by the GEF and DG DEVCO since that time that are seeking to become eligible for fast-track accreditation to GCF.

II. Adaptation Fund

Table 3: The Adaptation Fund – national implementing entities since 31 January 2021

Name	Acronym	Country
Comisión de Acción Social Menonita ^a	CASM	Honduras
International Center for Integrated Mountain Development ^b	ICIMOD	Nepal

^a See also Adaptation Fund Board decision B. 35-36/19, available at https://www.adaptation-fund.org/wp-content/uploads/2021/02/Notification-Decision-B.35-36_19_Accreditation-CASM_Honduras.pdf

^b The list of the national accredited entities of the Adaptation Fund is available at <<https://www.adaptation-fund.org/apply-funding/implementing-entities/national-implementing-entity/>>. See also Adaptation Fund Board decision B. 35-36/17, available at <https://www.adaptation-fund.org/wp-content/uploads/2021/02/Decision-B.35-36_17_Accreditation-of-ICIMOD.pdf>.

4. The national direct access entity (i.e. CASM) and the regional direct access entity (i.e. ICIMOD) listed in table 3 have been confirmed via evidence provided by the entity regarding its successful accreditation as National Implementing Entity of the Adaptation Fund (AF Board decision B. 35-36/17 dated 16 February 2021 and decision B. 35-36/19 dated 24 February 2021).