



**GREEN
CLIMATE
FUND**

Meeting of the Board
4 – 7 October 2021
Virtual meeting
Provisional agenda item 16

GCF/B.30/03

13 September 2021

Consideration of accreditation proposals

Summary

This document presents an overview of accreditation progress up to 31 July 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 re-accreditation proposals for consideration by the Board.

Table of Contents

I.	General mandate	1
II.	Recommended action by the Board	1
III.	Linkages with decisions and other documents	1
IV.	Overview of the pipeline of applicant entities	3
	4.1 Status of applications for accreditation	3
	4.2 Accelerating direct access	12
	4.3 Improving the accreditation process	13
V.	Overview of the portfolio of accredited entities	13
	5.1 Entity work programmes	14
	5.2 Support for accredited direct access entities	16
	5.3 Accredited entity monitoring and reporting	16
VI.	Applications in Stage II (Step 1) review (accreditation and re-accreditation)	25
	Annex I: Draft decision of the Board	32
	Annex II: Accredited entities and accreditation categories	33
	Annex III: Re-accreditation assessment of Environmental Investment Fund (RAPL008)	36
	Annex IV: Re-accreditation assessment of Development Bank of Southern Africa (RAPL024)	58
	Annex V: Re-accreditation assessment of International Union for Conservation of Nature (RAPL031)	83
	Annex VI: Re-accreditation with an upgrade assessment of United Nations Development Programme (RAPL007)	103
	Annex VII: Additional entities of other relevant funds for fast-track accreditation eligibility	134

I. General mandate

1. In decision B.08/02, paragraph (a), the Board recalled that all entities, including subnational, national, regional and international entities, can apply for accreditation to GCF.
2. Areas of work related to accreditation matters include the following:
 - (a) Initial guidance to national designated authorities and entities interested in engaging with GCF related to the role and responsibilities of the accredited entity (AE), and the accreditation process;
 - (b) The pipeline of entities, particularly to support direct access entities (DAEs) seeking accreditation, AEs in addressing their accreditation conditions, and AEs seeking to upgrade their accreditation scope;
 - (c) Relationship management of AEs, including completing their accreditation master agreements (AMAs) with GCF and AE-level monitoring and reporting; and
 - (d) Re-accreditation.
3. In addition to the above, the Secretariat supports the work of the Accreditation Committee and the Accreditation Panel (AP).
4. This document presents an overview of accreditation progress up to 31 July 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 and 2022. The document also presents re-accreditation proposals for consideration by the Board.

II. Recommended action by the Board

5. It is recommended that the Board:
 - (a) Take note of the information presented in document GCF/B.30/03 titled “Consideration of accreditation proposals; and
 - (b) Approve the draft decision presented in annex I.

III. Linkages with decisions and other documents

6. This document has actual or potential linkages with the following items:
 - (a) “Guiding framework and procedures for accrediting national, regional and international implementing entities and intermediaries, including the Fund’s fiduciary principles and standards and environmental and social safeguards” (decision B.07/02);
 - (b) “Guidelines for the operationalization of the fit-for-purpose accreditation approach” (decision B.08/02);
 - (c) “Matters related to the accreditation framework” and “Consideration of accreditation proposals, including consideration of the reaccreditation deadline” regarding the reaccreditation process (decisions B.24/13 and B.26/01 respectively);
 - (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, B.27/05, B.29/05, and B.29/06);
- (u) “Legal and formal arrangements with accredited entities” (decision B.09/08);
- (v) “Accreditation master agreements” (decisions B.12/31 and B.23/15, paragraph (d));
- (w) “Strategic plan for the Green Climate Fund” (decision B.12/20);
- (x) “Updated strategic plan for the Green Climate Fund: 2020–2023” (decision B.27/06);
- (y) “Strategy on accreditation” (decisions B.13/19 and B.14/08);

² Decision B.23/15, paragraph (b), requested the Accreditation Committee, in consultation with the Head of the Independent Integrity Unit, to consider the best way to integrate the Anti-Money Laundering and Countering the Funding of Terrorism Policy in the interim fiduciary standards and present to the Board a proposal for its consideration in 2019 as a matter of urgency. A proposal on this integration has yet to be presented to the Board for its consideration.

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

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

- (z) “Matters related to the accreditation framework and policy gaps: Co-Chairs’ proposal (decision B.18/04);
- (aa) “Further development of the accreditation framework” (decision B.19/13);
- (bb) “Accreditation framework review, including the project specific framework approach” (document GCF/B.20/17);
- (cc) “Accreditation framework review” (decision B.22/16);
- (dd) “Updated accreditation framework” (decision B.23/11); and
- (ee) “Strategy to increase funding proposals from direct access entities” (document GCF/B.20/04).

IV. Overview of the pipeline of applicant entities

7. The Governing Instrument for the GCF states that access to GCF resources for projects and programmes will be through national, regional and international implementing entities accredited by the Board.⁵ AEs may be implementing entities and/or intermediaries. Having a diversity of AEs can provide recipient countries with a choice of partners to meet their needs and priorities. GCF and its network of partners, particularly AEs, are responsible for the delivery of financing to developing countries to meet internationally agreed climate goals at scale while also meeting GCF standards and safeguards.

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

9. GCF relies on the primary due diligence and the risk assessments performed by AEs.⁶ AEs are responsible for the overall management, implementation and supervision of activities financed by GCF and are expected to administer funds disbursed with the same degree of care as they use in the administration of their own funds. This includes management and oversight of executing entities.

4.1 Status of applications for accreditation

10. Since the opening of the call for accreditation applications on 17 November 2014 and up to 31 July 2021, 80 AEs have fully completed the accreditation process by having a signed and effective AMA.⁷ An additional 14 entities have signed AMAs that are yet to become effective to complete the accreditation process. An additional 19 AEs have been approved by the Board to be accredited, for which AMAs are in progress. Altogether, the Board has decided to accredit 113 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)),⁶ the web-based portal through which applicants submit their accreditation applications,⁷ as well as during preparation of invoices for accreditation fees, which are linked to the accreditation criteria an entity is seeking. The distribution of accreditation applications received as at 31 July 2021 is available on the GCF website⁸ and is summarized in figure 1.

⁶ Available at <<https://accreditation.gcfund.org/>>.

⁷ 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.

⁸ The number of entities at each stage is updated on a monthly basis and is available at <<https://www.greenclimate.fund/accreditation>>. Monthly information is available from 30 September 2015 onward.

Figure 1: Status of accreditation applications (as at 31 July 2021)

31 July 2021

TOTAL PIPELINE OF ENTITIES SEEKING ACCREDITATION: **125***



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

** 36 applicants (out of 114) are yet to officially start Stage I, as their applications are pending payment of accreditation fees

*** A total of 113 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 80 entities have completed the accreditation process, enabling the entities to fully operationalize their engagement with GCF.

12. A pipeline of 125 entities have submitted accreditation applications (including active and inactive) on the OAS. Of these, 11 applications are under Stage II (Step 1 – AP review) (including the entities being recommended at the thirtieth meeting of the Board (B.30)) and 78 applications are under Stage I. A further 36 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, 118 entities (including active and inactive) have access to the OAS but have yet to submit their application.
14. The submitted applications received to date reflect considerable diversity in terms of geographical representation, the type of activities to be undertaken using GCF resources if accreditation is approved, the type of accreditation being sought (e.g. project/programme activity size, fiduciary function and E&S risk category) and whether they are from the public or the private sector.
15. In addition to applications for accreditation, 12 applications from AEs to upgrade their accreditation types were received between 17 November 2014 and 31 July 2021, of which 9 upgrades were approved by the Board.⁹ The remaining three entities comprise one direct access AE and one international access AE that are in Stage I and one international access AE that is being recommended to the Board for consideration at B.30. 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 71 DAEs have been accredited by the Board. A total of 77 DAEs are in the accreditation pipeline and have submitted an application with nomination letters from the NDAs and focal points, of which 8 are in Stage II (Step 1 – AP review), 46 are in Stage I and 23 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, 11 entities have been accredited by the Board, 3 entities are in Stage II (Step 1) and an additional 9 are in Stage I in the pipeline. As of 31 July 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.

⁹ 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); decision B.26/01, paragraph (e); and decision B.29/05, paragraph (r).

Figure 2: Direct access entities nominated for accreditation (as at 31 July 2021)

31 July 2021

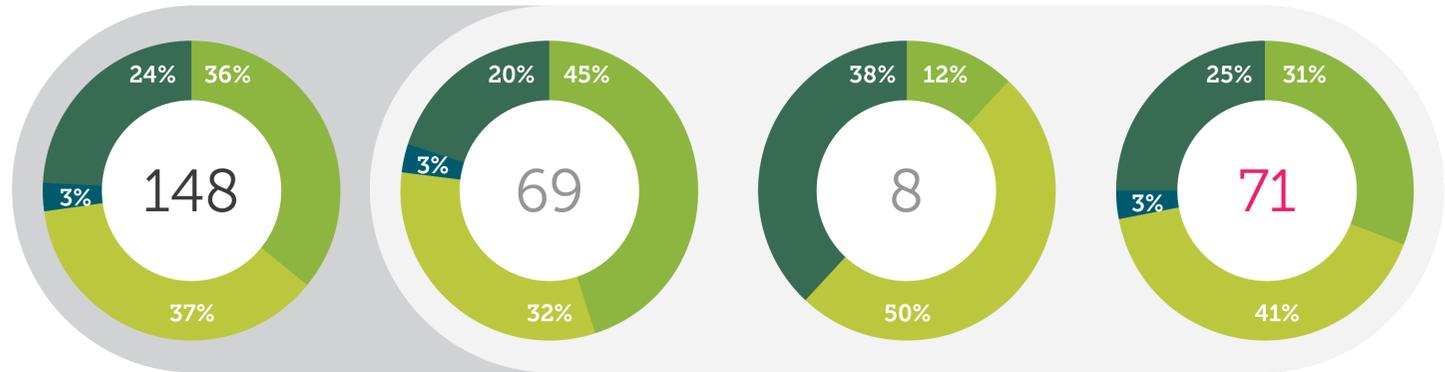
ACCREDITATION STATE OF PLAY DIRECT ACCESS ENTITIES

NDA / FP NOMINATIONS

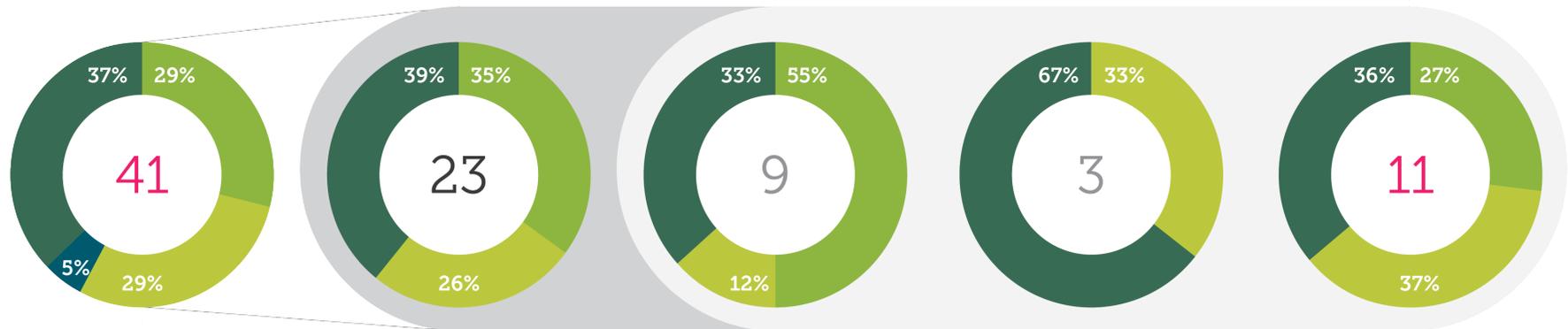
Total **297** nominations*
from **101** countries
for **256** entities

*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.

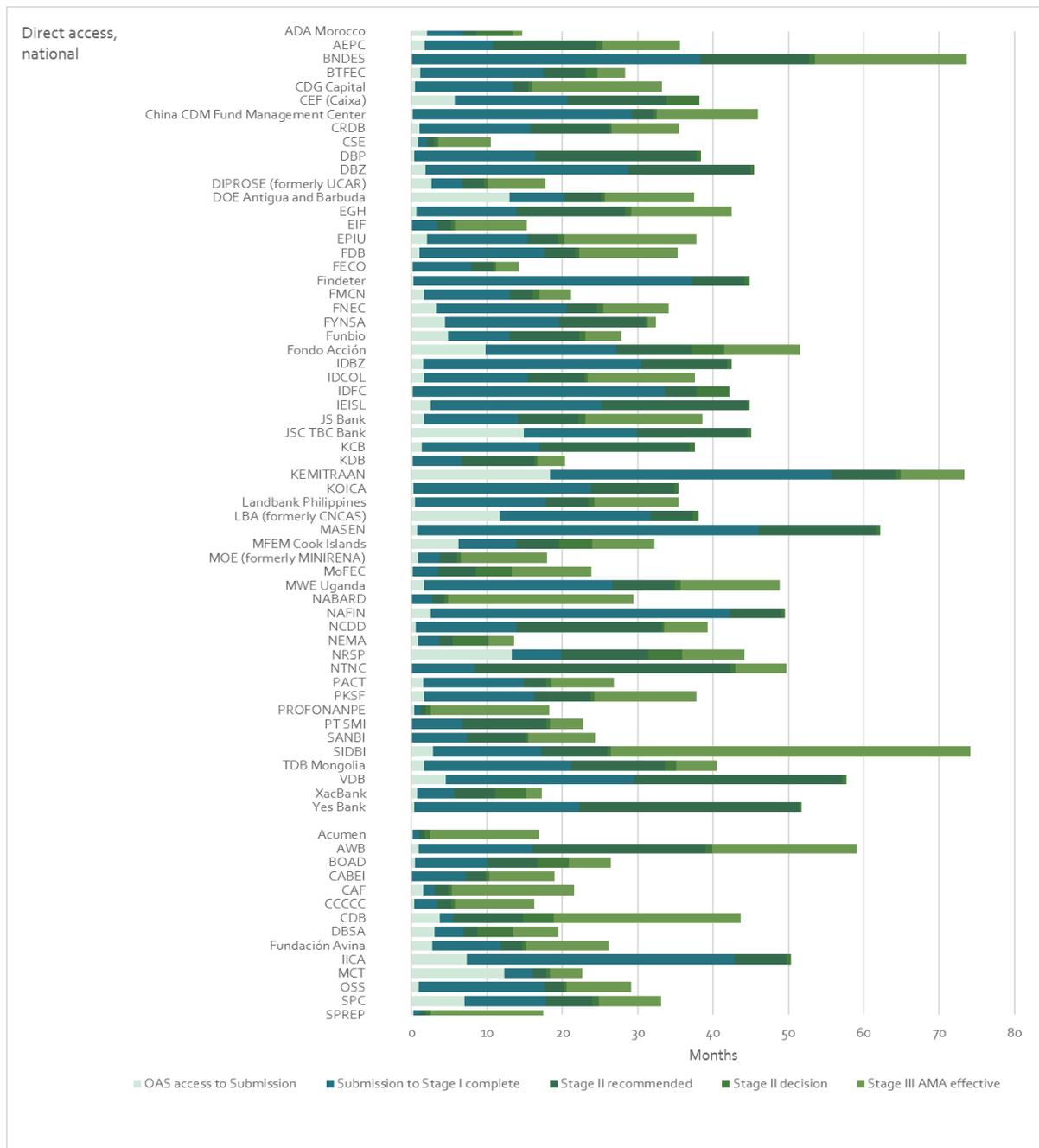
18. The time taken to process applicants has varied and depends on the entity's capacity and the modalities for which it is applying, in addition to factors such as resources available to process applications, the workload from the growing pipeline of applicants and the increase in new or amended GCF 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.¹⁰ 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 24.3 months on average to accredit the 113 AEs – noting that 50 of them were fast-tracked and 63 were normal-tracked. Of the 113 AEs, it took 27 months on average to accredit 71 DAEs, with 17 months on average to accredit 25 fast-track DAEs and 32 months to accredit the other 46 normal-track DAEs (see figure 3); in addition, it took 17 months on average to accredit 25 fast-tracked international access entities (IAEs) and 26 months on average to accredit 17 normal-track IAEs (see figure 4). In particular, it took 28.4 months on average to accredit 27 private sector entities out of the 113 AEs (see figure 5). This includes an average time frame for application review by the Secretariat and the AP and responses by applicants of 26.8 months; however, the active time for review per application is significantly shorter.¹¹ 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.

¹⁰ "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.

¹¹ 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.

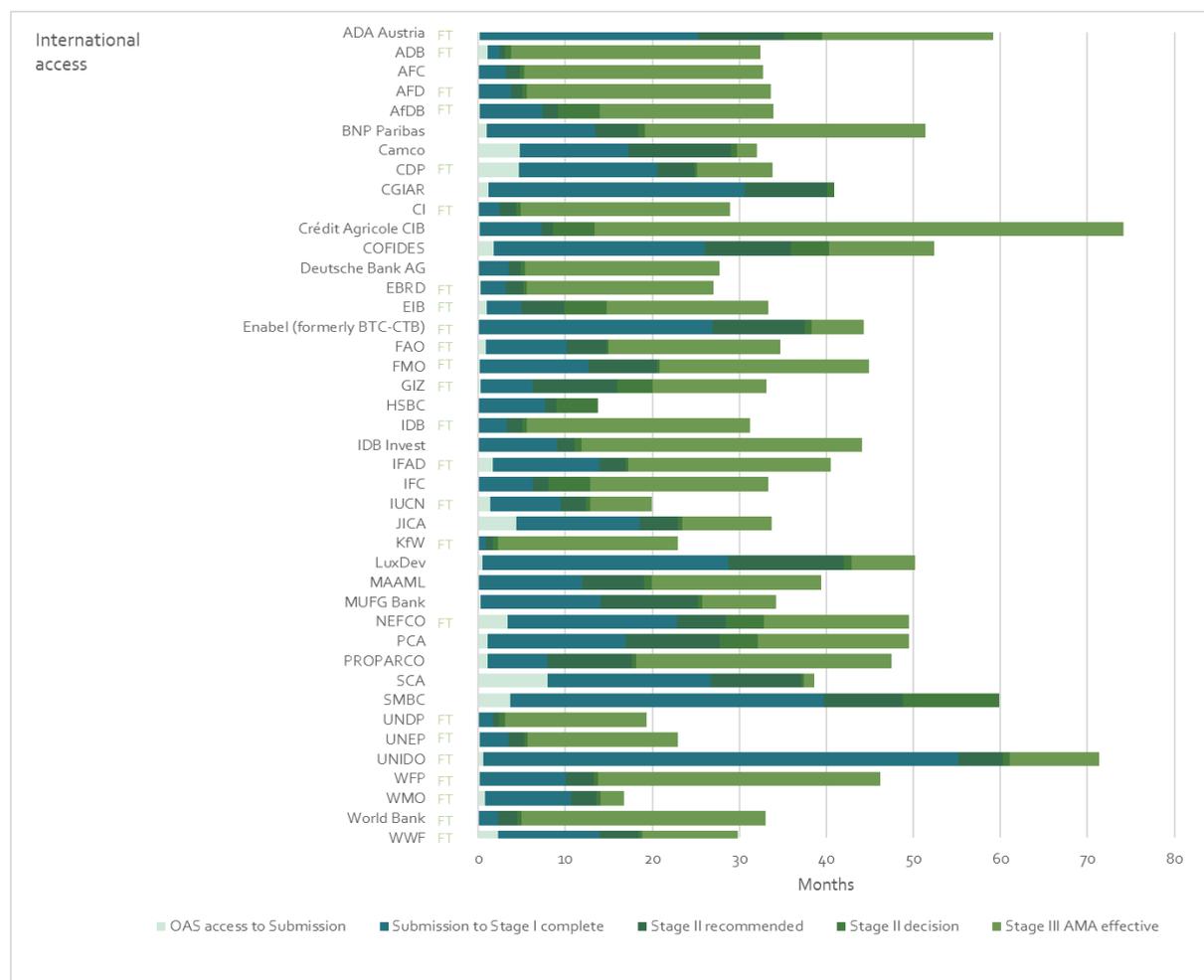
Figure 3: Time frame from online accreditation system access to accreditation for the 71 direct access accredited entities (including private sector) (as at 31 July 2021)



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, DBP = Development Bank of Philippines, DBSA = Development Bank of Southern Africa, DBZ = Development Bank of Zambia, 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, Funbio = Fundo Brasileiro para a Biodiversidade, FYNSA = Finanzas Y Negocios Servicios Financieros Limitada, IDBZ = Infrastructure Development Bank of Zimbabwe, IDCOL = Infrastructure Development Company Limited, IDFC Bank = IDFC Bank Limited, IEISL = IL&FS Environmental Infrastructure and Services Limited, IICA = Inter-American Institute for Cooperation on Agriculture, JS Bank = JS Bank Limited, JSC TBC Bank = Joint Stock Company TBC Bank, KCB = KCB Bank Kenya Limited, KDB = Korea Development Bank, KEMITRAAN = Kemitraan bagi Pembaraun Tata Pemerintahan, KOICA = Korea International Cooperation Agency, Landbank = Land Bank of the Philippines, LBA (formerly CNCAS) = La Banque Agricole, MASEN = Moroccan Agency for Sustainable Energy S.A., 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, NAFIN = Nacional Financiera, S.N.C., Banca de Desarrollo, 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, VDB = Vietnam Development Bank, XacBank = XacBank LLC, Yes Bank = Yes Bank Limited.

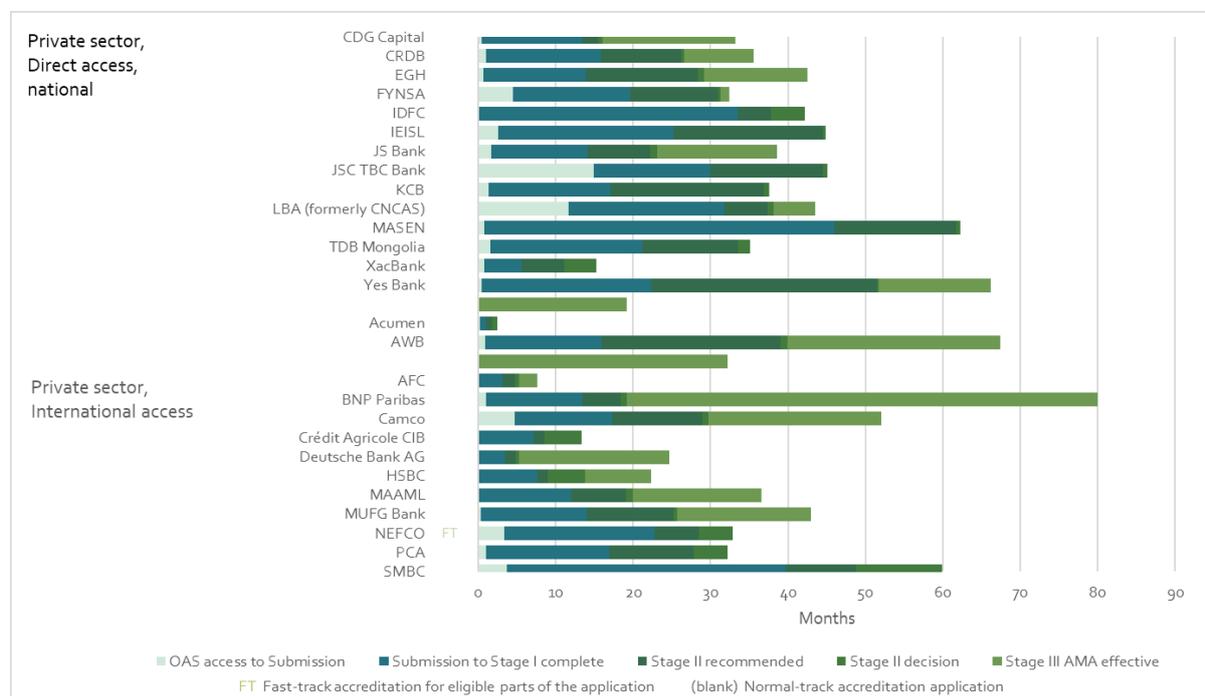
Figure 4: Time frame from online accreditation system access to accreditation for the 42 international access accredited entities (including private sector) (as at 31 July 2021)



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, JSC TBC Bank = Joint Stock Company TBC Bank, KfW = Kreditanstalt für Wiederaufbau, LuxDev = Luxembourg Development Cooperation Agency, MAAML = Macquarie Alternative Assets Management Limited, MASEN = Moroccan Agency for Sustainable Energy S.A., 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, SMBC = Sumitomo Mitsui Banking Corporation, 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 27 private sector entities (as at 31 July 2021)



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 256 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 tool¹² in order to assess preparedness for the accreditation process, which may be accessed by any organization, as well as NDAs and focal points, for the purposes of identifying organizations to nominate for accreditation. As at 31 July 2021, 2,346 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 31 July 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. Eleven entities (Caixa Econômica Federal, Central American Bank for Economic Integration, Fondo para la Acción Ambiental y la Niñez, Infrastructure Development Bank of Zimbabwe, La Banque Agricole, Micronesian Conservation Trust, Nacional Financiera, S.N.C., Banca de Desarrollo, 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. Three entities are in Stage II (Step 1);
 - 3. Nine entities are in Stage I; and

¹² 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>>.

- (ii) In addition, the other 12 entities are working towards closing the identified gaps and intend to thereafter submit their application, and others are in discussion with their NDA to seek additional readiness support to close the identified gaps; and
- (b) Readiness support is underway for the remaining six entities.

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 Q4 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, B.27/05, and B.29/05. Out of the 113 entities accredited by the Board, 80 have fully completed the accreditation process to become AEs by having signed and effective AMAs as at 31 July 2021.¹³ Further details on AMAs are contained in the limited distribution document GCF/B.30/Inf.XX/Add.01 titled "Status of accreditation master agreements and funded activity agreements" (pending publication).¹⁴

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.¹⁵

¹³ As at 31 July 2021, a total of 94 AMAs have been signed.

¹⁴ To be considered by the Board at B.30.

¹⁵ 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 31 July 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	54	31	37	28	30	62	55	24	62	39
AP	61	38	40	27	29	67	57	21	67	40
EE	30	18	21	16	17	34	31	18	34	25
LAC	55	41	34	25	27	59	50	24	59	36
LDCs	57	37	34	24	25	63	54	23	63	35
SIDS	47	33	29	24	23	49	42	22	49	32

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.30/03/Add.01), which is reported to the Board for information purposes in accordance with decision B.10/06, paragraph (e).

5.1 Entity work programmes

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 (EWPs) 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 14 regional direct access AEs and 42 international access AEs to update or develop their multiannual EWPs.¹⁶ 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 12 from international access AEs are under various stages of the review process by the Secretariat or by the respective AEs.

34. Out of the EWPs by IAEs, the EWP by the Food and Agriculture Organization of the United Nations (FAO) was submitted anew during the reporting period. The Secretariat has taken the EWP draft through an interdivisional review and has also organized a joint virtual workshop to provide feedback on FAO's partnership approach and programming strategy as well as the pipeline prioritization for the GCF-1 period. The Secretariat has organized a similar virtual workshop with the International Fund for Agricultural Development (IFAD) to discuss the feedback on their EWP, in particular on the pipeline re-prioritization. Both AEs are in the process of revising the EWP in line with the virtual workshop outcomes and will re-submit to the Secretariat for potential endorsement by the Climate Investment Committee. During the reporting period, the Austrian Development Agency (ADA Austria), Camco Management Limited (CAMCO), Enabel, Nordic Environment Finance Corporation (NEFCO), and United Nations Development Programme (UNDP) have re-submitted their EWPs after having considered the Secretariat recommendations from interdivisional or technical reviews. While the updated EWPs by ADA Austria, CAMCO, and NEFCO will be taken to CIC for potential endorsement after completing the interdivisional review process, the EWP by Enabel has been identified as needing further improvement by the AE. Given the large size of the pipeline contained in the draft EWP by UNDP, the Secretariat is considering a virtual engagement with the AE to re-prioritize the pipeline. There have been no updates with regard to the remaining five draft EWPs by IAEs.

35. As for regional DAE work programmes, there has been no addition to the number of EWPs endorsed by CIC. While the EWP of CDB was endorsed in 2020, CIC recommended a high-level engagement with DBSA with the aim of streamlining its pipeline and ensuring its alignment with the USP. Furthermore, the Secretariat has already provided its assessment and is waiting for the revised EWPs of Central American Bank for Economic Integration (CABEI), Fundación Avina, Sahara and Sahel Observatory (OSS), The Pacific Community (SPC), and Secretariat of the Pacific Regional Environment Programme (SPREP). Engagements with regional DAEs in the Pacific were also conducted during the Pacific Regional Dialogue.

¹⁶ The EWPs of national direct access AEs are contained in country programmes.

36. 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. During the reporting period, as indicated above, the Secretariat has organized two virtual workshops focused on entity work programming. 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

37. 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.

38. 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.

39. 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 25 DAEs, with three funding proposals already approved by the Board.

40. The Secretariat is also engaging with direct access AEs on readiness support that may be needed, addressing accreditation conditions, and preparing and submitting Project Preparation Facility (PPF) applications. Regarding PPF, as at 31 July 2021, the Secretariat was working on 65 active PPF applications with letters of no objection from the NDAs/focal points, of which 39 (60 per cent) are from DAEs. Of these 65 applications, 43 have been approved. Among the 43 approved PPFs, 30 (67 per cent) are from DAEs. The total approved amount for PPF applications was USD 27.3 million, of which USD 19.4 million has been disbursed.

41. 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.30/Inf.02 titled “Status of the GCF pipeline, including the status of Project Preparation Facility requests”.¹⁷

5.3 Accredited entity monitoring and reporting

42. 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.¹⁸ 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

43. The MAF establishes the main monitoring and evaluation tools related to AEs on two levels:¹⁹

- (a) AE compliance (section 1.1 of the MAF), addressing institutional requirements in relation to its accreditation and re-accreditation process; and

¹⁷ To be considered by the Board at B.30.

¹⁸ Decision B.23/11, paragraph (a).

¹⁹ Decision B.11/10.

(b) Funded activity monitoring (section 1.2 of the MAF), addressing specific requirements for each GCF-funded activity.

44. 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.

45. 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.

46. The mid-term review report template contains additional questions under each standard or subject area and covers the track record of the implementation by the AE of the institutional systems, policies, procedures and its capacities as they relate to GCF standards for accreditation.

47. For both the annual self-assessment and mid-term review, the AE is requested to enclose evidence related to the changes the AE has reported. In accordance with the MAF and the AE-level monitoring approach contained in the re-accreditation process, the assessment undertaken for the mid-term review is more extensive than the AE self-assessment, which is a self-attestation from the AE. For example, as part of the mid-term review, the AE is requested to provide information on its track record of deploying its systems in projects/programmes, at least for GCF-funded projects/programmes, which may also be supplemented by non-GCF-funded projects/programmes or in cases where the AE has yet to have GCF-funded projects/programmes.

48. The GCF may also review third-party sources of information, including external party reports, published news reports, etc., as a part of its mid-term review of AE compliance with GCF standards for accreditation.

49. Further, if the accreditation of the AE was fast-tracked due to it being accredited to the Global Environment Facility, Adaptation Fund and/or Directorate-General Development and Cooperation – EuropeAid of the European Commission during its original accreditation or at the time of the latest institutional-level reporting by the AE to GCF, the AE is required to confirm in its annual self-assessment or mid-term review whether it is still accredited to such institution and whether it still complies with the accreditation requirements of those institutions. If the AE is no longer accredited to or compliant with the accreditation requirements of those institutions, the AE should provide this information and indicate how such changes impact the ability of the AE to meet the GCF accreditation standards.

50. The Secretariat and the AP review AE-level reports and supporting documents. For annual self-assessments, the Secretariat conducts the review and, as needed and in cases where the AE indicates impacts on its role as an AE, consults with the AP for its review. For mid-term review reports, the Secretariat performs a completeness check and initial review of the reports and supporting documents, focusing primarily on any legal changes in the AE and performance as an AE. The AP conducts the review focusing on the elements of the report related to the GCF accreditation standards. The Secretariat and the AP finalize respective conclusions and make recommendations, as relevant, regarding the ability of the AE to continue to meet the GCF accreditation standards and comply with the obligations under the AMA in the context of the accreditation scope of the AE.

51. For the period covering calendar year 2020, 47 AEs were required to provide their annual self-assessment report and a further 13 AEs were required to undertake the mid-term

review. 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.

52. Although the deadline for reporting on the period covering calendar year 2020 was 28 February 2021, the Secretariat issued extensions at the request of some AEs and also considering the challenges resulting from the COVID-19 pandemic.

53. Of the AEs required to provide an annual self-assessment report, a total of 34 submitted the report by the deadline (72 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. As at 31 July 2021, all 60 AEs who were required to submit either an annual self-assessment (47) or mid-term review report (13) have submitted the relevant reports.

5.3.2 Annual self-assessment

54. Among the 47 AEs that completed their annual self-assessment covering calendar year 2020, all but 4 (91 per cent) reported changes of varying natures and degrees with either no impact on the AE's accreditation status or with positive impacts, thus, strengthening the AE's ability to continue to meet the relevant GCF standards and policies.

55. At the general institutional level, amongst the various changes indicated by 32 AEs, the positive changes include expansion in size of institutions (e.g. personnel) for 10 AEs, a steady increase in the funds under management for 6 AEs, a greater focus on climate change as a result of changes to organizational structure for 4 AEs, and additional capacity for managing GCF projects for 6 AEs. A total of 4 direct access entities reported having benefited from the GCF Readiness Programme to strengthen their institutional capabilities within the reporting period. Twenty-four AEs including some of the AEs that also indicated positive changes reported various changes related to the general aspects and capacities that have been self-assessed by the AEs as having no impact on their accreditation to the GCF – the assessment was then confirmed during the Secretariat's review.

56. Concerning the GCF basic fiduciary criteria, amongst the various changes indicated by 21 AEs, the positive changes include: enhanced capacity and clearer delineation of roles for 3 AEs in the area of general management and administration; more robust internal audit framework and capacity for 3 AEs; improvements to internal controls and risk management procedures for 5 AEs; and updates to procurement policies and manuals for 10 AEs resulting in stronger procurement processes. In relation to transparency and accountability, the positive changes include: strengthened code of ethics through updates to associated policies and processes for 9 AEs; policy update to disclosure of conflict of interest for 2 AEs; enhanced capacity to prevent and manage conflict of interest for another AE; new or revised policies for preventing and managing corruption, fraud and sexual harassment or improving protection of whistle-blowers for 12 AEs; improved investigation capacity and processes for 6 AEs; and new or amended policies and procedures in the area of anti-money-laundering procedures and Countering the financing of terrorism, or "know-your-customer" due diligence, for 12 AEs. A total of 11 AEs, including some of the AEs that also indicated positive changes, reported various changes in the area of basic fiduciary standards that were self-assessed by the AEs as having no impact on their accreditation to the GCF – the assessment was then confirmed during the Secretariat's review.

57. Regarding the GCF specialized fiduciary criteria for project management that applies to 45 of the 46 AEs, amongst the changes indicated by 17 AEs, 7 AEs reported strengthened frameworks for project management including project risk management. Regarding the GCF

specialized fiduciary criteria for grant award and/or funding allocation mechanisms that apply to 31 of the 46 AEs, 7 AEs adopted improved processes for ensuring transparency and access to information by the public. Regarding the GCF specialized fiduciary criteria for on-lending and/or blending (for loans, equity and/or guarantees) that apply to 24 of the 46 AEs, 3 AEs improved public access to information on beneficiaries and results, 1 AE adopted a policy on integrity due diligence and also enhanced risk management frameworks to classify and assess portfolio risks, and 1 AE reported adoption of a new policy on handling third party funds. Nine AEs including some of the AEs that also indicated positive changes reported various changes in the area of specialized fiduciary standards that were self-assessed by the AEs as having no impact on their accreditation to the GCF – the assessment was then confirmed during the Secretariat’s review.

58. Regarding environmental and social safeguards (ESS) standards, 22 AEs reported various changes, all of which were found to be positive, contributing to their capabilities to serve as GCF’s AE per the respective AMAs. To summarize: 10 AEs reported positive changes including updates to their Environmental and Social Management Frameworks; improvements to their E&S policies, guidelines and risk tracking and manuals; and strengthened commitment towards an environmental, social and governance approach. In most cases, the policy updates have also resulted in improved processes and procedures for identifying risks and impacts, and managing mitigation measures and actions stemming from those risks. With regard to external communication, 8 AEs reported improvements such as policy updates to accountability and grievance mechanisms and information disclosure policies, improved systems to receive complaints and grievances, and more robust corporate reporting on sustainability. A total of 7 AEs have strengthened E&S capacity while 2 more AEs made commitments to significantly improve their capacity to carry out implementation of the policies and procedures at all levels. Concerning gender policy, 8 AEs adopted new and revised gender policies with a further 2 reinforcing commitments towards gender equality, mainstreaming and building associated capacities.

59. Overall, there was no case of an AE reporting a change to policies, procedures, and systems that the Secretariat found to have adversely impacted the ability of the AE to comply with the relevant GCF accreditation standards for which the AE was accredited for, or to undertake their obligations under the AMA in the context of their accreditation. Rather, the changes appeared to have strengthened the institutional capacity and capability of the AEs to better meet the relevant GCF standards better and comply with AMA requirements.

60. Out of the 47 AEs, 23 were accredited under GCF fast-track accreditation on the basis of their accreditation to the Global Environment Facility, Adaptation Fund and/or Directorate-General for International Development and Cooperation (DG DEVCO). As at the end of the reporting period (calendar year 2020), all but one maintained their accreditation status to one or more of the aforementioned organizations. The remaining one AE is in the process of being re-accredited to the Adaptation Fund.

5.3.3 Mid-term review

61. All 13 AEs that completed their mid-term review as part of the institutional-level reporting covering calendar year 2020 reported changes of varying natures and degrees with either no impact on the AE’s accreditation status or with positive impacts, thus, strengthening the AE’s ability to continue to meet the relevant GCF standards and policies.

62. A total of 11 AEs reported changes as part of general institutional level information. Out of the 11, 1 AE reported a positive change in its core business, which was inclusion of the private sector in its operational model. A total of 4 AEs reported expansion in both general staffing size and staff managing projects that have been assessed by the Secretariat and AP as positive changes. A further 4 AEs saw changes in their organizational structure, which will lead

to positive outcomes. With regards to funds under management or funds from external sources as well as number of projects/programmes managed, 9 AEs reported changes including 5 that saw steady growth while the changes the other 4 AEs saw do not impact negatively their capabilities to continue in the role of a GCF AE. Four AEs reported having benefited from the GCF Readiness Programme to strengthen their institutional capacities.

63. In relation to the GCF basic fiduciary criteria, all 13 AEs provided samples of evidence under fiduciary functions such as audit reports, financial statements, credit rating and good standing with multilateral organizations demonstrating their continued compliance with the relevant GCF fiduciary standards. Further, 9 AEs reported various changes in the area of AML/CFT policies and capabilities including 5 AEs who adopted either new or revised policies, all of which are changes assessed as enhancements.

64. Regarding the GCF specialized fiduciary criteria for project management, out of the 13 AEs accredited for this function, 2 AEs reported changes that have been assessed as positive. Regarding the GCF specialized fiduciary criteria for grant award and/or funding allocation mechanism, out of the 11 AEs accredited for this function, 1 AE reported updates to its Grant Award Financing Procedures that has been found as compliant with the relevant GCF standards. Regarding the GCF specialized fiduciary criteria for on-lending and/or blending (for loans, equity and/or guarantees), all 9 AEs accredited for this function provided details of their non-performing loans and loan loss reserves, which have been assessed as having no impact on their status of accreditation. Further, 2 AEs reported changes in their risk management policies and procedures in relation to on-lending and/or blending operations, which have been assessed as positive changes.

65. Regarding environmental and social safeguards (ESS) standards, 9 AEs reported various changes that have been assessed as enhancements. Examples include 4 AEs that adopted new or revised E&S policies, frameworks or guidelines, 4 AEs that adopted new or revised policies related to gender issues, and 6 AEs that saw an increase and improvements in their organizational capacity and competency in E&S matters including the size of staff managing E&S matters.

66. Out of these 13 AEs, 9 were accredited under the GCF fast-track accreditation. All 9 AEs maintain their accreditation to the Global Environment Facility or Adaptation Fund or Directorate-General for International Development and Cooperation (DG DEVCO).

67. Document GCF/B.30/xx/Add.02 titled “Report on mid-term accreditation reviews” contains a summary of the assessments from the mid-term accreditation review of AEs that were required to submit such a report covering calendar year 2020.

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

68. 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.

69. In line with their AMAs, 33 international access AEs are required to provide annual reports on the support they intended to provide (and the support provided) to DAEs covering calendar year 2020. The Secretariat provided those international access AEs with the relevant template requesting them to submit the completed reports by 28 February 2021 in line with AMA requirements. As indicated in paragraph 26 above, the Secretariat launched the DAP, which allows AEs to submit online their annual report on IAE support to DAEs.

70. The Secretariat has reviewed the reports received from IAEs. A total of 25 international access entities reported to have provided support to various regional, national and local institutions who are already accredited to the GCF or intend to apply for accreditation, or engage with GCF in other capacities. Over 200 cases of support have been reported by these 25 IAEs with some cases targeting multiple entities in multiple countries. As regards the extent of support: 11 IAEs provided capacity-building support to fewer than 5 entities during the reporting period; 7 IAEs supported between 5 and 10 entities; and 5 IAEs reached more than 10 entities with their capacity-building efforts. The most common areas of support have been to help build track records related to project design and implementation (results-based management) (30 per cent), followed by building capabilities in the area of ESS (10 per cent) by helping the entities become familiar with and meet the requirements of GCF policies, modalities and investment criteria (13 per cent); and providing support related to capacity-building in good governance and meeting GCF basic fiduciary standards (both at 6 per cent), as well as the GCF gender policy (3 per cent). The IAEs also reported support to existing and potential direct access entities in many other areas of general institutional capacity. The common types of support include consultancy support and engaging as partners/executing entities, as well as organizing training, workshops and informal discussions, and providing training materials and tools.

5.3.5 Re-accreditation of accredited entities

71. 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.²⁰ 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.²¹ 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).

72. 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.

73. 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.

74. 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

²⁰ 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."

²¹ Decision B.23/11, paragraph (a).

request from AEs. As at 31 July 2021, the Secretariat has issued an extension to seven AEs in response to their submitted requests.

75. 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.

76. As at 31 July 2021, in total ten AEs had to submit their re-accreditation application six months prior to the end of their accreditation term, two were re-accredited at B.29, seven requested and were issued extensions due to the COVID-19 pandemic, and eight submitted their re-accreditation applications on the DAP. One AE, whose deadline for submitting the re-accreditation application was in the third quarter of 2021, has not submitted its application within the deadline. Recommendations for the re-accreditation of four AEs will be presented to the Board for its consideration at B.30. Assuming extensions for AEs to submit the re-accreditation applications are not required, it is estimated that recommendation for re-accreditation for up to 23 AEs will be presented to the Board in 2022 (see table 2).

Table 2: Overview of re-accreditation applications pipeline in Q4 2021 - 2022

No.	Entity name	Entity Acronym	Access modality	Country of HQ	AMA Effectiveness date	Accreditation Term I End	Deadline to apply including extensions
1	Centre de Suivi Ecologique	CSE	DAE - National	Senegal	March 28, 2016	March 27, 2021	Applied
2	Acumen Fund, Inc.	Acumen	DAE - Regional	United States	July 11, 2016	July 10, 2021	Applied
3	Peruvian Trust Fund for National Parks and Protected Areas	PROFONANPE	DAE - National	Peru	October 10, 2016	October 9, 2021	Applied
4	XacBank LLC	XacBank	DAE - National	Mongolia	February 16, 2017	February 17, 2022	Extended to February 17, 2022
5	United Nations Environment Programme	UNEP	IAE	Kenya	February 2, 2017	February 19, 2022	Extended to February 20, 2022
6	Foreign Economic Cooperation Office, Ministry of Environmental Protection of China	FECO	DAE - National	China	April 20, 2017	April 19, 2022	October 18, 2021
7	Korea Development Bank	KDB	DAE - National	Republic of Korea	May 8, 2017	May 7, 2022	November 5, 2021
8	European Bank for Reconstruction and Development	EBRD	IAE	United Kingdom	May 11, 2017	May 10, 2022	November 8, 2021
9	PT Sarana Multi Infrastruktur	PT SMI	DAE - National	Indonesia	July 14, 2017	July 13, 2022	January 11, 2022
10	Ministry of Environment (formerly Ministry of Natural Resources of Rwanda)	MOE_Rwanda	DAE - National	Rwanda	August 1, 2017	July 31, 2022	January 29, 2022
11	Conservation International Foundation	CI	IAE	United States	August 17, 2017	August 16, 2022	February 14, 2022

12	Banque Ouest Africaine de Développement (West African Development Bank)	BOAD	DAE - Regional	Togo	August 31, 2017	August 30, 2022	February 28, 2022
13	National Bank for Agriculture and Rural Development	NABARD	DAE - National	India	August 31, 2017	August 30, 2022	February 28, 2022
14	Asian Development Bank	ADB	IAE	Philippines	September 6, 2017	September 5, 2022	March 6, 2022
15	Kreditanstalt für Wiederaufbau	KfW	IAE	Germany	November 6, 2017	November 5, 2022	May 6, 2022
16	Central American Bank for Economic Integration	CABEI	DAE - Regional	Belize	November 16, 2017	November 15, 2022	May 16, 2022
17	World Wildlife Fund, Inc.	WWF	IAE	United States	December 13, 2017	December 12, 2022	June 12, 2022
18	Agence Française de Développement	AFD	IAE	France	January 16, 2018	January 15, 2023	July 16, 2022
19	Caribbean Community Climate Change Center	CCCCC	DAE - Regional	Belize	January 23, 2018	January 22, 2023	July 23, 2022
20	Ministry of Finance and Economic Cooperation of the Federal Democratic Republic of Ethiopia	MoFEC	DAE - National	Ethiopia	February 21, 2018	February 20, 2023	August 21, 2022
21	Corporación Andina de Fomento	CAF	DAE - Regional	Venezuela	March 19, 2018	March 18, 2023	September 16, 2022
22	Fundación Avina	Fundación Avina	DAE - Regional	Panama	March 19, 2018	March 18, 2023	September 16, 2022
23	Inter-American Development Bank	IDB	IAE	United States	March 30, 2018	March 29, 2023	September 27, 2022

Abbreviations: DAE = direct access entity, IAE = international access entity, AMA = accreditation master agreement

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

77. 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).

78. A total of four entities (applicants RAPL007, RAPL008, RAPL024 and RAPL031) are recommended for re-accreditation by the Board at B.30 (see annexes IV- VII).

79. In addition, one entity, United Nations Development Programme (UNDP) is recommended by the AP for an accreditation upgrade for grant award function in parallel with re-accreditation (see annex VII).

80. 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 level of 59 per cent; 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. The information below comprises the Secretariat’s assessment of how the entities recommended by the AP for B.30 for re-accreditation could address the Updated Strategic Plan for 2020–2023:

- (a) Two out of four re-accreditation applicants are DAEs, one national (EIF) and one regional (DBSA) which – if reaccredited – would allow the tendency of gradual increase of the DAE ratio on the GCF portfolio to be maintained. Should all four B.30 re-accreditation candidates be re-accredited, the accredited DAE portion would remain 63 per cent as compared to 59 per cent during the IRM period;
- (b) Two of the four re-accreditation candidates, both of them DAEs (DBSA and EIF), are based in Africa; and two others (UNDP and IUCN) operate in LDCs and SIDS, among others;
- (c) Two of the re-accreditation candidates, both of them DAEs (DBSA and EIF) have the potential to continue to engage with the private sector;
- (d) Two of the re-accreditation candidates, both of them DAEs (DBSA and EIF) are national (regional) financial institutions, one of them being a regional development bank (DBSA), and one being a government-owned environmental fund (EIF) The two remaining applicants are international cooperation agencies, one having strong global presence and mandate concentrated on development, with a focus on sustainable development, climate change and disaster resilience, and governance (UNDP), and the other focusing on practical solutions to environment conservation and sustainable development challenges (IUCN). All four entities have the potential to bring transformative projects/programmes aligned with country programming to GCF for consideration;
- (e) Both DAE entities continue to contribute to GCF programming results as one entity’s work reflects national priorities and is incorporated in the country programme (EIF), 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) (DBSA); both IAEs have submitted their draft work programmes for GCF considerations and are at various stages of interdivisional reviews.

- (f) For all four 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; and
- (g) The upgrade applicant (UNDP), an IAE, applied for an accreditation upgrade to be able to undertake grant award projects. The application to upgrade would allow UNDP to submit more ambitious innovative projects to GCF.
81. For each of the candidates– in cases where the candidate 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 effectiveness of the updated AMA during Stage III of the re-accreditation process, or by the time of the mid-term review for the next accreditation term. 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, E&S management and monitoring systems, and gender assessment for its projects/programmes.
82. Where relevant, the AP also provides remarks to the candidates for their consideration to improve institutional systems.
83. The AP further provides additional information on the third-party information considered in the accreditation review.
84. The four re-accreditation applicants are presented, as contained in annexes IV -VII for consideration by the Board for re-accreditation.
85. A summary of recommendations by the AP for entities to be considered by the Board for re-accreditation and upgrade is presented in table 3.
86. 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.

Table 3: 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	
RAPL008 Environmental Investment Fund (EIF)	Direct access, national (Namibia)	Micro (no change to accreditation type)	Basic fiduciary standards; and Specialized fiduciary standards for project management Specialized fiduciary standard for grant award and/or funding allocation mechanisms (no change to accreditation type)	Minimal to no risk (category C/Intermediation 3 (I-3)) (no change to original accreditation type)	<p><u>Conditions to be met prior to the effectiveness of the amendment to the accreditation master agreement during stage III of the reaccreditation process:</u></p> <ol style="list-style-type: none"> 1. Provision of evidence that the AE has updated the EIF GEC, including principles and provisions related to gender-responsive procedures and requirements at entity level, fund level and programme level; 2. Provision by the AE of a current grant/project financial monitoring report, including budget variances and corrective actions as applicable; and 3. Provision by the AE of a status update on the Auditor General's qualified audit opinion in its audit of GPTF for the year ending 31 March 2019 including clarification of the nature of the adverse findings, and confirmation of whether the adverse findings have been or are anticipated to be resolved in the 2020 audit; and <p><u>Conditions to be met within one year of the effectiveness of the amendment to the accreditation master agreement:</u></p> <ol style="list-style-type: none"> 1. Provision of evidence by the AE, by way of confirmation by the AE's FARC or an external opinion, that its internal audit function is operating according to its charter, including to internationally recognized standards, and that high-risk internal audit recommendations are being prioritized and implemented on time;

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	
					<ol style="list-style-type: none"> 2. Provision of evidence by the AE that responsibility and oversight for ethics is clearly articulated in its governance and management structure, policies and processes, and that its Code of Ethics is applied to all individuals contracted or functionally related to the AE; 3. Provision of evidence by the AE that through its policies and communications, the AE takes a stance of zero tolerance for fraud, financial mismanagement and other forms of wrongdoing, as defined in the GCF Policy on Prohibited Practices, by staff members, consultants, contractors and EEs. Such evidence could include specific mention of zero tolerance in policies as well as regular communications from the CEO and management, such as internal memoranda, emails and materials from training sessions; and 4. Provision by the AE of its updated Operations Manual covering project and grant award management, including: <ol style="list-style-type: none"> a. A process for ensuring any milestone-based condition included in EE grant agreements is monitored by senior management and implemented by the EEs; b. A process for dissemination and publication of project results and lessons learned, including to the public; 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	
					c. A process for financial and compliance monitoring of EE grants by management including budget variances and corrective actions.
RAPL024 Development Bank of Southern Africa (DBSA)	Direct access, regional	Large (no change to accreditation type)	Basic fiduciary standards; Specialised fiduciary standard for project management; and Specialised fiduciary standard for grant award and/or funding allocation mechanisms Specialized fiduciary standard for on-lending and blending (for loans, equity and guarantees); (no change to accreditation type)	High (category A/ Intermediation 1 (I-1)) (no change to accreditation type)	1. None
RAPL031 International Union for Conservation of Nature (IUCN)	International access	Medium (no change to original accreditation type)	Basic fiduciary standards Specialized fiduciary standard for project management Specialized fiduciary standard for grant award	Medium (category B/ Intermediation 2 (I-2)) (no change to accreditation type)	<u>Conditions to be met prior to the presentation of the AE's mid-term review of the accreditation process:</u> 1. Provision of evidence that the entity has formally approved an AML/CFT policy that is consistent with GCF AML/CFT Policy; and 2. Provision of evidence that the entity has updated the GE&WE policy, including provisions relating to non-

Applicant number	Access modality	Accreditation type being recommended under the fit-for-purpose approach			Accreditation conditions (in each case in a form and substance satisfactory to GCF)
		Size ^a	Fiduciary functions ^b	Environmental and social risk category ^c	
			and/or funding allocation mechanisms (no change to original accreditation type)		discriminatory disclosure of information and FPIC by indigenous peoples.
RAPL007 United Nations Development Programme (UNDP)	International access	Medium (no change to accreditation type)	Basic fiduciary standards Specialized fiduciary standard for project management (original accreditation scope) Specialized fiduciary standard for grant award and/or funding allocation mechanisms (upgrade)	Medium risk (category B/intermediation 2 (I-2))	<p><u>Conditions to be met with the submission of the mid term review documents:</u></p> <ol style="list-style-type: none"> 1. Provision by the entity of an assessment report by an independent third party (which could be the Office of Audit and Investigations) which demonstrates to the satisfaction of the Accreditation Panel, in consultation with the GCF Secretariat, that the UNDP Programme and Operational Policies and Procedures (UNDP POPP) are adequately implemented for GCF-supported projects and readiness projects. This assessment is to be based on a representative sample of GCF-funded projects determined and selected by the independent third party and should be substantially similar in scope and areas assessed in Part 2 of the report “Independent Assessment of UNDP Management of GCF-supported Projects” by the accounting firm BDO LLP issued on 4 June 2021; and 2. Provision by the entity of an assessment report by an independent third party that UNDP has completed implementation of its AML/CFT Policy Implementation Plan formally approved on 2 September 2021. This assessment can be included

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	
					in the assessment report required by the previous paragraph.

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

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

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

Annex I: Draft decision of the Board

The Board, having considered document GCF/B.30/03 titled “Consideration of accreditation proposals”:

- (a) *Takes note* with appreciation of the assessments conducted by the Secretariat and the Accreditation Panel contained within the relevant annexes for the following applicants for re-accreditation:
- (i) Applicant R008 (RAPL008) is the Environmental Investment Fund (EIF), based in Namibia, as contained in annex III of this document;
 - (ii) Applicant R024 (RAPL024) is the Development Bank of South Africa (DBSA), based in South Africa, as contained in the annex IV of this document;
 - (iii) Applicant R031 (RAPL031) is the International Union for Conservation of Nature (IUCN), based in Switzerland, as contained in the annex V of this document; and
 - (iv) Applicant R007 (RAPL007) is the United Nations Development Programme (UNDP), based in the United States of America, as contained in the annex VI of this document; and
- pursuant to paragraph 45 of the Governing Instrument for the GCF, subject to, and in accordance with, the assessments by the Accreditation Panel contained in the relevant annexes for each of the applicants, and subject to the completion of Stage III of the accreditation by having an effective amendment to the accreditation master agreement, in accordance with decision B.24/13;
- (b) *Approves* the re-accreditation of applicant RAPL008, the Environmental Investment Fund (EIF), based in Namibia, as contained in annex III of this document;
- (c) *Approves* the re-accreditation of applicant RAPL024, the Development Bank of South Africa (DBSA), based in South Africa, as contained in the annex IV of this document;
- (d) *Approves* the re-accreditation of applicant RAPL031, the International Union for Conservation of Nature (IUCN), based in Switzerland, as contained in the annex V of this document;
- (e) *Further approves* re-accreditation of applicant RAPL007, United Nations Development Programme (UNDP), based in the United States of America, as contained in the annex VI of this document;
- (f) *Takes note* with appreciation of the assessment conducted by the Secretariat and the Accreditation Panel contained within the same annex VI for the following applicant seeking to upgrade its accreditation type: (i) United Nations Development Programme (UNDP) based in the United States of America, as contained in annex VI;
- (g) *Agrees* to upgrade the accreditation type of the United Nations Development Programme (UNDP) as contained in decision B.09/07, paragraph (b), subject to, and in accordance with the assessment by the Accreditation Panel contained in annex VI;
- (h) *Takes note* that, pursuant to decision B.08/03, paragraph (k), the Secretariat, in consultation with the Accreditation Panel, is proposing that the eligibility to apply under the fast-track accreditation process be extended to those entities listed in annex VII; and
- (i) *Decides* that those entities referred to in annex VII are also eligible to apply under the fast-track accreditation process for the standards of GCF in accordance with decision B.08/03, paragraph (f), for entities under the Adaptation Fund.

Annex II: Accredited entities and accreditation categories

1. A mapping of the 113 accredited entities and their accreditation scope (e.g. financing modalities, size category and environmental and social risk category) as at 31 July 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, B.27/05 and B.29/05 and their relevant annexes for further details.

Integration, CAF = Corporación Andina de Fomento, Camco = Camco Management Limited, CCCC = Caribbean Community Climate Change Centre, CDB = Caribbean Development Bank, CDG Capital = CDG Capital S.A., CDP = Cassa Depositi e Prestiti – Società per Azioni, CEF = Caixa Econômica Federal, China CDM Fund Management Center = China Clean Development Mechanism Fund Management Center, CI = Conservation International Foundation, COFIDES = Compañía Española de Financiación del Desarrollo S.A. S.M.E., Crédit Agricole CIB = Crédit Agricole Corporate and Investment Bank, CRDB = CRDB Bank Public Limited Company, CSE = Centre de Suivi Ecologique, DBP = Development Bank of the Philippines, DBSA = Development Bank of Southern Africa, Deutsche Bank AG = Deutsche Bank Aktiengesellschaft, DBZ = Development Bank of Zambia, 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, IDBZ = Infrastructure Development Bank of Zimbabwe, IDFC Bank = IDFC Bank Limited, IEISL = IL&FS Environmental Infrastructure and Services Limited, IFAD = International Fund for Agricultural Development, IFC = International Finance Corporation, IICA = Inter-American Institute for Cooperation on Agriculture, 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 Pembaraun Tata Pemerintahan, KfW = Kreditanstalt für Wiederaufbau, KOICA = Korea International Cooperation Agency, Landbank = Land Bank of the Philippines, LBA (formerly CNCAS) = La Banque Agricole, LuxDev = Luxembourg Development Cooperation Agency, MAAML = Macquarie Alternative Assets Management Limited, MASEN = Moroccan Agency for Sustainable Energy S. A., 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, MUGB Bank = MUGB Bank, Ltd. (formerly, Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU)), NABARD = National Bank for Agriculture and Rural Development, NAFIN = Nacional Financiera S.N.C. Banca de Desarrollo, 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, TBC = Joint Stock Company TBC Bank, TDB Mongolia = Trade and Development Bank of Mongolia, UNDP = United Nations Development Programme, UNEP = United Nations Environment Programme, UNIDO = United Nations Industrial Development Organization, VDB = Vietnam Development Bank, WFP = World Food Programme, WMO = World Meteorological Organization, World Bank = International Bank for Reconstruction and Development and International Development Association, WWF = World Wildlife Fund, Inc., XacBank = XacBank LLC, Yes Bank = Yes Bank Limited.

Annex III: Re-accreditation assessment of Environmental Investment Fund (RAPL008)

I. Introduction

1. The Environmental Investment Fund (EIF) is a national entity and an environmental fund located in Namibia. It was established with a mandate to be a sustainable source of funding for the development and implementation of environmentally sustainable development projects and programmes in partnership with both public and private sector organizations. EIF was officially established in 2001 and began operations in 2011. The results of its activities overlap with the results areas of the Green Climate Fund (GCF) in the areas of natural resource management, green technology and low carbon development, nature-based tourism and capacity-building.

2. EIF was accredited by the GCF Board on 9 July 2015 in decision B.10/06, paragraph (c), and signed its accreditation master agreement (AMA) with GCF on 27 April 2016, which became effective on 14 June 2016, for the following parameters, as recommended by the Accreditation Panel (AP), under the fit-for-purpose approach of GCF:

- (a) **Access modality:** direct access, national. The accredited entity (AE) received a national designated authority (NDA) or focal point nomination for its accreditation application from Namibia;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or activity within a programme:** micro¹
- (d) **Fiduciary functions:**²
 - (i) Basic fiduciary standards;
 - (ii) Specialized fiduciary standard for project management; and
 - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
- (e) **Maximum environmental and social risk category:** minimal to no risk (category C/intermediation 3 (I-3)).³

3. With the AMA having become effective on 14 June 2016, the AE's first accreditation term was from 14 June 2016 to 13 June 2021. Due to the Coronavirus disease (COVID-19) pandemic, the AE requested for, and was issued, an extension in the deadline to submit its reaccreditation application to GCF to 13 June 2021. The AE submitted its application for reaccreditation to GCF via the digital accreditation platform on 27 March 2021. Accreditation fees were not applicable since the AE is seeking reaccreditation for the same accreditation scope it was previously accredited for; thus, the stage I institutional assessment and

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

² Decision B.07/02.

³ As per annex I to decision B.07/02, category C is defined as "Activities with minimal or no adverse environmental and/or social risks and/or impacts," and intermediation 3 is defined as "When an intermediary's existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts."⁴ 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".

completeness check commenced upon submission of the reaccreditation application. Stage I was completed on 10 August 2021 and the AE was progressed to the stage II (step 1) accreditation review by the AP, which was concluded with the publication of this assessment. The AE applied for the same accreditation scope it was previously accredited for:

- (a) **Access modality:** direct access, national. The AE received an NDA or focal point nomination for its accreditation application from Namibia;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or activity within a programme:** micro⁴;
- (d) **Fiduciary functions:**⁵
 - (i) Basic fiduciary standards;
 - (ii) Specialized fiduciary standard for project management; and
 - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
- (e) **Maximum environmental and social risk category:** minimal to no risk (category C/intermediation 3 (I-3)).⁶

II. Stage I institutional assessment and completeness check

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

- (a) “Updated Strategic Plan for the Green Climate Fund: 2020–2023” (decision B.27/06);
- (b) “Matters related to the accreditation framework” and “Consideration of accreditation proposals, including consideration of the reaccreditation deadline” regarding the reaccreditation process (decisions B.24/13 and B.26/01 respectively);
- (c) “Guiding Framework and Procedures for Accrediting National, Regional and International Implementing Entities and Intermediaries, Including the Fund’s Fiduciary Principles and Standards and Environmental and Social Safeguards” (decision B.07/02);
- (d) “Guidelines for the Operationalization of the Fit-for-purpose Accreditation Approach” (decision B.08/02);
- (e) “Policy on Prohibited Practices” (decision B.22/19);
- (f) “Anti-Money Laundering and Countering the Financing of Terrorism Policy” (AML/CFT Policy) (decision B.18/10);
- (g) “Policy on the Protection of Whistleblowers and Witnesses” (decision B.BM-2018/21);
- (h) “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), “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”.

⁵ Decision B.07/02.

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

- (i) “Comprehensive Information Disclosure Policy of the Fund” (decision B.12/35) regarding the disclosure of environmental and social (E&S) information; and
- (j) “Updated Gender Policy and Gender Action Plan 2020–2023” (decision B.24/12).

2.1 Legal status, registration, permits and licences

5. The AE provided documents on its establishment and licences to operate, where relevant, as a part of the application. The AE confirmed that it is willing to engage on amending the AMA to account for new GCF policies adopted after the initial accreditation and that it will put necessary resources to review the draft AMA by the time of publication of this recommendation.

2.2 Accredited entity performance in contributing to GCF programming results

2.2.1 Approved GCF projects under implementation and national designated authority participatory monitoring:

6. GCF has approved four funded activities (FP023, FP024, SAP001 and SAP006) with a total budget of USD37.7 million under the oversight of EIF. These are all adaptation projects in drought-stricken rural communities in Namibia with the use of grants as the financial instrument. EIF’s engagement with GCF also includes two approved grants under the Readiness and Preparatory Support Programme (Readiness Programme) (NAM-RS-001 and NAM-RS-002).

7. Overall, project implementation in three of the earlier signed funded activities are progressing well and the projects are striving to meet the investment criteria and already demonstrating economic, social and environmental benefits. The last approved project (SAP006), which had experienced delays, is slowly picking up. Some core deliverables have been achieved under FP023 and FP024, though there is still some level of effort required to achieve planned outcomes. Also, for the Readiness grant, project implementation has shown significant delays.

8. The AE attributes implementation delays in the funded activities to the following:

- (a) Weak project design assumptions at the funding approval stage;
- (b) Underestimation of the timing to fulfilling the FAA fiduciary conditions and submission of related documents;
- (c) Changes in government procurement policy (Namibia’s Public Procurement Act, 2015 (Act No. 15 of 2015)), which was at variance with GCF procurement regulations;
- (d) Budget misalignments;
- (e) Lack of fair gender representation in the mandatory training workshops;
- (f) Lengthy procurement process due to the capacity constraints of the AE and of the Project Management Unit in project monitoring;
- (g) Co-financing constraints and limited capacity of the executing entities (EEs); and
- (h) COVID-19, which has also restricted travel and on-ground activities.

9. For the Readiness portfolio, the challenges are:

- (a) Delays with reporting obligations from EIF for the completion report (CR) and first audited financial report due March 20 2021;

- (b) Lack of understanding of monitoring rules as the AE has not requested for waivers for the reports that were not submitted or for those that are long overdue; and
- (c) One of the key issues to be noted with the AE is the issue of lack of submission of the grant deliverables for NAM-RS-001 as required for the submission of the CR. The AE was unable to provide GCF with the final deliverables achieved in this first grant in late 2019 and the AE focal point reported that his computer had crashed.
10. For the funded activities, as a result of the delays that had been highlighted in the interim evaluation reports of the first two projects and in the annual performance reports (APRs), EIF recently submitted requests for the extension of the project closing and completion dates for FP023 and FP024 to enable the projects to meet their overall objectives. This is currently being reviewed and would soon be processed.
11. The experience of GCF is that EIF has limited technical capacity, especially in relation to financial reporting, which resulted in the Secretariat having to provide extensive support to the AE over a significant period, such as guidance on financial reporting in the APRs for three consecutive years.
12. In 2017, some issues had emerged over the AE's financial standing and the implementation of the first approved project (FP023), pointing to potential capacity constraints within EIF. This was revealed in the submitted audited financial statement where the auditors raised an issue on material uncertainty over the ability of EIF to continue as a going concern, as current liabilities exceeded current assets. The issue persisted in the 2018 audited financial statement (fiscal year ending March 2018, in its final form), and EIF moved into a negative equity position.
13. As for the implementation of the approved FP023, which started in March 2017, there have been budget and procurement plan changes submitted by the AE following the Secretariat's review of documentation related to conditions precedent to the request for second disbursement submitted by EIF on 23 August 2018. The revised budget included non-eligible expenses (building construction works instead of building renovation, and vehicle acquisition). Following several exchanges and by the Secretariat's recommendation, EIF submitted to GCF on 19 December 2018 a notice of withdrawal of their second disbursement request, followed on 22 December 2018 by a request for authorization of vehicle purchase. Particularly for this project, the interim evaluation report, finalized in May 2021, rated the project progress towards targeted results as unsatisfactory as several outputs have not been achieved and further rated the budget absorption capacity as low. This report, therefore, strongly recommended that the AE seek GCF approval for a no-cost extension of at least 12 months.
14. For the Readiness grants, EIF had received a no-cost extension for both grants – a seven-month extension for NAM-RS-001 while the second grant (NAM-RS-002) received the six-month blanket no-cost extension granted by GCF in 2020 as an adaptive management strategy due to the COVID-19 pandemic.
15. **Reporting:**
- (a) In terms of timeliness of reporting, EIF reports are not submitted in a timely manner. Under the funded activities, all of EIF's APRs for 2018, 2019 and 2020 were submitted with delays. Also, the independent midterm evaluations for FP023 and FP024 were not submitted as per schedule by the AE. In fact, the AE received notices of default for two of the projects due to non-compliance in its reporting obligations, specifically the submission of an interim evaluation report (FP023) and an inception report (SAP006). For the Readiness grants, the reporting timeliness differs between the two grants, with the CR for NAM-RS-002 being the only report that was submitted on time. The delivery partner performance analysis shows significant delays in report submission, with 75 per cent of the reports overdue (particularly for NAM-RS-002). These reports include an

- overdue first audit report that was scheduled over two year ago as well as the CR and its associated audit report, which were due in March 2021.
- (b) The independent interim evaluation has been undertaken for the first two projects (FP023 and FP024), which were approved in 2017 and also experienced delays in submissions. However, the AE requested for extensions to submit the reports, which was approved by GCF. The AE also requested for an extension in the submission of its 2020 audited reports.
 - (c) Overall, EIF appears to have limited technical expertise to provide support in the monitoring of the projects to the level required in project implementation and management. To address this constraint, it may be useful for EIF to build its human and technical capacities especially in the areas of financial management and monitoring and evaluation (M&E) skills for effective and efficient project and programme support and delivery.
 - (d) Overall, looking at the key quantitative performance parameters, EIF's performance is generally good compared with other direct access entities (DAEs); it has high results delivery, disbursement and expenditure rates, but is below average in timely reporting especially as relates to both funded activities and Readiness grants. However, the AE is quite responsive, eager to respond to comments and always seeks guidance on areas that are unclear.
16. Key challenges and risks include the following:
- (a) **Financial risk:** In 2017, some issues emerged over the AE's financial standing and the implementation of the first approved project (FP023), pointing to the potential capacity constraints within EIF. This was revealed in the submitted audited financial statement in which the auditors raised an issue on material uncertainty over the ability of EIF to continue as a going concern, as current liabilities exceeded current assets. The going concern issue persisted in the 2018 audited financial statement (fiscal year ending March 2018, in its final form), and EIF moved into a negative equity position. From a common report prepared by the Finance Unit and the Office of Risk Management and Compliance in collaboration with the Office of Portfolio Management in January 2019, an updated assessment of the AE's capacity concluded that EIF's financial situation might not improve in the short term and could even worsen. In addition, there could be risk of diversion of resources in an attempt to plug financial gaps, as was observed in the implementation of FP023. However, this was cleared and the last funding proposal was approved when the AE was able to confirm that it was solvent.
 - (b) As for the implementation of the approved FP023, which started in March 2017, there have been budget and procurement plan changes submitted by the AE following the Secretariat's review of documentation related to conditions precedent to the request for second disbursement submitted by EIF on 23 August 2018. The revised budget included non-eligible expenses (building construction works instead of building renovation, and vehicle acquisition). Following several exchanges and by the Secretariat's recommendation, EIF submitted to GCF on 19 December 2018 a notice of withdrawal of their second disbursement request, followed on 22 December 2018 by a request for authorization of vehicle purchase.
 - (c) **Operational risk:** The issues with implementation of the approved FP023 (e.g. inclusion of ineligible expenses, revised budget not conforming to conditions set in Clause 7.01(c) of the FAA) as well as the large impairment of EIF's loan book and the persistence of liabilities exceeding assets may indicate limitations in EIF's capacity in a few key aspects.

- (d) **Reputational risk:** Due to its early engagement with GCF as a national direct access AE and the multiplicity of the said engagement, EIF is considered a showcase for successful collaboration with GCF. As such, it has often been called upon to share its experience with GCF, including during international gatherings (i.e. meetings of the Conference of the Parties, structured dialogues) and various South-South exchanges. It is important for the Secretariat to review the financial capacity of the entity as an ongoing concern so that the earlier raised concerns do not belie the success story that EIF is considered to be, especially as the number of projects under the AE continues to grow.
- (e) **Limited capacity:** The AE may need to review its human and technical resource capacity to enable delivery of quality project designs as well as financial reporting. This is demonstrated by the weak financial reporting capacity of the AE that requires a lot of guidance and direction in reporting during APR submissions. To address this constraint, it may be useful for EIF to consider building its human resource (HR) capacity in the areas of financial management and M&E.

2.2.2 **Inclusion in the country programme (for national DAEs) of concept notes, funding proposals and Project Preparation Facility requests**

17. Namibia submitted a country programme for the consideration of the GCF Secretariat in June 2021. The programme outlines programmes and projects planned for development between 2020 and 2030 under five climate change priorities consistent with low-emission and climate-resilient development pathways:

- (a) Energy security – Six interventions are foreseen, with EIF presented as the AE (potentially partnering with other AEs) for two of these, targeting: (i) off-grid (mini-grids) solar energy (concessional loans and grants); and (ii) one Simplified Approval Process (SAP) project on biomass-fueled mini-grids (financial instruments are not included in the country programme);
- (b) Ecosystems, biodiversity and land restoration – Three interventions are foreseen, all with EIF as a confirmed AE (potentially partnering with other AEs): (i) biomass value chains, sustainable rangeland management and afforestation (USD 50 million of the total project size, all with GCF financing); (ii) meat value chain in northern communal areas (financial instruments are not included in the country programme); and (iii) one SAP project on the development of a climate change resource center and centralized database (financial instruments are not included in the country programme);
- (c) Resilient infrastructure and low carbon transport – Six interventions are foreseen, with EIF presented as the AE for five of them: (i) green building initiative (concessional loans and grants); (ii) transformation of urban informal settlements and flexible land tenure systems (grants); (iii) coastal infrastructure buffering (financial instruments are not included in the country programme); (iv) one SAP project on early warning system/national climate monitoring programme (grants); and (v) wastewater treatment and waste-to-energy (financial instruments are not included in the country programme);
- (d) Water security – Five interventions are foreseen, none of which indicate EIF as the confirmed AE; and
- (e) Food security – Four interventions are foreseen, none of which indicate EIF as the confirmed AE.

18. The country programme is currently being revised by the GCF Secretariat. The project/programme pipeline that it presents allow for a partial assessment of the appropriateness of the interventions listed above vis-à-vis GCF targets and requirements. Further work will be undertaken between GCF and the NDA (and EIF) to clarify the objectives of

each intervention. The GCF Secretariat will provide feedback to the NDA (and EIF) to ensure, among others, that appropriate alignment is found among:

- (a) the proposed pipeline and EIF's accreditation standards;
- (b) proposed interventions and the transformative impact sought by GCF; and
- (c) interventions and the appropriate GCF financing windows.

19. Overall, while the GCF Secretariat wants to discuss Namibia's engagement strategy (as presented in the current version of the country programme) further, it is clear that the Government of Namibia expects EIF to play a substantive role as a GCF DAE in the delivery of planned interventions within the next nine years.

20. **Concept notes/funding proposals:** There are currently no concept notes or funding proposals from the AE in the GCF pipeline.

2.2.3 Risk flags incurred by the projects, accredited entity or country during the previous accreditation term

21. The AE has robust environmental, social and corporate governance and gender-sensitive principles to guide its programming. It has also demonstrated a sufficiently strong inclination to report on economic, social, gender and environmental benefits even though delays were reported in implementation leading to limited uptake of issues related to environmental and social safeguards (ESS), gender and indigenous peoples (IPs). There are opportunities for improvement not only in terms of compliance but also in timely and adequate reporting. The AE is making efforts to address ESS, gender and IP-related programming gaps. Certain mechanisms can be improved to resolve land acquisition and resettlement issues; provide updates on operationalizing institutional/project-level grievance redress mechanisms; and report in a timely and adequate manner on all gender/IP-based activities, per approved gender action plans and priorities related to IPs.

2.3 Overall portfolio of activities of the accredited entity beyond those funded by GCF

22. As per the USP,⁷ the reaccreditation process⁸ and the monitoring and accountability framework,⁹ the Secretariat and the AP are requested to provide an assessment of the extent to which the overall portfolio of activities of the AE beyond those funded by GCF has evolved during the accreditation period, in order to advance the goal of GCF to promote the paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development.

23. EIF has provided information on the climate change-related projects financed by various multilateral and national funds and entities, such as the Agence Française de Développement (AFD), Global Environment Facility (GEF) and European Commission.

24. The AE provided the following information with regard to guiding questions established in the baseline methodology:

- (a) **Guiding question 1. Has the entity established policies or commitments in the short, medium or long term regarding investment in climate change projects?**

⁷ Decision B.27/06 and annex VI thereto.

⁸ Decision B.24/13 and annex XXVI thereto.

⁹ Decision B.11/10 and annex I thereto.

- (i) EIF provides Namibian government agencies with a platform for the establishment and hosting mechanism for a sustainable development fund for large climate investments and financing in Namibia. The National Climate Change Adaptation Strategy and Action Plan (2013–2020)¹⁰ includes the need for “Mainstreaming climate change into policies, legal framework and development planning” as its principle 1 under section 4 “Guiding Principles” and explicitly states the crucial role played by EIF in financial resource mobilization and management. The AE has a number of subsidiary agreements and memoranda of agreement with the Ministry of Environment, Tourism and Forestry (METF), where EIF is responsible for the financial management of projects and METF is the EE. An example of a subsidiary agreement has been provided by the AE. EIF has nominated an Environment and Climate Change Manager, under the supervision of the Chief Operations Officer.
- (ii) EIF's strategic plan for 2018–2022¹¹ provides information on the AE's strategy and plan to address climate change adaptation and mitigation and to develop climate change programming. EIF's vision commits the AE to becoming a “recognized leader in the development and application of innovative financing mechanisms to support environmentally and climate change resilient development pathways in Namibia”.
- (iii) The AE has provided the EIF Act (Act 13 of 2001), which outlines the objectives of EIF: (a) the sustainable use and management of environmental and natural resources; (b) the maintenance of the natural resource base and ecological processes; (c) the maintenance of biological diversity and ecosystems for the benefit of all Namibians; and (d) economic improvements in the use of natural resources for sustainable rural and urban development.
- (iv) Accordingly, the current project portfolio of EIF does not have carbon-intensive projects and is considered to be 100 per cent climate-related.
- (v) EIF secured a deal with the Ministry of Finance through which the former receives 30 per cent of all environmental taxes on carbon from the transport sector, tires, incandescent bulbs, lubricant oils and batteries. Furthermore, the Ministry of Finance has earmarked 100 per cent of the environmental tax on plastic bags for EIF since October 2019. To date, EIF has received more than 29 million Namibian dollars (NAD) (approximately USD 1.94 million) in environmental taxes from the Ministry of Finance. The EIF¹² earmarked climate change mitigation and adaptation projects for financing through these environmental levies. These environmental levies are also expected to play a key role in promoting fuel efficiency in transport systems towards low greenhouse gas (GHG) emission in the country.
- (b) **Guiding question 2. Does the entity receive resources from third parties for the financing of climate projects?**
- (i) The EIF portfolio is 100 per cent climate-related, amounting to USD 50,808,020 in financial values and 19 projects implemented since 2014, with support from 10 donors, such as GCF, the Government of Namibia (through METF, under the

¹⁰ Available at <https://www.met.gov.na/files/files/National%20Climate%20Change%20Strategy%20&%20Action%20Plan%20013%20-%202020.pdf>

¹¹ Available at https://www.eif.org.na/uploads/files/EIF_Strategic_Plan_V4.pdf

¹² Available at <https://www.eif.org.na/download/eif-investment-plan>

Game Products Trust Fund (GPTF)), AFD, GEF and the German Corporation for International Cooperation (GIZ).

- (ii) During the accreditation period under GCF, new and additional donor contributions for EIF climate adaptation and mitigation projects amounted to USD 42,900,771. Currently, there are four projects under implementation financed by GCF amounting to USD 37,864,000 while two Readiness support grants amounting to USD 691,009 were already concluded.

(c) **Guiding question 3. Does the entity calculate and reduce its greenhouse gas emissions?**

- (i) EIF reported no experience with calculating and tracking the GHG emissions of its portfolio. The AE provided Namibia's Fourth Biennial Update Report, which was submitted in February 2021 to the United Nations Framework Convention on Climate Change, and informed GCF that the establishment of a national system for GHG inventory is in progress. Once the system is operational, the AE intends to use it for reporting progress. The AE also indicated March 2022 as the estimated time frame for reporting progress on this matter to the GCF.
- (ii) At the project level, EIF is considering estimates of the carbon sequestration capacity of its interventions in the GCF-funded Community Based Natural Resource Management (CBNRM) project, which aims at incorporating climate adaptation response strategies into local practices so that assets, livelihoods and ecosystem services are protected from climate-induced risks. An estimation of carbon stocks in forested areas of Namibia using forest inventory data has been provided by the AE, with results showing that the mean carbon stock for the regions where conservancies and communal areas are located is estimated to be 17 tonnes per hectare. This information is intended to enhance management approaches by the local communities, serving as an important natural brake on climate change.

(d) **Guiding question 4. Does the entity evaluate the climate risks of its portfolio?**

- (i) EIF informed GCF that, currently, it does not undertake climate change vulnerability assessments on grantee or project levels.

(e) **Guiding question 5. What are the main sectors of activity of the entity?**

- (i) EIF targets investments towards activities related to the environment and climate change, both adaptation and mitigation. From a sector point of view, the AE targets energy, green building, sustainable water, sustainable agriculture and land use, forestry and ecosystems.

(f) **Guiding question 6. Is the entity investing in mitigation projects/operations?**

- (i) EIF has invested in renewable energy and land use, forestry and ecosystem conservation projects, with mitigation benefits. The AE informed GCF that its future involvement in mitigation activities will be guided by the national project pipelines and government or developmental partner engagements.

(g) **Guiding question 7. Is the entity investing in adaptation projects/operations?**

- (i) EIF is a DAE from a least developed country and its areas of expertise and capabilities are mostly in adaptation, as is confirmed by the nature of its project pipeline. EIF reported that the total number of direct and indirect grant beneficiaries from adaptation projects has been 103,051 persons since accreditation. The AE informed GCF that gender-disaggregated information on beneficiaries will be made available on its website in 2021.

- (ii) Based on the information presented by the AE and analysed as part of the reaccreditation assessment, the AP notes the following:
- (1) The past five years have seen EIF grow in stature and gradually become a brand in Namibia known for innovative financing solutions in the environmental space. The AE positioned itself as a key player in the environmental and climate change financing scope in Namibia;
 - (2) The strategic direction for EIF is set out in its strategic plan for 2018–2022, which outlines the mandate, vision and programmes for EIF to consolidate gains and capitalize on mobilizing resources, growing its financial services and striving for sustainability;
 - (3) The strategic plan of the AE aligns with the mandate and objectives of GCF and its USP to promote paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development and efforts to eradicate poverty;
 - (4) As stated under guiding question 1 above, the AE has never been involved in fossil fuel financing; and
 - (5) As stated under guiding question 2 above, climate change projects make up 100 per cent of the current funding portfolio of the AE.

25. The AP considers that the evidence provided demonstrates the continuous positive trend of EIF in developing climate change adaptation, mitigation and cross-cutting activities. Both the strategy and the trend of activities are aligned with the GCF mandate and objectives. The AP concludes that EIF aligns with the GCF mandate and objectives and with the USP for 2020–2023.

III. Stage II accreditation review assessment

26. The AE applied under the normal track accreditation process. Its application was assessed by the AP during stage II (step 1) against the standards of GCF in accordance with the reaccreditation requirements identified in paragraph 4 above.

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

3.1 Fiduciary standards

28. EIF does not have any outstanding fiduciary conditions from the previous accreditation term.

3.1.1 Basic fiduciary standards: key administrative and financial capacities

29. EIF is a non-commercial public enterprise classified under the Namibian Public Enterprises Governance Act as a financial institution, with extrabudgetary funding.

30. In 2020 EIF’s line ministry oversight moved from METF to the Ministry of Finance, resulting in several changes in board and board committee membership and, because of bureaucracy-related delays, there was a short and temporary gap in board continuity.

31. During its first accreditation period with GCF, the AE reported changes in its governance and organizational structure, several policies and procedures, finance system, and risk and controls framework.

32. EIF's funding increased significantly during the accreditation period due to accessing GCF funding, partnering with other international donors, and increased government budget allocations and tax and fee revenue designated to funds and projects managed by EIF.
33. The board and management of EIF committed to voluntary compliance with the corporate governance code of Namibia (Namcode) and have been tracking and implementing recommendations from an internal audit on governance, on a prioritized basis. Revised charters for the EIF Finance, Audit and Risk Committee (FARC) and the Human Resources and Remuneration Committee (HRRC) better articulate the roles of committees and the ex-officio board membership of the Chief Executive Officer (CEO) and status of management as observers. The AP notes that the board and the FARC have been active in holding management to account with their review and approval of the EIF budget and tracking of internal audit findings and strategic oversight of risk.
34. The AE is in the fourth year of a strategic plan (2018–2022) aligned with the National Development Plan of Namibia and is currently prioritizing organizational development, which has included managerial and departmental restructuring to support its increased portfolio of funding and operational risks. Management monitors and reports to the board on progress against its strategic plan and is in the process of integrating strategic and annual objectives into unit and individual performance management.
35. The current phase of strategic adjustment is an ongoing review of key policies and procedures where standardization and harmonization will position EIF to manage compliance with funding requirements and position it for future growth. The latest organization chart provides evidence of the expansion of the AE's capacity in project coordination, M&E and financial management.
36. A key development during the accreditation period, noting that EIF had accreditation conditions (which were fulfilled as per paragraph 28 above) related to commissioning specific internal audits and internal audit planning, has been creating and developing an internal audit function.
37. EIF had outsourced its internal audit planning and fieldwork from February 2015 to Ernst & Young Namibia. The latter provided value-adding, international standard internal audit services and delivered audit reports that informed EIF policy and process improvements during the accreditation period.
38. Recently under the auspices of the FARC, an in-house internal audit function was created, with the approval of an Internal Audit Charter aligned to internationally recognized standards and an Internal Audit Manual as well as the appointment of an Internal Auditor.
39. The internal audit function provides audit reports and an annual plan to the FARC and management; the AE shared examples of these documents. However, as the Internal Audit Charter is relatively new, the AE is not yet able to demonstrate that it is functioning according to its charter and to internationally recognized standards. Furthermore, the AE is not yet able to demonstrate a track record in monitoring the implementation of action plans for high-risk recommendations. Evidence that the AE's internal audit function is operating according to its charter as well as to internationally recognized standards and that high-risk internal audit recommendations are being prioritized and implemented on time has not been provided.
40. EIF upgraded to a later version of its Sage X3 enterprise resource planner with financial management during the accreditation period. The upgraded version can incorporate and automate human resource management, which the AE is considering, to strengthen its control framework, and supply chain management, which the AE has not yet considered. In addition, two internal audits on information technology (an accreditation condition) have led to improvements in information technology controls and applications.

41. Independent audit reports through to financial year 2020 have delivered unqualified opinions and the same is anticipated for financial year 2020. The closure and approval of EIF's financial statements for financial year 2020 (ending March 2020) were delayed by the changes in ministerial line management, board membership and the COVID-19 pandemic context; however, the financial statements were recently approved and accepted by a competent government authority.

42. EIF's risk management framework has strengthened during the accreditation period, evidenced by a risk register and the assessment of project risks in project management. Procurement policies and procedures were revised to comply with the Public Procurement Act of Namibia, thus fulfilling an accreditation condition. Procurement tenders are publicly advertised and the results are publicly disclosed, plus procurement committees oversee the procurement process.

43. The AP finds that the policies, procedures and capacity of the AE fully meet the basic fiduciary standards on key administrative and financial capacities. However, the AP finds that the AE's track record is insufficient. The relevant gap is identified in paragraph 39 above and reflected by the corresponding condition for reaccreditation in section 4.2 of this document.

3.1.2 Basic fiduciary standards: transparency and accountability

44. The EIF Board Charter and committee charters do not include documented responsibility for ethics so a risk exists that oversight of ethics may not be clear at board and management levels and may dissipate among different committees. The AE indicated that oversight of ethics will be part of the HR consultancy planned for early 2022.

45. Regarding a code of ethics or policies and provisions that define expected ethical behaviour, EIF's HR Policy Manual contains a Code of Conduct applicable to all employees and a Code of Ethics, which is appended to the HR Policy Manual and applies to employees and board and sub-committee members.

46. The Code of Ethics contains sections on professional responsibility, ethical leadership and conflicts of interest. The AE currently does not apply either codes to all individuals contracted or functionally related to the AE. Evidence will be requested by the AP that responsibility and oversight for ethics is clearly articulated in its governance and management structure, policies and processes, and that its Code of Ethics is applied to all individuals contracted or functionally related to the AE.

47. The AE's staff complement has grown significantly in recent years and the AE, at the time of reaccreditation, is in the process of procuring consultancy services to assist with updating its HR Policy Manual and Code of Ethics to align with current and future needs and to support the AE's plans to provide training to employees and other contracted individuals.

48. Regarding the disclosure and management of conflicts of interest, EIF has a conflict-of-interest review and resolution procedure and a process for annual disclosures by board and board committee and procurement committee members as well as detailed disclosure/declaration forms for employees. The AP noted that this process could be strengthened with an annual requirement and minor policy amendment to require disclosures by employees on an annual basis.

49. EIF continues to operate under its Anti-Fraud Policy and Whistleblower Policy (both updated in 2015), aligned with the principles and requirements of the Anti-Corruption Act of Namibia and the Labour Act of Namibia. The AE is observing the government's current process of reviewing and updating statutes covering fraud and whistleblowing. EIF intends to adopt any amendments to the national legal framework and, in the process, ensure that is aligned to international standards. To do this, EIF plans to collaborate with the Namibian Anti-Corruption Commission for expertise on technical policy issues.

50. The EIF Whistleblower Policy, general appeals and grievance mechanisms (including procurement), and ad hoc complaints registration feature adequately on the AE's website. The AE could not demonstrate its track record in relation to tone from the top and a zero-tolerance stance towards preventing financial mismanagement and other forms of malpractice; however, it has indicated its motivation to meet this requirement in the next accreditation period. Evidence will be requested by the AP of the AE's stance of zero tolerance for fraud, financial mismanagement and other forms of malpractice by staff members, consultants, contractors and EEs.
51. EIF's Anti-Fraud Policy contains a summary of investigation procedures including roles and responsibilities, ensuring independence, and a table on investigation guidelines.
52. EIF demonstrated that it can conduct investigations via an example of a procurement tender appeal raised under its published complaints handling procedure and overseen by its Review Committee.
53. Regarding prohibited practices related to AML/CFT, EIF is subject to government financial intelligence regulations and provisions and has developed and put in place Know Your Customer Guidelines and Anti-Money Laundering Standards aligned to the Financial Intelligence Act of Namibia; however, these guidelines and standards are not framed as a policy.
54. EIF shared documents that demonstrated its practical application of the guidelines and standards when transacting with EEs and individuals.
55. The AP finds that the AE's policies, procedures and capacity fully meet basic fiduciary standards on transparency and accountability, the GCF Policy on Prohibited Practices,¹³ the GCF Policy on the Protection of Whistle-blowers and Witnesses¹⁴ and the GCF AML/CFT Policy.¹⁵ However, the AP finds that the AE's track record is insufficient. The relevant gaps are identified in paragraphs 46 and 50 above and are reflected by the corresponding conditions for reaccreditation in section 4.2 below.

3.1.3 Specialized fiduciary standard for project management

56. EIF, in its reaccreditation application, indicated no significant changes since accreditation in its policies, procedures, process and track record in relation to project management; however, it indicated to the AP that its Operations Manual is currently under review.
57. EIF's Operations Manual includes policies, procedures and processes for overall project management and the management of awards to EEs. The manual has sections on project governance structure, aspects of overall project management and various operational activities. Tools, templates and checklists are annexed to the Operations Manual and read in conjunction with specific policy and procedure manuals for monitoring and evaluation, ESS, gender, risk, procurement, finance, HR and communications.
58. EIF has a project management unit under its Chief Operations Officer and project managers oversee GCF-funded projects largely implemented via grant awards to local EEs.
59. The AE shared relevant project workplans, implementation plans and budget amendment documents for current/recent projects, including GCF-funded projects, non-GCF projects, such as the GIZ-funded Biodiversity Management and Climate Change (BMCC II) project, and trust funds, such as GPTF. It also shared examples of ongoing project monitoring at

¹³ Decision B.22/19 and annex XIV thereto.

¹⁴ Decision B.21/25 and annex II thereto.

¹⁵ Decision B.18/10 and annex XIV thereto.

management level via internal weekly and quarterly reporting and functioning project steering committees. Financial monitoring reports were not shared.

60. EIF indicated that its Operations Manual is currently under review (in 2021) and that the review will ensure the AE's project management methodology, policies, procedures and tools and templates used are fully articulated and integrated. The AP noted EIF's openness and motivation to improve and streamline its policy and procedure framework continually. The AP notes that its reaccreditation review corresponds with the Secretariat's review of performance in project implementation including reporting and challenges and risks identified in section 2.2 of this document.

61. The AP notes that EIF has successfully designed proposals and secured GCF and other funding since accreditation and has received regular feedback and support from the GCF Secretariat when reviewing project reports and annual self-assessments.

62. The AP finds that the AE's policies, procedures and capacity partially meet the specialized fiduciary standard for project management and that the AE's track record is insufficient. The relevant gaps are identified in paragraph 60 of this document and are reflected by the corresponding conditions for reaccreditation in section 4.2 below.

3.1.4 Specialized fiduciary standard for grant award and funding allocation mechanisms

63. EIF indicated no significant changes since accreditation in its policies, procedures, process and track record in relation to the management of grant awards and allocations; however, as previously mentioned, it indicated to the AP that its Operations Manual is currently under review.

64. EIF's Operations Manual and associated policies and procedures cover project management and the management of grant awards and allocations.

65. Grant award decisions are made through a process that involves the AE's Fund Management Committee (FMC) screening projects for endorsement by the independent Technical Advisory Panel (TAP).

66. EIF shared further information on its due diligence process for EEs as part of the project appraisal process, including site visits, and demonstrated how significant risks identified and recommendations from the due diligence assessments are incorporated as conditions attached to milestones in EE grant agreements.

67. Reports prepared for and reviewed by executive management that evidence financial monitoring of sub-grants were not provided by the AE; hence the AE's track record regarding the allocation of financial resources was not demonstrated. The process for monitoring the implementation of specific conditions included in EE grant agreements was not evidenced nor was a procedure for disseminating and publishing lessons learned, including to the public. The AE's updated Operations Manual covers project and grant award management, and including these areas will be requested by the AP.

68. Regarding the AE's track record in relation to the management of other funds, the AP notes that EIF manages GPTF. The most recently available (financial year 2018/19) Namibian Auditor General's report on the accounts of GPTF is a qualified report and the consequences of this for GPTF and the AE are not clear. The AP noted that previous audit reports were unqualified. At the time of its reaccreditation review, the AP is in the process of clarifying the status of GPTF audit reports with the AE.

69. The AP finds that the AE's policies, procedures and capacity partially meet the specialized fiduciary standard for grant award and/or funding allocation mechanisms, and that the AE's track record is insufficient. The relevant gaps are identified in paragraphs 67 and 68 of

this document and are reflected by the corresponding conditions for reaccreditation in section 4.2 below.

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

70. The AE did not apply for this standard at this time.

3.2 Environmental and social safeguards

71. EIF does not have any outstanding conditions related to ESS from the previous accreditation term.

72. EIF applied for reaccreditation against the minimal to low ESS risk category (category C/I-3), which by definition entails minimal to no environmental and/or social risks or impacts. Commensurate with the fit-for-purpose accreditation approach and the nature of category C/I-3, an ESS policy within an institutional environmental and social management system (ESMS) is not required for the category C/I-3 level of risk. The AE, however, does have an ESS Policy that includes overall ESS policy principles, safeguards, a project screening tool, and provisions on monitoring and reporting. EIF's four ESS requirements are as follows: (i) environment, (ii) involuntary resettlement, (iii) indigenous peoples, and (iv) special requirements for different finance modalities.

73. The AE's ESS Policy contains provisions for E&S risk categorization that is consistent with GCF interim ESS, as well as provisions for the management programme, organizational competence, monitoring, stakeholder engagement, disclosure of information, grievance redress mechanism, free, prior and informed consent (FPIC) and gender inclusivity and responsiveness.

74. The current project portfolio of EIF does not have carbon-intensive projects and is considered to be 100 per cent climate-related. The AE prioritizes funding for environmentally and socially acceptable projects, as guided by its exclusion list, which, for instance, prevents investments in projects/activities that can do harm to biodiversity and ecosystems.

75. Regarding Performance Standard (PS) 7 (indigenous peoples), EIF's current ESS Policy contains specific provisions. However, the AE provided information on the development of the Indigenous Nomadic Peoples Inclusion and Mainstreaming Policy (INPIM), guided by the report on the State of Indigenous Human Rights in Namibia prepared for the 57th Session of Committee on Economic, Social, and Cultural Rights. The AE indicated that this policy development is to be finalized by end of March 2022. Regarding its implementation and operationalization, EIF indicated that it will follow its ESS Policy and its annex II on institutional-wide integration of ESS aspects, in line with the requirements of the GCF Indigenous Peoples Policy; it will also be included in the Operations Manual annexes as e INPIM assessment report and INPIM Action Plan.

76. The AP finds that the AE's ESMS, comprising the ESS Policy and supported by evidence of its track record, fully meets the GCF Environmental and Social Policy¹⁶ and GCF interim ESS standards¹⁷ for maximum E&S risk category C/I-3 projects/programmes with respect to performance standards 1-8.

3.2.1 Identification of environmental and social risks and impacts

77. EIF's ESMS includes an assessment process that is commensurate with the E&S risk and the scale of the project it would be financing. Regarding E&S procedures, the Risk Activity

¹⁶ Decision B.19/10 and annex X thereto.

¹⁷ Decision B.07/02 and annex III thereto.

Matrix by sector tool (annex III of EIF's ESS Policy) describes a process that screens projects/programmes against PS 1–8 and is able to consistently confirm the risk category was provided. It provides for a process of categorization, stakeholder consultation and management of the projects throughout their life cycle. This tool also provides an administrative screening tool for triggered performance standards, determining whether to continue with a client and, if so, how to do the E&S assessment.

78. Projects that have an indicative risk category of B or A are automatically referred to the ESS Coordination Team. If the proposed project falls within the investment priority areas of EIF and the chance of approval by the TAP is high, then FMC can approve medium risk projects on conditions of further assessment. However, EIF does not fund projects that are indicated as ESS category A. The Risk and Due Diligence Team, consisting of a risk analyst, M&E specialist, project managers and project accountant, will be tasked with the further assessment of high-risk projects, with the aim of reducing high risk to medium risk and assessing the cost-benefit value of continuing the project versus declining the project. For category C projects, there is no further environmental or social assessment. For category B projects, EIF will use the ESS Software Toolkit to identify and red flag the significant risks, which will function as an "early-warning system". The ESS Risk Analysis Summary report provides an indication of potential environmental or social risks involved in a project.

79. Since its accreditation to GCF, the AE has adopted new E&S guidelines to strengthen its ESMS towards greater alignment with GCF E&S requirements. Additional changes and improvements involved the development of new tools, guidelines, checklists and templates to improve the effectiveness and sustainability of the ESS function in EIF and in the projects funded by and through the AE.

80. Regarding its track record, EIF provided two sample ESS appraisal reports for category C projects.

81. The AP finds that the AE'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 C/I-3 projects/programmes with respect to performance standards 1–8.

3.2.2 Environmental and social management programme

82. EIF's Operations Manual outlines how, at an early stage of the assessment, the grant or credit officer communicates with the potential client in order to improve the quality of the proposals before their submission to FMC. The appraisal involves technical, administrative and financial assessments against the set investment criteria of EIF and whether the project will have a good chance to be approved by the FMC and the TAP. At this stage the client and the project shall also be checked against the ESS Policy of EIF and the exclusion list. By completing the administrative screening form, the grant or credit officer will determine the E&S category of the client and with that the further need for environmental or social appraisal. It is EIF policy to ensure that all funded projects and activities comply with ESS policies, procedures and forms. In this regard, the client is required to develop an ESS Action Plan that shows how it will take initiative to become compliant and mitigate ESS risks.

83. EIF has a fully developed and documented institutional process and track record for managing mitigation measures and actions stemming from the E&S risk identification process through its Financial Investment Policy that calls for E&S screening of all EIF investments.

84. Regarding the effectiveness of the institution-wide management programme for E&S risk and impacts, an ESMS audit final report dated 2018 was provided, demonstrating that an independent audit on the ESMS has been conducted by external experts. As a result, additional tools and the ESMS manual were developed to enhance focus on PS and ESS assessments.

85. The AP finds that the AE's E&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 C/I-3 projects/programmes with respect to performance standards 1-8.

3.2.3 Monitoring and review

86. Monitoring and review of projects with respect to E&S requirements is guided by EIF's Operations Manual, an M&E framework and its E&S Policy. Project M&E reports that have been assessed indicate a need for consistency in the reporting format.

87. Examples of application of ESS were provided for flight paths, Ai-/Ais Hotsprings Game Park and International Development Research Centre anti-poaching projects, showing the application of the ESS process based on periodic performance reviews. Furthermore, a financial risk framework document provided a review/monitoring of actions taken for mitigation and performance improvement for meeting objectives related to the ESS Policy.

88. EIF has recruited an M&E Officer whose remit includes the mainstreaming of ESS and gender risks and impacts into the institution-wide monitoring and accountability framework. In addition, the ESS Officer and Project ESS Officers collaborate and coordinate the alignment of ESS risk and impacts on projects or programmes into the strategic objectives of the organization.

89. EIF reported that it is currently in the process of developing an ESS risk indicator database to help with the screening of ESS risk categories at appraisal stage. This is deemed sufficient for projects with minimal to no E&S risks and impacts, and EIF is found to meet this requirement in the context of this category. It is recommended that the AE consistently implements the monitoring and review procedures set out in its policies and procedures.

90. The AP finds that the AE's system of E&S related 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 C/I-3 projects/programmes with respect to performance standards 1-8.

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

91. There are provisions for a grievance redress mechanism in both the ESS Policy¹⁸ and the Procurement and Operations Policy¹⁹ are available on the AE's website.

92. A public consultation mechanism and disclosure policy related to E&S information follows the guidelines set out in the EIF Disclosure Policy, Operations Manual, Complaints Policy, appeals and grievance procedures, communication strategy, ESS Policy, M&E Framework and stakeholder engagement strategy, depending on the stage at which public consultation is required. In addition, the EIF follows national environmental management regulations in situations where the project needs a mandated environment management plan.

93. The EIF has a grievance and redress mechanisms in place to ensure that complaints are being promptly reviewed and addressed by the responsible units, at both institutional and project levels. A dedicated Appeals Administrator is appointed by EIF from among its senior staff members to investigate and contact parties about complaints. The Appeals Administrator is accountable to the Accounting Officer under the CEO of EIF.

¹⁸ See https://www.eif.org.na/uploads/files/EIF_DISCLOSURE_POLICY.pdf

¹⁹ See https://www.eif.org.na/uploads/files/EIF_Complaints_Policy_and_procedures.pdf

94. Furthermore, the Appeals and Review Committee has been established and sits when the need arises. The AE provided the terms of reference for this independent committee, which consists of reviewing, investigating and inquiring into any activity or process by any person employed by EIF in taking decisions and/or following procedure. An Appeals Committee decision on a matter brought before it in the past two years has been provided by the AE to the AP.

95. With regards to the E&S reports for category C/I-3 projects, the entity informed GCF that it is currently developing a publicly available mechanism, which is planned to go online on the AE's website in September 2021.

96. The AP finds that the AE'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, GCF interim ESS standards and GCF Information Disclosure Policy regarding E&S information disclosure requirements for maximum E&S risk category C/I-3 projects/programmes with respect to performance standards 1–8.

3.2.5 Organizational capacity and competency

97. The EIF organizational structure has been provided as well as the list of staff responsible for E&S matters. The structure indicates that the ESS Officer reports to the M&E Specialist. Evidence that E&S staff are knowledgeable about PS 1–8, can screen and categorize funding proposals, and manage E&S risks and impacts throughout the project cycle has been provided. Therefore, the AE has competency within its structures to undertake the tasks associated with an ESMS dealing with minimal to no E&S risk category C/I-3. EIF also reported an effort to acquire E&S skills through a South-South cooperation agreement with the Brazilian Biodiversity Fund (FUNBIO), a biodiversity organization based in Brazil.

98. Regarding oversight, the Manager for M&E, ESS and Gender reports to the FMC, which is chaired by the CEO and includes the Director of Operations and the Director of Finance and Administration. The FMC plays the role of the executive committee with the main responsibility of overseeing implementation of strategies, monitoring, reporting, and the final screening of projects for the TAP. The FMC submits its recommendations to the internal oversight committees, the Human Resource and Audit Committee, the Risk and Investment Committee and the TAP.

99. The AP finds that the AE's organizational capacity and competency to implement the ESMS, 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 C/I-3 projects/programmes with respect to performance standards 1–8.

3.3 Gender

100. EIF does not have any outstanding gender-related conditions from the previous accreditation term.

101. EIF's commitment to gender equality is expressed in the EIF Gender Equality Charter (GEC), which has the following overarching objectives: reduction of gender disparities in access to, control over and benefit from natural resources, wealth, opportunities and services-economic, social, political, and cultural; reduction of gender-based discrimination and improvement of participation of women in sustainable development processes; promotion of financing for gender results; and increasing capability of women to realize their rights, determine their life outcomes, and influence decision-making processes. The GEC was approved

by the EIF's board on 31 March 2015. The Director of Operations oversees the implementation of this policy and reports to the FMC, which is chaired by the CEO.

102. This gender policy is aligned to the Updated GCF Gender Policy on the commitment of promoting gender equality within EIF and across its investment criteria, and as an integrated measure of the social dividends of the overall portfolio. However, the AE's GEC does not have provisions relating to gender-responsive procedures and requirements at entity level, fund level and programme/project level. Also, as it currently stands, the GEC does not fully align with principles of the Updated GCF Gender Policy (from 2019), such as principle 3, which covers FPIC in projects involving IPs as well as gender-sensitive stakeholder engagement; and principle 4, which covers disclosure of information, which should be transparent and provide non-discriminatory access to information and gender-relevant information. These principles should be complied with through projects and be reflected in procedures and process, in order to mitigate risks relating to gender discrimination in the implementation of activities and disclosure of information. This gap should be addressed by the AE through the inclusion of such provisions in an updated gender policy.

103. EIF has developed standards in five areas to act as benchmarks against which progress is measured. These are further operationalized through the ESS Operations Manual and the institutional-wide integration of ESS and gender aspects

104. At the institutional-level, the AE informed GCF that the GEC is under review by the HR and Remuneration Committee. At the project-level, a sample of two logical frameworks and two gender appraisal reports of projects/programmes, highlighting linkages between gender mainstreaming and climate change impacts, was provided.

105. Regarding track record, EIF has provided a sample of three projects where women are key beneficiaries and engaged in projects in a meaningful manner: the Nico Nord Environmental Training Centre/Falkenhorst Micro Drippers; the Fighting Rural Poverty with Mopane Worms, which involves both men and women affected by the drought that left most parts of the country with no rainfall for two years; and the Benz Woodwork Workshop, which has balanced ownership between men and women over workshops on recycling wooden pallets into furniture. Three gender assessment reports at project level were provided with corresponding identification of corrective measures.

106. Regarding capacity, EIF provided copies of the job descriptions and curricula vitae of the Gender Integration Analyst and the Gender Integration Intern. These staff members report to the M&E Specialist under the Department of Operations. The AE has provided evidence of having conducted gender activities and gender training events. Copies of some gender training materials and journal articles covering these events were provided.

107. Regarding knowledge generation, the AE provided copies of two gender-relevant knowledge products developed and disseminated to its staff and recipients/borrowers/clients, including a Gender Management System Manual.

108. The AP finds that the AE's gender policy, procedures, capacities and competencies, supported by evidence of its track record, partially meet the Updated GCF Gender Policy. The relevant gap is identified in paragraph 102 of this document and is reflected by the corresponding condition for reaccreditation in section 4.2 below.

IV. Conclusions and recommendation

4.1 Conclusions

109. Following its assessment, the Secretariat concludes the following in relation to the application:

- (a) EIF will continue to contribute to GCF programming results under the orientations of the USP. The entity's work reflects priorities as indicated in their country programme, which was recently shared with GCF. The support is strengthened by discussions of the GCF Secretariat with relevant NDAs.

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

- (a) The AE 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 and the GCF AML/CFT Policy, and partially meets the specialized fiduciary standard for project management and the specialized fiduciary standard for grant award and/or funding allocation mechanisms. Relevant gaps are indicated in paragraphs 46, 47 and 53 above and include gaps in financial oversight of EE grants, monitoring of EE grant conditions and the dissemination of project results and lessons learned. Said gaps are addressed by corresponding conditions in section 4.2 below;
- (b) The AE meets the GCF Environmental and Social Policy, GCF interim ESS standards and the GCF Information Disclosure Policy on disclosure of E&S information in relation to the minimal to no E&S risk (category C/I-3). The AE demonstrates a greater degree of ESMS maturity than is required by the GCF Environmental and Social Policy and GCF interim ESS standards for category C/I-3, against which the AE is seeking accreditation. Building on its experience in implementing higher E&S risk projects and programmes, the AE may, in the future, seek an upgrade in accreditation for medium E&S risk (category B/intermediation 2 (I-2)); and
- (c) The AE has demonstrated that it has a policy, procedures and competencies in order to implement its gender policy, which is found to be partially consistent with the Updated GCF Gender Policy, and has demonstrated that it has experience in gender consideration in the context of climate change. The gap in the AE's policy related to principles and requirements in its GEC and internal procedures and manuals regarding disclosure of information, FPIC and gender-disaggregated indicators, as reflected in paragraph 102 above, are addressed in the corresponding condition for accreditation in section 4.2 below.

4.2 Recommendation on reaccreditation

111. The AP recommends, for consideration by the Board, EIF for reaccreditation for its second term as follows:

- (a) **Accreditation type:**
- (i) **Maximum size of an individual project or activity within a programme:**
micro²⁰
- (ii) **Fiduciary functions:**
- (1) Basic fiduciary standards;
- (2) Specialized fiduciary standard for project management;

²⁰ 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".

- (3) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
- (iii) **Maximum environmental and social risk category:** minimal to no risk (category C/I3).
- (d) **Conditions:** The AE will be required to submit to the AP, through the GCF 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 effectiveness of the amendment to the accreditation master agreement during stage III of the reaccreditation process:
 1. Provision of evidence that the AE has updated the EIF GEC, including principles and provisions related to gender-responsive procedures and requirements at entity level, fund level and programme level;
 2. Provision by the AE of a current grant/project financial monitoring report, including budget variances and corrective actions as applicable; and
 3. Provision by the AE of a status update on the Auditor General's qualified audit opinion in its audit of GPTF for the year ending 31 March 2019 including clarification of the nature of the adverse findings, and confirmation of whether the adverse findings have been or are anticipated to be resolved in the 2020 audit; and
 - (ii) Conditions to be met within one year of the effectiveness of the amendment to the accreditation master agreement:
 1. Provision of evidence by the AE, by way of confirmation by the AE's FARC or an external opinion, that its internal audit function is operating according to its charter, including to internationally recognized standards, and that high-risk internal audit recommendations are being prioritized and implemented on time;
 2. Provision of evidence by the AE that responsibility and oversight for ethics is clearly articulated in its governance and management structure, policies and processes, and that its Code of Ethics is applied to all individuals contracted or functionally related to the AE;
 3. Provision of evidence by the AE that through its policies and communications, the AE takes a stance of zero tolerance for fraud, financial mismanagement and other forms of wrongdoing, as defined in the GCF Policy on Prohibited Practices, by staff members, consultants, contractors and EEs. Such evidence could include specific mention of zero tolerance in policies as well as regular communications from the CEO and management, such as internal memoranda, emails and materials from training sessions; and
 4. Provision by the AE of its updated Operations Manual covering project and grant award management, including:
 - a. A process for ensuring any milestone-based condition included in EE grant agreements is monitored by senior management and implemented by the EEs;
 - b. A process for dissemination and publication of project results and lessons learned, including to the public; and

- c. A process for financial and compliance monitoring of EE grants by management including budget variances and corrective actions.

112. The AE has been informed of the recommendation for reaccreditation, including the reaccreditation type and conditions, as identified in paragraph 111 above, and agrees to the recommendation.

4.3 Remarks

113. The AE is already making progress on a strategic realignment project that included a restructure in 2020, strategic planning and implementing a new performance management system in 2021, and alignment of policies and processes to the current portfolio and operational structure in 2021.

114. As part of its current policy and process review, the AE is encouraged to recast its guidelines and standards for Know Your Customer due diligence and AML/CTF in the AE's standardized corporate policy format.

115. The AE is already taking steps to revise its Operations Manual in 2021 to ensure the AE's project management methodology, policies, procedures and tools and templates used are updated and integrated.

116. The AE is already taking steps in the development of INPIM, to be guided by the report on the State of Indigenous Human Rights in Namibia prepared for the 57th Session of Committee on Economic, Social, and Cultural Rights. The AE is encouraged to report on progress on this matter in its next self-assessment report to the GCF.

117. The AE is already taking steps in updating its GEC. The AE informed GCF that the review and approval of its updated GEC is slated for March 2022.

Annex IV: Re-accreditation assessment of Development Bank of Southern Africa (RAPL024)

I. Introduction

1. The Development Bank of Southern Africa (DBSA), is a direct access regional entity based in South Africa. DBSA is a development finance institution, with a mandate to finance both private and public sector activities at the national and regional level in Africa. DBSA provides sustainable infrastructure project preparation, finance and implementation support in order to improve the population's quality of life, accelerating the sustainable reduction of poverty and inequity, and promoting broad-based economic growth and regional economic integration. The accredited entity (AE) primarily focuses on the water, energy, transport and information and communication technology sectors. It offers secondary services at the local level in the health, education and housing sectors. DBSA in partnership with the national environmental affairs department has established and manages a special fund as a national mechanism that aims to provide catalytic finance to facilitate investment in high-impact and sustainable green initiatives in the country in which it is based, as well as to support poverty reduction and job creation.

2. DBSA was accredited by the Board on 9 March 2016 in decision B.12/30, paragraph (b), and signed its accreditation master agreement (AMA) with GCF on 8 September 2016, which became effective on 12 January 2017, for the following parameters, as recommended by the Accreditation Panel (AP), under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** direct access, regional. The AE received a national designated authority or focal point nomination for its accreditation application from South Africa;
- (b) **Track:** fast track under the Global Environment Facility (GEF) and the Directorate-General for International Development and Cooperation (DG DEVCO);
- (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;
 - (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

3. With the AMA having become effective on 12 January 2017, the AE's first accreditation term is from 12 January 2017 to 11 January 2022. The AE submitted its application for re-

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 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 A is defined as "Activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented" and intermediation 1 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented."

accreditation to GCF via the digital accreditation platform on 27 May 2021. Accreditation fees were not applicable because the AE is seeking re-accreditation for the same accreditation scope that it was previously accredited for; thus, the stage I institutional assessment and completeness check commenced upon submission of the re-accreditation application. Stage I was completed on 25 July 2021 and the AE was progressed to the stage II (step 1) accreditation review by the AP, which has been concluded with the publication of this assessment. The AE has applied for the same accreditation scope that it was previously accredited for:

- (a) **Access modality:** direct access, regional. The AE received a national designated authority or focal point nomination for its accreditation application from South Africa;
- (b) **Track:** fast track under the GEF;
- (c) **Maximum size of an individual project or activity within a programme:** large;⁴
- (d) **Fiduciary functions:**⁵
 - (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)).⁶

II. Stage I institutional assessment and completeness check

4. The AE is eligible for, and applied under, the fast-track re-accreditation process as a GEF entity. Its application has been assessed by the Secretariat during stage I in accordance with the requirements and gaps identified in decisions B.08/03, 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) “Updated Strategic Plan for the GCF: 2020–2023” (decision B.27/06);
- (b) “Matters related to the accreditation framework” regarding the re-accreditation process (decisions B.24/13 and B.26/01);
- (c) “Guiding Framework and Procedures for Accrediting National, Regional and International Implementing Entities and Intermediaries, Including the Fund’s Fiduciary Principles and Standards and Environmental and Social Safeguards” (decision B.07/02);
- (d) “Guidelines for the Operationalization of the Fit-for-purpose Accreditation Approach” (decision B.08/02);
- (e) “Policy on Prohibited Practices” (decision B.22/19);

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 USD 250 million for an individual project or an activity within a programme.”

⁵ Decision B.07/02.

⁶ 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.”

- (f) “Anti-Money Laundering and Countering the Financing of Terrorism Policy” (AML/CFT Policy) (decision B.18/10);
- (g) “Policy on the Protection of Whistleblowers and Witnesses” (decision B.BM-2018/21);
- (h) “Environmental and Social Management System: Environmental and Social Policy” (decision B.19/10);
- (i) “Comprehensive Information Disclosure Policy of the Fund” (decision B.12/35) regarding the disclosure of environmental and social (E&S) information; and
- (j) “Updated Gender Policy and Gender Action Plan 2020–2023” (decision B.24/12).

2.1 Legal status, registration, permits and licences

5. The AE provided documents on its establishment and licences to operate, where relevant, as a part of the application. The AE confirmed that it is willing to engage on amending the AMA to account for new GCF policies adopted after the initial accreditation and will put in the necessary resources to review the draft AMA by the time of publication of this recommendation.

2.2 Accredited entity performance in contributing to GCF programming results

2.2.1 Approved GCF projects under implementation and national designated authority participatory monitoring

6. The DBSA portfolio consists of two funded activity projects (FP098 and FP106) with a total approved GCF funding of USD155.6 million. FP098 aims to overcome market barriers and accelerate investments into climate-related mitigation and adaptation projects by focusing on credit enhancements to de-risk and increase bankability of private sector investments in four countries in Southern Africa. The project is cross-cutting with target impact of 29.7 million tonnes of carbon dioxide equivalent (tCO₂eq) and 0.47 million beneficiaries. FP106 has a mitigation theme with the objective of supporting the implementation of renewable energy projects in South Africa through credit enhancements using subordinated loans and equity financing for sustainable development. The programme has an impact lifetime target of 14.4 MtCO₂eq. Under the Readiness and Preparatory Support Programme (the Readiness Programme), DBSA has four projects with the total approved amount of the grant being USD 2.49 million, three of which are managed by the United Nations Office for Project Services (UNOPS).

7. The two funded activity projects are still in the early stages of implementation, with insignificant implementation progress reported. Overall, the projects have a disbursement rate of only 3 per cent and an expenditure rate of 1 per cent. Consequently, the projects are yet to register any results against the adaptation and mitigation targets.

8. The AE has reported implementation challenges that have adversely affected the implementation pace. For FP106, DBSA has sought an extension of the first disbursement request by a cumulative 420 days owing to the impact of the coronavirus disease 2019 (COVID-19) that has stalled market activity in the targeted sectors and increased the cost of funding. There has also been a change in the guiding regulatory framework, the Integrated Resources Plan, generating new opportunities in the market that DBSA now wishes to consider under the programme. However, this calls for an amendment to the related funded activity agreement to allow for consideration of subprojects that exceed the 10 megawatt limit prescribed. FP098 has reported major difficulties in implementing the commercial terms specified in its funded

activity agreement, specifically with regard to the hedging structure and the product pricing resulting in the facility not being attractive to potential Climate Finance Facility (CFF) clients. The AE has noted that it is not currently able to execute the funded activity owing to the currency risk and associated high hedging costs and is in discussion with the Secretariat on the restructuring options. It is important to note that the challenges reported by DBSA with respect to the unviable commercial terms point to insufficient due diligence by the AE. DBSA needs to strengthen its due diligence apparatus to ensure that thorough appraisals are conducted on the viability of the commercial arrangements.

9. Regarding the Readiness Programme, the GCF has approved four projects that are under implementation, three of which are managed by UNOPS. The total approved amount for the grants is USD 2.49 million and USD 2.10 million has been disbursed, representing 88 per cent of approved funds. The four grants represent three Project Preparatory Facility (PPF) grants being implemented in South Africa and one Readiness Programme grant being implemented in Lesotho.

10. Out of three DBSA grants managed by UNOPS, two grants have received a COVID-19 blanket extension. On average, and considering the two pending no cost extensions (NCEs) requested, an additional seven months have been granted to these DBSA grants. In addition, two out of three projects are delayed with minimal implementation progress. A major cause of these delays has been the procurement of personnel and service providers. PPF004 did not receive any NCE.

11. **Reporting:** DBSA submitted the annual performance reports (APRs) for the funded activity for 2019 and 2020, although they were delayed. The reporting quality of the APRs has been satisfactory.

12. Under the Readiness Programme, there was 100 per cent compliance with the reporting requirement, though significant delays were observed in the submission of the closure reports and the audited financial report. The interim progress report was submitted with an average delay of 59 days, while the closure report and the audited financial report had an average delay of 278 days. The quality of reports has been generally high, detailing the relevant information in a clear and coherent manner. Similarly for the projects managed by UNOPS, report submission delays were noted but nonetheless the quality of reporting was satisfactory.

13. **Areas in need of capacity-building:**

- (a) With reference to the funded activity, DBSA needs to strengthen its due diligence apparatus to enable smooth implementation and compliance with agreed commercial terms and arrangements;
- (b) For projects under the Readiness Programme, the delivery partner (DP) needs to know it is obligated to communicate to the GCF all issues relating to implementation of grants, particularly on reporting, as required by the grant agreement. The DP needs to understand that being a GCF DP carries the responsibility of always actively overseeing the project management without the need for close monitoring by GCF; as such, it is the DP's responsibility to submit timely progress reports and other reports required during grant implementation. In a case where a waiver is required or a delay is expected, it is the responsibility of the DP to inform GCF and seek such exception with justification in advance; and
- (c) The DP needs to improve its understanding of GCF Finance requirements for expenditure reporting and auditing, and improving the transparency of its financial reports in general.

14. Regarding improving the speed of procuring service providers, it is important for the DP to identify the causes of severe delays and address those issues. Emphasis could be made on initiating the procurement process once a proposal is approved to ensure that all relevant

personnel have been adequately vetted and are ready to begin implementation once funds are disbursed. Nevertheless, efforts to assess and mitigate implementation risks related to the impact of COVID-19 have been reported.

2.2.2 Entity work programme, concept notes, funding proposals and Project Preparation Facility requests

15. **Entity work programme (EWP):** DBSA submitted an EWP to the GCF, which is under discussion with the GCF Secretariat on the basis of feedback provided by the Climate Investment Committee (CIC-1) in Q4 2020. In the version presented to CIC-1, the EWP focused primarily on the energy and water sectors, seeking equity, loan and grant-based investments from the GCF to develop projects and programmes in Southern African countries and, potentially, in one West African country.

16. DBSA is currently preparing to resubmit the EWP in alignment with feedback from the GCF Secretariat, and subsequent CIC-1 consideration.

17. New funding proposals with DBSA as the AE have been identified in the draft country programmes submitted to the GCF within the last year, for early discussion with the GCF Secretariat, by the national designated authorities of four countries: Botswana, Eswatini, Namibia and Zimbabwe. It must be noted that, except for Zambia (which submitted a country programme in 2017, pointing out DBSA as a regional AE) other Southern African countries have not yet submitted a country programme to the GCF Secretariat: as such, support to DBSA funding proposals can increase as new country programmes become available.

18. **Concept notes/funding proposals:** The AE has five concept notes (CNs) in the Division of Mitigation and Adaptation pipeline amounting to a total of USD 269 million, of which approximately USD 204 million are for two in South Africa, USD 19 million for two in Uganda and one multi-country CN across Africa amounting to USD 46 million. Of the total pipeline, USD 45.4 million are for least developed countries and small island developing states, and 92 per cent is for adaptation projects. Four of the CNs are grants-based and only one CN includes grants and senior loan. Three CNs amounting to a total of USD 249 million were for the PPF, of which two have been approved. None of the CNs have moved to funding proposal stage yet, although the two CNs for which PPF funds have been disbursed will be submitted eventually as funding proposals.

2.2.3 Risk flags incurred by the projects, accredited entity or country during the previous accreditation term

19. DBSA has robust environmental and social safeguards (ESS) standards and gender mainstreaming programmes aimed mainly at infrastructure projects (and including women-led businesses). Since DBSA's portfolio is relatively young, there are no significant red flags from an ESS, gender or intellectual property-related perspective to report. Noting delays in submission of an APR in 2020, there is a need for the AE to ensure efficiency and timeliness when reporting of key safeguard-related documents and requirements, including process standards (grievance redressal mechanism, stakeholder engagement, information disclosure and free, prior and informed consent where and if applicable) and gender-related activities per approved gender action plan(s).

2.3 Overall portfolio of activities of the accredited entity beyond those funded by GCF

20. As per the Updated Strategic Plan for the GCF: 2020–2023,⁷ the re-accreditation process,⁸ and the monitoring and accountability framework,⁹ the Secretariat and the AP are requested to provide an assessment of the extent to which the overall portfolio of activities of the AE beyond those funded by GCF has evolved during the accreditation period, in order to advance the goal of GCF to promote the paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development.

21. The AE provided the following information with regard to the guiding questions established in the baseline methodology:

(a) **Guiding question 1. Has the AE established policies or commitments in the short, medium or long term regarding investment in climate change projects?**

- (i) DBSA has taken concrete steps to reduce investments in highly carbon-intensive sectors and to expand and promote investment in sustainable projects. The AE has also played an active role in leading climate change responses in development finance institutions, through the International Development Finance Club (IDFC) and the Climate Mainstreaming Initiative. The following frameworks were completed during the AE's GCF accreditation period:
- 2018 strategic framework for climate change with a target of 35 per cent of all investments to be climate mitigation, adaptation or “other environmental” as per IDFC definitions. To date it has exceeded the target each year except for 2020;
 - 2021 Green Bond policy framework: the Green Bond was issued via private placement with Agence Française de Développement (AFD) in April 2021. This is the first Green Bond issued by the AE, and is a market leader in the South African finance sector in Green Bond issuance. Since the issuance, the AE has received much interest in the possibility of financing sustainability/green projects through further Green Bond issuances;
 - Sector – Energy: the key aims of the 2020 integrated energy policy framework were to inform the decision-making process regarding the strategic positioning of the AE as a responsible energy sector investor on the African continent; to evaluate the implications of transition risk and the threat of stranded assets in the AE's energy sector investment portfolio through the adoption of appropriate measures that enable the AE to identify, quantify and mitigate transition risk; to help inform the role the AE plays in contributing and adding impetus to efforts to support a just transition to a low-carbon economy through the implementation of actionable programmatic developmental solutions; and
 - 2020 – Biodiversity: the AE is an active member of the IDFC Working Group on Making Finance Work for Nature, and was tasked with compiling a draft position statement which was adopted at the Finance in Common Summit by the AE and other IDFC members in Paris (12 November 2020). This is the first common position among development finance institutions (DFIs) to commit to conservation, sustainable use and restoration of biodiversity to build a more inclusive and resilient future. The position paper commits IDFC members to mobilizing finance and mainstreaming biodiversity into key economic development sectors; mitigating negative impacts and risks on biodiversity; developing positive biodiversity impacts in their investment

⁷ Decision B.27/06 and annex VI thereto.

⁸ Decision B.24/13 and annex XXVI thereto.

⁹ Decision B.11/10 and annex I thereto.

portfolios; assessing biodiversity value, measuring impacts on and risks to nature and counting biodiversity contributions and co-benefits; and exploring opportunities to contribute to achieving the objectives of the future post-2020 global biodiversity framework.

(b) **Guiding question 2. Does the AE receive resources from third parties for the financing of climate projects?**

(i) DBSA actively seeks to work with various climate finance channels in a complementary manner. For example, the AE is currently working on an electro-mobility (e-mobility) programme where GEF support is being sought to address policy and regulatory matters while envisaging GCF support to pilot e-mobility initiatives in metropolitan cities. To date, the AE has attracted climate-related finance from the following sources: GCF, GEF, the European Investment Bank (climate action credit line), Kreditanstalt für Wiederaufbau (KfW), UKPACT (Partnering for Accelerated Climate Transitions), AFD (capacity-building support – no direct funds), IDFC (capacity-building support – no direct funds), and the project Mainstreaming Climate Change in Financial Institutions (capacity-building support – no direct funds). The AE has received the following funding from its external donors:

- GCF – USD 155 million (implementation stage);
- GEF – USD 38 million; and
- European Investment Bank – EURO 22 million.

(c) **Guiding question 3. Does the AE calculate and reduce its greenhouse gas emissions?**

- (i) To date, DBSA has not calculated its greenhouse gas (GHG) emissions but in 2021 management approved a project to achieve this within this financial year and, in the medium term, to provide a campus-based solar project to ensure the AE is a net energy producer. The AE, with support from various partners such as GCF and GEF, is developing innovative financial solutions that enhance investment in mitigation and adaptation projects with significant GHG reductions envisaged. Some of these solutions are at the early stage of implementation. As a result, it is too early to report on the impacts;
- (ii) The AE has initiated a report under the World Bank Renewable Energy Independent Power Producer Procurement (REIPPP) programme, which provides metrics on GHG emission reductions. The REIPPP programme's contribution has meant that South Africa's CO₂ emissions reduced by about 33.2 MtCO₂eq and water savings of 39.2 million kilolitres by 31 December 2018;
- (iii) The AE's corporate and operational carbon footprint reduction initiatives are as follows. The AE is calculating its emissions on project investments that have significant emissions and reporting these emissions through the mechanism of the development results framework (DRT) with its associated template. Until recently the AE did not have a systematic way of reporting and assessing the carbon footprint of its investment portfolio. In 2021 the revised DRT formalized the approach of recording the metrics which will feed into an annual report and analysis of the AE's progress to demonstrating its commitment to a more sustainable finance institution and a more sustainable society; and
- (iv) The AE's board has made a commitment to calculate its campus-based GHG emissions (Scope 1 and 2) and an assignment is underway to formalize and achieve this and to disclose this by 2022. This falls under the umbrella programme called the Integrated Sustainable Development Approach and will

be driven through the Environmental Management System subprogramme. The AE has appointed consultants who are currently preparing a feasibility study for a campus solar project with the intention to generate more energy than it consumes. The implementation is anticipated to occur in 2022/23. This is a priority project of the AE's chief executive officer and it is closely managed by a steering committee which includes oversight by a team of senior executive managers.

(d) **Guiding question 4. Does the AE evaluate the climate risks of its portfolio?**

- (i) DBSA engages in risk assessment at the organizational level, the portfolio/sector level and the project level. To date, focus has been on the energy sector as a priority before advancing to analyse other sectors in detail. During 2020–2021 DBSA developed and applied an integrated energy policy framework, and an integrated just transition framework to address areas of key risk and impact. In 2021 the AE's board approved the Integrated Sustainable Development Approach programme to pull together ad hoc efforts and to ensure DBSA meets global good practice standards across all sectors and levels of climate mainstreaming, which is now in implementation. The AE undertakes an annual account of all its investments committed under each calendar year and assesses its commitments in terms of green climate projects and non-green projects;
- (ii) The IDFC taxonomy is used to classify projects under sectors and subsectors. The classification includes climate adaptation, mitigation and “other environment”. The term “other environment” covers projects that have water, biodiversity, integrated waste management, and institutional capacity-building components that promote the green economy and sustainability but have no significant or direct climate adaptation/mitigation strategic objectives/co-benefits or metrics. The IDFC methodology has helped to highlight the practical application of the AE's sustainability strategy and policies, and helped to raise awareness and track divestment from fossil fuels;
- (iii) All of DBSA's project investments undergo climate risk assessment screening in terms of both adaptation and mitigation. It has taken many years to ensure this occurs because, up until recently, there have been projects that have not engaged environmental specialists (mostly concerned with providing finance for water service plans or municipal planning processes). Most of these gaps have been identified and closed, with positive results for opportunities for improved mainstreaming not only of climate, but also gender, biodiversity and promotion of a circular economy;
- (iv) The quality of climate risk assessment undertaken still needs to be standardized and formalized and this is being addressed as a priority in 2021/22 under the Integrated Sustainable Development Approach mentioned above. The aim is to complete this work by 2022/23. In 2021 the AE formalized its environmental appraisal framework for project assessments and this includes climate risk assessments. The detailed methodologies will be addressed in the Integrated Sustainable Development Approach. For at least four years DBSA has required all projects to be scanned for climate risk and those with a high risk are required to undergo a more detailed assessment and provide associated monitoring of targets and metrics. The AE is now focusing on developing standardized methodologies on how this will occur and to ensure consistency and to promote improved professional integrity of screenings and detailed assessments and appropriate sets of responses to projects with significant risks, impacts or vulnerabilities;

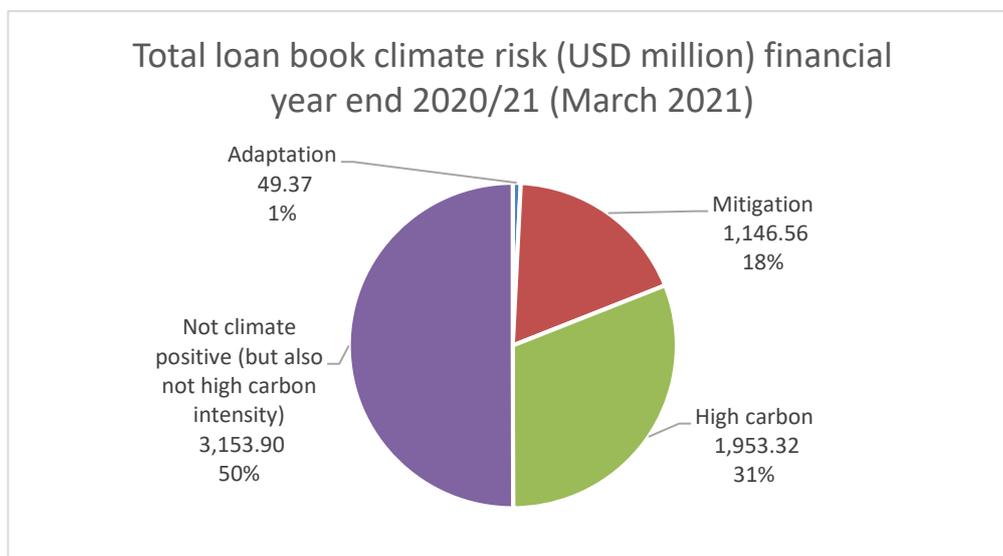
- (v) DBSA has a requirement for all analysts to ensure climate screening of all projects. Gaps have been identified where certain types of projects were falling through the net (such as water service master plan project development support) and these gaps have been closed. The AE is now nearing 100 per cent for all new commitments. The loan book still comprises projects that were approved several years ago when climate risk assessments were not included in all investment appraisal reports.

(e) **Guiding question 5. What are the main sectors of activity of the AE?**

- (i) The main activities of the AE have historically included conventional engineering infrastructure. There is a shift towards promoting a just transition to a green economy which is more inclusive, and which seeks innovative opportunities for promoting sustainable development. The GCF has been instrumental in making this shift happen. The AE has more intensely and vigorously sought to mainstream biodiversity, gender and climate change in its pipeline, starting with project preparation – the fruits of which will be seen as these projects and programmes/feasibility studies become bankable in the short and medium term. In order to achieve this, the AE has played a constructive role in building capacity in the consultancies developing feasibility studies and associated environmental and social impact assessments/management plans (ESIAs/ESMPs) and raising standards of what comprises good practice;
- (ii) **Mitigation:** the main areas of the AE's investment include energy generation and access (renewable or other carbon-neutral technologies); energy efficiency measures; transport (low-emission transport technologies or fuel-saving improvements in the transportation system); and buildings, cities, industries and appliances (energy-efficient and fuel-saving technologies in construction, infrastructure, industrial/production processes, improvements in waste-handling methods);
- (iii) Over the past five years the AE has increasingly been pursuing investment opportunities in institutional and regulatory systems leading to improvements in institutional systems that result in lower GHG emissions in particular sectors, such as the renewable energy sector. For example the AE has played an active role in supporting the REIPP programme for South Africa, particularly through the community empowerment/equity component. The AE is also exploring supporting Eskom (the national electricity utility) in work for repurposing old power plants, through project preparation funding from the AE and potentially the GCF to establish a programme management office and a funding platform for its Just Transition Initiative;
- (iv) **Adaptation:** the main areas of DBSA's investment include the infrastructure and built environment sector (measures to improve the climate resilience of buildings and infrastructure); and water security (measures to improve the water service system, when affected by climate change impacts). The AE is increasingly searching for investment opportunities in ecological infrastructure; health and well-being (measures to improve the healthcare system, particularly when it is affected by climate change impacts); enhancing livelihoods (measures to protect livelihoods from climate change impacts) and ecosystems and ecosystem services; institutional and regulatory systems (improvements in the institutional and regulatory systems targeted at enhancing climate resilience, in particular in South Africa and the South African Development Community (SADC) region; climate information/early warning systems; and awareness-strengthening and climate risk reduction (capacity-building programmes oriented at enhancing public awareness of climate risk and its reduction);

- (v) **Carbon-intensive activities:** DBSA has invested a significant amount in gas projects across Africa. In recognition of the climate and transition risks involved in investment in all fossil fuel activities, the AE sought (through its integrated just transition strategic framework) to clearly define its future role in carbon-intensive projects and programmes in the light of its transition to a greener portfolio. The next generation climate change strategic framework will revise the AE's commitments to green climate finance on the basis of a deep dive assessment of its loan book and the revised policy for adapting and mitigating climate change, which will seek to align with pressing global needs as identified in recent reports from the Intergovernmental Panel on Climate Change (IPCC) and international agreements and calls for action in DFIs. This will be undertaken in 2022. The AE is currently undertaking an assessment of its loan book along similar taxonomies and identifying high carbon intensity/adaptation risk projects. This will be completed in 2021, together with a refined methodology to be used each financial year. The integrated just transition framework has committed the AE to report on the carbon intensity of the investment portfolio. The AE will, on an annual basis, report on how projects with potential significant adverse E&S risks and/or impacts fit within the AE's approach to an integrated just transition investment portfolio;
- (vi) Referring to the chart below on the total loan book value relating to climate risk, including carbon-intensive projects, the AE had two projects on its loan book that had significant coal content:
- A rehabilitation and expansion of a coal mine in Zambia committed in 2015; and
 - A corporate loan to Eskom of which the deep dive into the loan book assumed 85 per cent was coal related (power station/interconnectors/transmission lines). This 85 per cent assumption was based on the South African energy mix. Note that, regarding Eskom amounting to 15 per cent of the DBSA loan book, these loans primarily happened in two phases:
 - i. About nine years ago the AE approved a USD 15 billion loan multi-drawdown to complete capital projects such as coal-fired power stations and transmission networks and to provide a general facility (balance sheet). Subsequent to that there has been significant growth of renewables; and
 - ii. Some two and a half years ago an emergency liquidity line was approved for Eskom together with other local banks to ensure grid stability with the collective system. Much of this finance would have found its way into running the grid and developing the network which renewables are completely dependent on –to help avoid systemic risk;
- (vii) Other projects regarded as high carbon content include a few gas projects such as gas pipelines in a few African countries and some transport projects including ports and harbours that served the extractive industries. For example, if a rail partly included serving extractive industries, then it was also regarded as part of the highly carbon-intensive system. The AE funded three airports in two African states. Transmission lines that were involved with the SADC pool were also regarded in part as high carbon. It was assumed that most municipal transport projects were high carbon. These would have included a mix of transport activities such as road upgrades and refurbishments, purchasing of city vehicles and equipment such as bulldozers, graders to service landfill sites and so on. The AE has funded a significant share of its loan book into hydro projects in

Africa (see chart below) but has not listed these as green projects because of biodiversity and social risks/impacts involved in hydropower projects.



(f) **Guiding question 6. Is the AE investing in mitigation projects/operations?**

- (i) The AE is actively pursuing climate mitigation investments, particularly in the renewable energy sector. It has been successful in building its investment in this sector, although in 2020 the South African renewable energy sector experienced numerous national policy and legislation challenges that affected the AE's potential pipeline of new commitments to renewable energy. The AE still managed to commit to a solar project in Angola. Currently, programmes such as the CFF, the Embedded Generation Investment Programme and the e-mobility programme will contribute to mitigation. The AE's green climate mapping has helped to highlight the need for the AE to seek and invest in the climate-smart transport sector where, to date, it has been lacking, and to try to more actively mainstream green building standards in the building sector (student housing, hospitals). Progress in these sectors will be driven through the Integrated Sustainable Development Approach programme;
- (ii) The AE requires all projects with high carbon footprints to provide carbon assessments aligned with International Finance Corporation/IPCC acceptable practices. The AE has not systematically reported on or tracked or disclosed its emissions or reductions in tCO₂eq over recent years – but last year it updated its development results reporting framework (DRRF) and associated management procedures to ensure the AE does acquire sufficient metrics to systematically track tCO₂eq where projects have significant potential for emissions and reductions. These improvements will now produce the metrics the AE requires to report on mandatory and non-mandatory indicators across sectors and regions. Through its deep dive review, it aims to report on the reduction of GHG emissions across its project/investment portfolio, with indications of the sectoral distribution per tCO₂eq. It does not yet have a complete set of metrics to do this but it has set in place the DRRF/DRT to ensure these metrics are developed going forward with each investment.

(g) **Guiding question 7. Is the AE investing in adaptation projects/operations?**

- (i) DBSA actively seeks climate adaptation projects. It has been primarily focusing on the water sector. Its regional focus comprises many water-scarce countries,

in the SADC in particular. It is also pursuing biodiversity investments, especially where these link to securing water in catchments and critical watersheds;

- (ii) To date, the AE has received project preparation support from the GCF to design a water reuse programme for South Africa to mobilize the scaled development of water reuse projects nationally, thereby contributing to climate adaptation in South Africa in an effective, efficient, equitable, sustainable and financially viable manner;
- (iii) Other climate adaptation-focused concepts in the pipeline include the Sustainable Water, Energy Substitution and Environmental Sanitation Initiative for Drought-Prone Districts of the Karamoja Subregion; the Uganda Climate Resilient Systems for SADC Water Sector: SADC Hydrological Information System; and the Waste Water Treatment programme;
- (iv) The AE is developing metrics so that it can report on these indicators but does not yet have sufficient information. Going forward, the DRRF will require these indicators be reported for all relevant projects and the AE will be better positioned to report against these indicators as of 2022; and
- (v) The AE has been preparing a pipeline of adaptation projects. In previous years it struggled to ensure climate adaptation co-benefits and strategic objectives in projects because it came on board most projects (especially municipal projects) at a relatively late stage. From February 2020 to August 2021 it has actively engaged clients in the project preparation phase. In future the AE will report on the number of climate-resilient projects and number of beneficiaries whose resilience to climate change has been improved per year (absolute number (count) of projects and the corresponding number of individual human beings).

22. The AP and the Secretariat consider that the evidence provided for the first accreditation term demonstrates the continuous positive trend of developing climate change mitigation and adaptation and cross-cutting activities. Both the strategy and the trend of activities are aligned with the GCF mandate and objectives.

III. Stage II accreditation review assessment

23. The AE is eligible for, and applied under, the fast-track re-accreditation process as a GEF entity. Its application has been assessed by the AP during stage II (step 1) against the accreditation standards of the 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 re-accreditation requirements in paragraph 4 above.

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

3.1 Fiduciary standards

25. DBSA does not have any outstanding fiduciary conditions from the previous accreditation term.

3.1.1 Basic fiduciary standards: key administrative and financial capacities

26. As per paragraph 23 above, the basic fiduciary standards concerning key administrative and financial capacities are considered to have been met by way of fast-track re-accreditation.

3.1.2 Basic fiduciary standards: transparency and accountability

27. As per paragraph 23 above, the GCF basic fiduciary standards concerning transparency and accountability have been met by way of fast-track re-accreditation, with the exception of policies on Prohibited Practices and the Protection of Whistleblowers and Witnesses, the investigation function; and AML/CFT policies.

28. Regarding policies on prohibited practices and the protection of whistleblowers and witnesses, DBSA has provided its latest fraud and corruption prevention plan dated July 2021, which includes details of the whistleblowing policy and procedures for reporting suspicious activities with the provision of an anonymous hotline telephone number and dedicated email. The details of the plan and whistleblower protections are available on the DBSA website. The framework of the plan is based on four pillars: creation of a zero tolerant environment; understanding and managing the risks; focus on proactive defence against fraud and corruption; and the ability to react swiftly and efficiently to emergence of allegations of crime and irregularities. DBSA's policies and procedures for preventing fraud and corruption, investigating suspected breaches and the protection of whistleblowers meet GCF policies on prohibited practices and the protection of whistleblowers.

29. Regarding the investigation function, the DBSA updated Fraud & Corruption Prevention Plan from July 2021 has recently been approved by the DBSA board and signed off by the Chair. It allows DBSA to place the fraud and corruption prevention policy on the DBSA website, with GCF being specifically mentioned. DBSA has provided the full version of this policy and the website version will soon be online to replace the previous policy. DBSA's internal audit team report periodically to the DBSA board and various subcommittees, including the audit committee. The DBSA forensic team, which is under internal audit, provides updates on cases and outcomes of investigations as well as the identification of trends. This team produces a report on investigations for the chief internal auditor, who is independent from operational activities, and reports directly to the chair of the audit committee. The latest DBSA internal audit charter from January 2021 has been provided. It includes the detailed procedures for conducting investigations.

30. Regarding AML/CFT and 'know-your-customer' (KYC) policies, procedures and processes, DBSA has provided the findings and recommendations of two recent reports, from the external auditor and from the Johannesburg Stock Exchange, that regulates DBSA. The external auditor recommended increasing the staff of the compliance unit (which DBSA has done) and found that DBSA's compliance function was operating satisfactorily and that overall compliance of the organization is effective and efficient.

31. The Johannesburg Stock Exchange inspection focused on DBSA's control environment compliance with the Financial Intelligence Centre Act (FICA) that was enacted in 2001 and the FICA Amendment Act of 2019 that incorporated a risk-based approach. The inspection found that DBSA's AML/CFT/KYC policies, procedures and processes fully met the requirements of FICA and noted that DBSA's AML officer had the necessary qualifications and experience to head the AML compliance operations; KYC records were properly kept on file; reports of suspicious activity regarding terrorist financing were submitted to the Financial Intelligence Centre as required; DBSA's Risk Management and Compliance Programme (RMCP) was implemented and approved by the DBSA board; ongoing training was being regularly provided to DBSA staff; and DBSA classifies all clients as high risk, thereby performing enhanced due diligence on all clients.

32. In terms of the 2019 FICA Amendment Act, DBSA has implemented the RMCP risk-based approach to replace the old internal rules. In addition, the politically exposed persons policy was reviewed and a new sanctions policy was implemented to comply with the amendments to FICA. DBSA has provided its RMCP level 1 policy, approved in July 2019. This is essentially the overall policy for AML/CFT/KYC. In addition, DBSA has provided its RMCP level 2 policy

approved in January 2020, which this outlines the AML/CFT procedures and includes very detailed processes for KYC. These two documents together govern the DBSA AML/CFT/KYC functions and both are reviewed and updated at least every two years.

33. The principles of the DBSA AML/CFT/KYC policies are as follows:
- (a) Strong customer due diligence (effective KYC);
 - (b) Record keeping;
 - (c) Reporting suspicious activity and ensuring cooperation with the authorities; and
 - (d) Continuous and appropriate training of staff.
34. The DBSA board is accountable and ultimately responsible for AML/CFT, with support from the chief risk officer, line management of business units, internal audit, group legal and the money laundering control officer, who focuses on compliance, training and monitoring. To demonstrate its track record, DBSA has provided past KYC reports and is in the process of redacting recent KYC reports to be provided to GCF.
35. As per paragraph 23 above, the basic fiduciary standards on transparency and accountability are considered to have been met by way of fast-track re-accreditation. The AP also finds that the AE's policies, procedures and capacity, supported by the evidence of its track record, fully meet the GCF Policy on Prohibited Practices,¹⁰ the GCF Policy on the Protection of Whistleblowers and Witnesses,¹¹ and the GCF AML/CFT Policy.¹²

3.1.3 Specialized fiduciary standard for project management

36. As per paragraph 23 above, the specialized fiduciary standard for project management is considered to have been met by way of fast-track re-accreditation. However, given GCF's evaluation, in section 2 above, of DBSA's two funding proposals with GCF and the four readiness projects, all of which are under implementation, the AP discussed the findings with DBSA. This review has enabled the AP to confirm that DBSA's track record since its initial accreditation in 2016 continues to demonstrate that its policies and procedures are being applied in accordance with GCF standards. This conclusion is reached after reviewing the projects with GCF as well as non-GCF projects described in paragraph 38 below in relation to grant awards and on-lending and blending, all of which require project management capabilities.

37. With respect to the GCF's experience with FP106 and FP098, two key issues were identified: (1) significant delays in implementation and possible weaknesses in DBSA's due diligence; and (2) significant delays have resulted from the Covid-19 pandemic while unforeseen currency movements, increased costs of funding and numerous national policy and legislation changes have impacted the renewable energy sector and pipeline of eligible projects for DBSA. Nevertheless, DBSA has managed to commit to a solar project in Angola, and CFF in South Africa and the Embedded Generation Investment Programme, in addition to the other projects described above and in section 3.1.4 below.

3.1.4 Specialized fiduciary standard for grant award and funding allocation mechanisms

38. Regarding grant awards, DBSA has provided an external consultant's pillar assessment, commissioned by the European Commission (EC) in late 2020. The purpose was to provide assurance that DBSA's grant systems and procedures fulfil EC requirements for using European Union (EU) funds for grants and associated procurement. The overall conclusion of the

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

¹¹ Decision B.BM 2018/21 and annex I thereto.

¹² Decision B.18/10 and annex XIV thereto.

assessment was that DBSA's policies, rules and procedures for grant awards comply with the criteria set by the EU in all material respects. Likewise, DBSA's procurement processes and procedures are also in accordance with EC criteria for the use of EU funds. At the time of the assessment, DBSA had four grant programmes in place, including the Green Fund in South Africa. This is a resource to contribute to a wide range of goals for transitioning South Africa to a greener economy and the fund has historically had a significant portfolio of non-refundable and recoverable grants. It was established in 2012 and was managed by the DBSA on behalf of the South African Department of Environmental Affairs, until April 2021 when it was embedded within DBSA. In addition, DBSA has provided 2020 progress reports of the Infrastructure Investment Programme for South Africa which it manages with EU grants and loans from development institutions, including KfW of Germany.

39. The provision of grants by DBSA is governed by the constitution of South Africa and administered by the National Treasury through a Public Finance Management Act. DBSA's grant award system is well organized and documented, with effective controls over applications, award process and disbursements. There is no evaluation committee but instead a governing structure with a committee to assess early review and due diligence, and an investment committee to review appraisals. Final approval is by the board credit investment committee. Within its grant awards, DBSA offers both non-refundable and returnable grants, in addition to interest rate subsidies. The overriding principles are transparency (including publishing details on its website), equal treatment, eligibility, avoiding conflicts of interest and strong internal governing processes.

40. DBSA has also been playing an important role in providing assistance to local (national) direct access entities by helping them achieve GCF accreditation. This has included the Infrastructure Development Bank of Zimbabwe and CRDB Bank in Tanzania, which were both recently accredited.

41. The AP finds that the AE's policies, procedures and capacity, supported by evidence of its track record, fully meet the specialized fiduciary standard for grant award and funding allocation mechanisms.

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

42. The AE has a proven track record, institutional experience and capacities for on-lending and blending with resources from local and international commercial banks in addition to multilateral sources. These lines of credit are blended with DBSA's general funding sources to play a pivotal role in managing overall cost of funding. This enables DBSA to play its expected countercyclical role as one of the African continent's leading DFIs. The AE has well-documented policies, guidelines and procedures with clearly defined institutional roles and responsibilities for its on-lending and blending operations. Recent examples of due diligence reports for on-lending and blending clearly show effective use of and compliance with the established policies and procedures. The DBSA has also issued its first use of proceeds bond (Green Bond), which demonstrates DBSA's ability to both track use of funds and have the mechanisms in place for reporting on implemented projects.

43. The DBSA is no longer registered with the National Credit Regulator, as per the National Credit Act, because its activities and products do not fall within the ambit of that Act. The DBSA is also excluded from the national Banks Act. However, it is governed by its founding Act, the DBSA Act, in terms of its business and mandate, which provides the legislative framework under which DBSA operates as a DFI.

44. In late 2020, Moody's downgraded DBSA from Ba2 to Ba3. DBSA has provided a satisfactory rationale for this downgrade. Apart from it following a similar one notch South Africa sovereign downgrade, DBSA's credit rating is influenced by its high concentration of

loans, worsening non-performing loans and resultant increases in costs of funding. While these are risk factors for sustaining profitability, DBSA continues to benefit from the strong support of the government of South Africa as well as leading international multilaterals.

45. The AE has suitable investment management policies, guidelines and procedures in place, which (a) ensure sound investment management, including analysis of the lending portfolio of the intermediaries to which it provides resources; and (b) provide assurance that funds are channelled transparently and used effectively. The AE has also demonstrated sound financial risk and management policies, procedures, governance and organizational structures that ensure appropriate segregation of duties of the treasury function and operations. Recent quarterly asset liability reports, valuation reports, equity and other portfolio reports demonstrate the effective operation of DBSA's investment function.

46. In relation to its systems for providing the general public with access to information on its on-lending and blending operations, the AE publishes information on beneficiaries, as well as the results of the projects and programmes it finances.

47. The AP finds that the AE'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, equity and guarantees.

3.2 Environmental and social safeguards

48. DBSA does not have any outstanding conditions related to ESS from the previous accreditation term.

3.2.1 Environmental and social policy

49. The AE provided its ESS policy of March 2020, which constitutes its E&S risks policy. This document details the standards used by the AE to manage social and environmental risks in its investment decision-making and to guide its clients with the preparation of safeguards requirements in infrastructure projects. The ESS policy is complemented by the following guidelines and tools to mainstream environmental and social considerations into the AE's operations to promote sustainable development: the Environmental Sustainability Strategy; the climate change policy framework; the environmental appraisal framework; the Social and Institutional Guidelines; and the ESS Standards (ESSS).

50. The 2020 ESS policy builds on the AE's 2015 E&S Safeguards Standards. The objectives of the ESSS are to assist the AE's clients in preparing, implementing and delivering project investment outcomes that are environmentally and socially responsible; to align with good environmental and social international practice; to apply relevant environmental and social policies, frameworks, legislation and standards at project implementation; to identify appropriate methods and tools for assessing, avoiding, managing, minimizing and mitigating potential project environmental risks, impacts, dependencies and risks to people and the environment; and to optimize environmental and social development potential and undertake transparent stakeholder engagement with key and affected parties.

51. The AE has adopted the following ten ESSS and, with exception of the ESSS 3 on gender mainstreaming, these are the same as the GCF interim ESS standards:

- (a) Standard 1: Project screening: environmental and social risks, impacts and opportunities;
- (b) Standard 2: Stakeholder engagement and information disclosure;
- (c) Standard 3: Gender mainstreaming;

- (d) Standard 4: Indigenous peoples;
 - (e) Standard 5: Development-induced displacement and resettlement framework;
 - (f) Standard 6: Labour and working conditions;
 - (g) Standard 7: Community health and safety;
 - (h) Standard 8: Cultural heritage;
 - (i) Standard 9: Biodiversity conservation and sustainable living natural resources; and
 - (j) Standard 10: resource efficiency, pollution prevention.
52. These ESSS are applied to all investments supported by the AE including sovereign, public and private sector project and corporate lending. They are considered at all stages of the investment value chain including project preparation, early review, due diligence, monitoring and evaluation.
53. The head of the AE's Environmental and Social Sustainability Unit (ESSU) ensures conformance with the ESSS and is responsible for its execution. The ESS policy has been disseminated within the AE's organization and related staff training programmes have been implemented.
54. In 2021 the AE's Chief Executive Officer directed its Operations Financing Executive to develop a net-zero pathway strategy and this will be presented for approval by its board before the end of the 2021 financial year. The AE has a strategic climate change framework, which was approved by its board in 2018 and is now due for revision. The AE's integrated energy framework (2020) provides guidance on scenario planning to align with international targets and goals such as those set by the Paris Agreement. The AE also has an approved Green Bond framework. The AE plans to complete its biodiversity framework by the end of the 2021 financial year, supported by the design of the climate finance solutions that are fit-for-purpose for driving mitigation and adaptation initiatives and a just transition. It is evident that, in the last three years, the AE has built a solid foundation upon which the rapid transition will be based. It envisages that further strides will be made by the integrated sustainable development framework which will consolidate multiple organizational efforts into a coordinated net-zero pathway to drive the transition agenda. The framework will be presented at the DBSA board strategy session before the end of the 2021 financial year, and it will include more ambitious targets and associated implementation plans.
55. The AP finds that the AE's environmental and social management system (ESMS), comprising the Environmental and Social Safeguards policy 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 environmental and social risks and impacts

56. The AE's ESSS 1, "Project screening: Environmental and social risks, impacts and opportunities," applies to all projects seeking financing and support from the AE and requires the client to:
- (a) Screen the project as early as possible, to categorize and manage the project according to the degree of E&S risk;
 - (b) Apply appropriate measures to screen for and report on GHG emissions, climate change impacts, climate change mitigation and adaptation measures, and carbon emission estimates;

- (c) Develop an integrated environmental and social management framework to address and manage project E&S risks and impacts/dependencies and promote improved environmental and social outcomes;
- (d) Apply appropriate environmental management tools and approaches throughout the project life cycle;
- (e) Detail alignment to relevant and applicable international, national laws, regulations and authorizations;
- (f) Seek opportunities for positive impact finance outcomes; and
- (g) Outline procedures for natural capital/ecosystem services vulnerability screening.

57. The AE classifies all projects into one of four classifications: (1) high/substantial risk; (2) moderate risk; (3) low risk; and (4) financial intermediary. In determining the appropriate risk classification, the AE considers the project type, location, sensitivity and scale; nature and magnitude of potential E&S risks and impacts including climate change considerations; the impacts on key and affected stakeholders and the client's capacity to manage the E&S risks and impacts in a manner consistent with the ESSS. The client, working with a suitably qualified environmental practitioner together with the AE's environmental and social analyst, screens the project for environmental and social impacts to determine the type and level of environmental and social assessment required. The client may suggest a category and provide sufficient supporting documentation to allow the AE to review and validate the proposed category. The AE and client share responsibility for project categorization based on accurate information disclosed at the project due diligence stage.

58. The AE provided a sample of E&S risk screening forms for projects that focused on power, ships and a water supply master plan as evidence on its track record in applying the ESSS.

59. The AP finds that the AE'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 A/I-1 projects/programmes with respect to performance standards 1-8.

3.2.3 Environmental and social management programme

60. For projects categorized as high/substantial risk, the client is required to provide the AE with sufficient project information addressing key E&S risks to inform the AE's decision-making. This includes:

- (a) An environmental and social scoping report and a comprehensive ESIA;
- (b) A detailed ESMP setting out the project mitigation measures. The ESMP should aim to address any project-related GHG emissions and climate change risks;
- (c) A stakeholder engagement plan (SEP);
- (d) Any special measures necessary to consult with indigenous peoples and vulnerable groups who may be impacted by the project;
- (e) Measures to apply gender mainstreaming practices in project design and implementation
- (f) Project information disclosure mechanisms; and
- (g) Details of its grievance and redress mechanism (appropriate in scale to the project risks and adverse impacts) to address any project-related grievances.

61. Projects with high magnitude/impact will require the use of an independent advisory panel of expertise agreed to by the AE and funded by the client.
62. For medium risk projects, the depth and type of environmental and social impact assessment required will depend on the type of project and the type of E&S risks anticipated. The client is required to provide at least the following: an environmental and social scoping report, an ESIA and an ESMP.
63. The AE undertakes a rigorous investment appraisal for all projects/programmes which it considers for financing. The E&S risk appraisal forms a key component of the overall investment appraisal. The client is responsible for providing the AE with relevant information to enable it to undertake comprehensive environmental and social due diligence. The AE assesses the proposed project's risk and impacts based on the project type, context and information available including the client's capacity to develop and implement the project in accordance with the AE's ESSS. Where the AE is approached to finance a project that is under construction, or where the project has met the necessary national legislative requirements, the AE's due diligence will include a gap analysis and mitigation measures required to meet its ESSS. Depending on the potential significance of E&S risks and impacts, the AE determines whether the client will be required to retain independent third-party specialists to assess project environmental and social impacts.
64. The AE provided sample appraisal reports and E&S risk assessment reports (ESIA and E&S scoping reports) on a selection of its clients' projects on hydropower, waste-to-energy generation, water supply and sanitation, and a gas power plant.
65. The AE works with many international credit lines and its ESMS is under constant review by these global partners. In 2020 the GEF extensively reviewed AE's ESMS procedures and guideline documents in terms of its updated requirements. The review was favourable. A few minor gaps existed (e.g. regarding the grievance mechanism), but these gaps have been closed. The AE provided the last GEF external review of the ESMS. Since this review, the AE has also revised its development results template to cover GCF and GEF indicators as core indicators.
66. The AP finds that the AE's ESMS, 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

67. The AE's client defines roles, responsibilities and personnel responsible for implementing and monitoring stakeholder engagement and disseminating information to stakeholders; and in consultation with stakeholders agrees on representatives to participate in the project steering committee to oversee project implementation. The project steering committee represents stakeholder interests in key decisions regarding the processes and dissemination of accurate project information to the broader community. The client monitors the project environmental and social performance in accordance with the legal agreement (including the ESMP). The client documents the monitoring results to provide an accurate and objective record of project implementation, ESMP compliance and adherence to the DBSA's ESSS requirements. Based on the monitoring results, the client identifies any necessary corrective and preventive actions, and incorporates these in an amended ESMP or the relevant management tool, in a manner acceptable to the AE. The client then implements the agreed corrective and preventive actions in accordance with the amended ESMP or relevant management tool, and monitors and reports on these actions. The client facilitates site visits by the AE's staff or consultants acting on its behalf, as necessary. The client will notify the AE promptly of any incident or accident relating to the project which has the potential to have a significant adverse effect on the environment, the affected communities, the public or workers

and takes immediate measures to address the incident or accident and to prevent any recurrence, in accordance with national law and the AE's ESSS.

68. The AE's social analysts monitor the client's commitment to comply with stakeholder consultation arrangements; implement the SEP and the vulnerable group plan; apply grievance mechanisms; allocate project benefits equitably; and address project mitigation measures during project implementation.

69. The AE undertakes an annual review of all its high/substantial risk investment projects according to the level of E&S risks involved, the ESMP requirements and any loan conditionalities involved. The AE also conducts in-depth evaluations of selected projects within its investment portfolio.

70. The AP finds that the AE's system of E&S risk-related 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

71. The AE provided a document on its independent grievance redress mechanism (GRM),¹³ which describes its institutional and project-level GRM procedure and the external communication channels used to receive and respond to external inquiries, including E&S risk grievances. The AE's independent GRM provides a platform for aggrieved parties to submit complaints/grievances pertaining to perceived adverse impacts from projects financed by the AE. The objective of the AE's GRM is to ensure transparent, fair, equitable and prompt resolution of complaints/grievances from the affected persons to increase impact, sustainability and efficiency of the AE-funded infrastructure projects. Complaints are accepted by the online case registry, email, letter and by hand delivery at the AE's headquarters. The AE's Standard 2 (see paragraph 51 above) outlines the client's responsibility to engage with stakeholders throughout the project life cycle. The nature, scope and frequency of stakeholder engagement will be commensurate with the project's nature, scale, potential risks and impact. The AE provided its complaints register, which shows that no formal E&S risk-related grievances were received in the past three years.

72. The independent GRM Committee determines eligibility of requests for compliance review, including recommendations of whether or not to authorize a compliance review, within 30 days, which the chair of the GRM Committee will approve/decline. Once the review has been approved, the GRM experts constitute the Compliance Review Panel to undertake the compliance review. The recommendation for a compliance review and the decision is promptly communicated to the affected persons and any other interested person. A summary of the decision and the recommendation for a compliance review shall be published on the AE's independent GRM website depending on the relevant confidentiality agreement. The Compliance Review Panel conducts the compliance review in accordance with the authorized terms of reference. The Compliance Review Panel may solicit additional oral or written information from or hold meetings with the requestors and any interested party; undertake site visits to the project(s) at issue; and retain additional expertise (consultants) to assist with an inquiry, assessment, review or exercise of specific issues.

73. The independent GRM is made up of eight separate functions within the AE's institution: a chair, a compliance representative, a stakeholder management representative, an environmental and social sustainability representative, a transacting/coverage/project prep/Infrastructure Delivery Division (IDD) representative, a legal representative, and a

¹³ Available at <https://www.AE.org/about-us/igrm/about-AE-igrm>.

communications, marketing and events representative. The Compliance Review Committee focuses on the AE's accountability; namely, on whether it has or has not complied with its operational policies and procedures that affect or may affect local people directly, materially and adversely. This committee is made up of the compliance representative, the stakeholder management representative, an environmental and social sustainability expert, a transacting/coverage/project prep/IDD representative, and a legal expert.

74. The AE's E&S risk information access and disclosure policy is aligned to relevant national policy and legislation, and applies this to all countries it invests in. The AE and its client reach agreement on disclosure depending on the nature of the project and risk. This aligns with the GCF Information Disclosure Policy (IDP) requirements, except that the AE's disclosure is not specific on the number of days involved in the process. However, to date, the AE has complied with the requirements of the GCF IDP policy in terms of days for GCF projects and will continue to do so. The AE's client discloses project information to allow stakeholders to understand all project implications, any potential risks and impacts, and any anticipated development opportunities to accrue from it. It also disseminates information to stakeholders in a transparent, relevant, understandable and accessible format; discloses project information in relevant local languages and in an accessible and culturally appropriate manner; provides information responses addressing specific stakeholder interests that may be differently or disproportionately affected by the project including people living with disabilities, people who use different languages or cannot read, indigenous peoples and those with gender- and mobility-specific needs. The client provides stakeholders with access to the following information before the AE proceeds to project appraisal: the purpose, nature, scale and duration of proposed project activities; the potential project risks, stakeholder impacts and proposed mitigation measures to avoid and minimize any adverse impacts; the proposed stakeholder engagement process as defined in the SEP; the time and venue of any proposed public consultation meetings; the process to notify stakeholders of such meetings; how the meetings will be conducted, and how meeting will be disseminated to stakeholders; the process and channels to communicate any grievances and the turnaround time to address these grievances.

75. The AE's sample project documents include evidence on its practice on project-level GRM and E&S risk information disclosure.

76. The AP finds that the AE'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, GCF interim ESS standards and GCF IDP regarding E&S information disclosure requirements for maximum E&S risk category A/I-1 projects/programmes with respect to performance standards 2-8.

3.2.6. Organizational capacity and competency

77. The AE provided an organigram of its financing operations structure, which shows the ESSU comprising 10 environmental and social specialists. The head of the ESSU is the person responsible for oversight of quality control and ensuring procedures are followed. The AE provided the job descriptions of E&S specialists and including their curricula vitae. The AE's staff attended regular ESS and related training sessions provided by the International Finance Corporation during 2020/2021 and participated in webinars with its other partners.

78. The AE's responsibilities towards ensuring that the client complies with the DBSA ESSS include:

- (a) Reviewing client information relating to the project E&S risks and impacts, and requesting additional relevant information where there are gaps that prevent the DBSA from completing its due diligence;

- (b) Undertaking due diligence of proposed projects, proportionate to the nature and potential significance of project E&S risks and impacts;
- (c) Appointing appropriately skilled people to appraise projects and evaluate whether projects meet ESSS requirements;
- (d) Appraising the nature and significance of the projects' potential E&S risks and impacts, project implementation timeframes, and client capacity to develop and implement the project;
- (e) Providing guidance to assist the client in developing appropriate measures to address E&S risks and impacts in accordance with the ESSS;
- (f) Undertaking site visits and interacting with relevant key stakeholders, as appropriate; and
- (g) Identifying any measures and actions that the client needs to put in place to address identified E&S risks and impacts.

79. The E&S risk specialists often work together on safeguards for a single project, creating a first checking mechanism of peer review. Peer reviews (formal or informal) sometimes take place at the request of the specialist involved in the appraisal or monitoring and sometimes at the request of the unit head. Every two weeks all specialists meet and share anything noteworthy. Training sessions are held fairly frequently to share global good practices. There is a shared folder where all appraisal reports are placed, and all specialists have access to this folder for comparative analysis at any stage. There are informal quality control committees and formal committee systems established to review project appraisals dependent on risk – even the AE's board members have access to ESSS reports. The Operations Evaluation Unit provides guidance on appropriate indicators/targets and appropriate taxonomies and reporting mechanisms, and ensures projects set up appropriate monitoring mechanisms around key indicators. Because the AE acts as an agency for numerous funders and because it operates many credit lines, its ESSS procedures and reports are constantly under review from these funding partners. The AE has mechanisms at its disposal to involve external sector industry specialists as peer reviewers on projects, who can keep a critical eye on quality control and procedural control of safeguard reporting if deemed appropriate or necessary.

80. The AP finds that the AE's organizational capacity and competency to implement the ESMS, 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 2–8.

3.3 Gender

81. DBSA does not have any outstanding gender-related conditions from the previous accreditation term.

82. The AE provided a document on gender mainstreaming that outlines its gender strategy, which is supported by its gender-lens investment framework - a component of the AE's board-approved gender mainstreaming strategy. The AE's board and executives have added to this pressure by calling for its programmes to address inequality at all levels. Their feedback provides inputs into the strategy process and outlines the opportunities in infrastructure finance that the Bank could adopt and incorporate into its mainstream financing processes.

83. The AE's Environmental and Social Safeguards policy of March 2020 has adopted gender mainstreaming as one of its ten ESSS. As a development finance institution, the AE is mandated with creating an inclusive and sustainable society through improving the quality of life of all its clients and beneficiaries. To achieve this, the AE employs a gender lens to all

investments and interventions across all its projects. Gender equality is an important international, continental, regional and national goal that is recognized in Sustainable Development Goal 5 and which the AE aims to achieve through its role in infrastructure financing. The AE recognizes that gender inequality exposes individuals to different types of risk and impact from development projects, especially in areas of health, education, labour, water and sanitation, energy, transport, ICT and access to, benefits from and control of resources. This safeguard was adapted from the GEF, the African Development Bank and the Asian Development Bank, which have years of experience mainstreaming gender into their operations and supporting clients in their efforts to become more gender sensitive and responsive in their work. The gender mainstreaming safeguard standard helps ensure that the development process respects the dignity, human rights, economies and cultures of all individuals, regardless of their gender, sexual orientation, or gender identity.

84. The gender mainstreaming guidelines provide a framework for project sponsors or clients to follow to ensure that their proposals are gender sensitive and are ready to be considered fairly and equally by the AP's appraisal process. Clients are advised to discuss these gender frameworks with the project teams and institutional and social specialists at the AE to ensure that they understand the expectations on gender mainstreaming. When the gender legislation of a host country differs from the AEs ESSS, the client must achieve or implement whichever of the two is the more stringent.

85. The project will be screened during the project preparation stage, where the gender mainstreaming considerations of the project will be incorporated into the project concept and implementation plan. At the appraisal stage, the project sponsor must provide information to the AE project team to show that gender has been mainstreamed into the project life cycle. A social assessment/analysis by DBSA and the project sponsor will consider the gender-related project risks and impacts. A social assessment is undertaken to understand the context, risks and gendered effects of different sectors of society. Project alternatives may be advised where the adverse effects are significant. The project sponsor will need to ensure that at least one project team manager has basic gender training.

86. Meaningful consultation with all stakeholders related to the project ensures that the sponsors and beneficiaries share an understanding of the project objectives, the need for the project and the project implementation process. This process considers the differential access of women and men to consultation mechanisms, information preferences, work schedules, and mobility. The project sponsor will prepare a gender action plan based on the social assessment and the results of public consultations. The gender action plan will ensure that women and girls are considered in the project planning, implementation and monitoring processes. If there are adverse effects, the project sponsor will need to ensure that they are avoided, minimized, mitigated or compensated for. Finally, at the monitoring and evaluation phase, the project sponsor will provide the AE team with the final information regarding the impact of gender mainstreaming throughout the project lifecycle. This process will be conducted in collaboration with the AE's institutional and social analysts. The AE will provide the project sponsors with sufficient, but reasonable, support to complete this process when applying for financing.

87. The AE has also developed a "Gender Appraisal Guide". The gender marker is intended to differentiate deals/projects by focusing on those that have a greater impact on reducing the gender gaps through the following: making strategic use of the AE's gender resources; and better accounting for the actions and resources the AE is dedicating to gender mainstreaming.

88. The AE provided its organizational structure indicating the placement of the gender experts and their curricula vitae, as well as the gender training material.

89. The AE provided a sample of its gender analysis and action plan, which includes an assessment of the linkages between gender and climate change and reflects the requirements for non-discrimination in terms of the remuneration paid to workers.

90. The AP finds that the AE's gender policy, procedures, capacities and competencies, supported by evidence of its track record, fully meet GCF's Updated Gender Policy and Gender Action Plan 2020–2023.

IV. Conclusions and recommendation

4.1 Conclusions

91. Following its assessment, the Secretariat concludes the following in relation to the application:

- (a) DBSA will continue to contribute to GCF programming results under the orientations of the Updated Strategic Plan (USP). The entity's work reflects the priorities of participating countries, as already indicated in four draft country programmes recently shared with the GCF. The support is strengthened by discussions of the GCF Secretariat with relevant national designated authorities. The AE pipeline is focused on adaptation and mitigation interventions, as exemplified by its proposed water-sector interventions across Southern Africa, and energy-focused proposals in countries such as South Africa and Zambia.
- (b) DBSA projects are at an early stage of implementation and are yet to register any results against the adaptation and mitigation targets; and
- (c) While the COVID-19 pandemic has contributed to implementation delays, DBSA may consider the need to strengthen reporting and due diligence capacities, as described in Section 2.2.

92. Despite the above challenges, DBSA remains an important regional partner for GCF and has capacity and potential to support implementation of the GCF USP.

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

- (a) The AE meets the requirements of the GCF basic fiduciary standards, the GCF Policy on the Protection of Whistleblowers and Witnesses, the GCF Policy on Prohibited Practices, the GCF AML/CFT Policy, the specialized fiduciary standard for project management, the specialized fiduciary standard for grant award and funding allocation mechanisms, and the specialized fiduciary standard for on-lending and blending for loans, equity and guarantees;
- (b) The AE meets the GCF Environmental and Social Policy, GCF interim ESS standards and the GCF IDP on disclosure of E&S information in relation to the high E&S risk (category A/I-1)]; and
- (c) The AE has demonstrated that it has a policy, procedures and competencies in order to implement its gender policy, which is found to be consistent with the GCF Updated Gender Policy and Gender Action Plan 2020–2023, and has demonstrated that it has experience in gender consideration in the context of climate change.

4.2 Recommendation on re-accreditation

94. The AP recommends, for consideration by the Board, DBSA for re-accreditation for its second term as follows:

- (a) **Accreditation type:**

-
- (i) **Maximum size of an individual project or activity within a programme:** large (including micro, small and medium);
- (ii) **Fiduciary functions:**
- (1) Basic fiduciary standards;
 - (2) Specialized fiduciary standard for project management;
 - (3) Specialized fiduciary standard for grant award and funding allocation mechanisms; and
 - (4) Specialized fiduciary standard for on-lending and blending (for loans, equity and guarantees);
- (iii) **Maximum environmental and social risk category:** high risk (category A/I-1) (including lower risk (category B/I-2¹⁴ and category C/I-3¹⁵)); and
- (b) **Conditions: none.**
95. The AE has been informed of the recommendation for accreditation, including the accreditation type, as identified in paragraph 94 above, and agrees to the recommendation.

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 V: Re-accreditation assessment of International Union for Conservation of Nature (RAPL031)

I. Introduction

1. International Union for Conservation of Nature (IUCN) is an international entity headquartered in Switzerland. It is a non-profit organization that operates internationally in over 150 countries with a wide range of members and partners, including States and government agencies, non-governmental organizations (NGOs), scientists and experts to find practical solutions to environment conservation and sustainable development challenges. It has a strong presence in countries in transition, least developed countries (LDCs) and small island developing States (SIDS) through its regional offices. Its overall programme of work focuses on valuing and conserving nature, ensuring effective and equitable governance of its use, and deploying nature-based solutions to global challenges such as climate change. The AE does this by undertaking and supporting scientific research, managing and implementing field projects on the ground and bringing together various stakeholders to develop and improve policies, laws and best practices. The accredited entity (AE) intends to add significant value to the GCF by implementing its mandate to build capacity, especially in relation to its national government and NGO members.

2. IUCN was accredited by the Board on 8 March 2016 in decision B.12/30, paragraph (b), and signed its accreditation master agreement (AMA) with GCF on 11 October 2016, which became effective on 11 January 2017, for the following parameters, as recommended by the Accreditation Panel (AP), under the fit-for-purpose approach of the GCF:

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

3. The AMA became effective on 11 January 2017, and the AE's first accreditation term is from 11 January 2017 to 10 January 2022. The AE submitted its application for re-accreditation

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."

to GCF via the digital accreditation platform on 11 June 2021. Accreditation fees were not applicable because the AE is seeking re-accreditation for the same accreditation scope that it was previously accredited for; thus, the stage I institutional assessment and completeness check commenced upon submission of the re-accreditation application. Stage I was completed on 25 July 2021 and the AE was progressed to the stage II (step 1) accreditation review by the AP, which has been concluded with the publication of this assessment. The AE has applied for the same accreditation scope that it was previously accredited for:

- (a) **Access modality:** international access;
- (b) **Track:** fast track under the GEF;
- (c) **Maximum size of an individual project or activity within a programme:** medium;⁴
- (d) **Fiduciary functions:**⁵
 - (i) Basic fiduciary standards;
 - (ii) Specialized fiduciary standard for project management; and
 - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
- (e) **Maximum environmental and social risk category:** medium risk (category B/intermediation 2 (I-2)).⁶

II. Stage I institutional assessment and completeness check

4. The AE is eligible for, and applied under, the fast track re-accreditation process as a GEF entity. Its application has been assessed by the Secretariat during stage I in accordance with the requirements and gaps identified in decisions B.08/03, 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) “Updated Strategic Plan for the GCF: 2020–2023” (decision B.27/06);
- (b) “Matters related to the accreditation framework” regarding the re-accreditation process (decisions B.24/13 and B.26/01);
- (c) “Guiding Framework and Procedures for Accrediting National, Regional and International Implementing Entities and Intermediaries, Including the Fund’s Fiduciary Principles and Standards and Environmental and Social Safeguards” (decision B.07/02);
- (d) “Guidelines for the Operationalization of the Fit-for-purpose Accreditation Approach” (decision B.08/02);
- (e) “Policy on Prohibited Practices” (decision B.22/19);

⁴ 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.”

⁵ Decision B.07/02.

⁶ 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.”

- (f) “Anti-Money Laundering and Countering the Financing of Terrorism Policy” (AML/CFT Policy) (decision B.18/10);
- (g) “Policy on the Protection of Whistleblowers and Witnesses” (decision B.BM-2018/21);
- (h) “Environmental and Social Management System: Environmental and Social Policy” (decision B.19/10);
- (i) “Comprehensive Information Disclosure Policy of the Fund” (decision B.12/35) regarding the disclosure of environmental and social information; and
- (j) “Updated Gender Policy and Gender Action Plan 2020–2023” (decision B.24/12).

2.1 Legal status, registration, permits and licences

5. The AE provided documents on its establishment and licences to operate, where relevant, as a part of the application. The AE confirmed that it is willing to engage on amending the AMA to account for new GCF policies adopted after the initial accreditation and will put in place the necessary resources to review the draft AMA.

2.2 Accredited entity performance in contributing to GCF programming results

2.2.1 Approved GCF projects under implementation and national designated authority participatory monitoring

6. As at 31 July 2021, the GCF has approved six funded activities (FP087, FP113, FP124, FP131, FP151 and FP167) with a total budget of USD 165 million. These activities are a mix of adaptation, mitigation and cross-cutting projects in several countries and continents. The total approved funding for IUCN projects is USD 231.5 million, including co-financing. To date USD 9.5 million of the GCF approved funding amount has been disbursed, which represents only 9.17 per cent of approved GCF funds for the four approved projects under implementation. IUCN’s engagement with GCF also includes five approved grants under the Readiness and Preparatory Support Programme (Readiness Programme). These five grants, which are not for national adaptation plans, are made under the Project Preparation Facility (PPF028, PPF037, PAK RS004, BFA RS001 and CMR RS001) with the first three being managed by the United Nations Office for Project Services (UNOPS). In total USD 1.5 million has been disbursed representing 68 per cent of approved GCF funding.

7. IUCN submitted FP151: Global Subnational Climate Fund (SnCF Global) – Technical Assistance (TA) Facility at B.27, which was subsequently approved by the Board. This was a joint submission with FP152: Global Subnational Climate Fund (SnCF Global) – Equity, by Pegasus Capital Advisors. FP151 channels USD 18.5 million of GCF funding out of the total USD 28 million grant funding for the technical assistance component of the total USD 778 million SnCF Global, with Pegasus Capital Advisors handling the USD 750 million equity component.

8. The SnCF Global targets results areas in energy access & power generation; buildings, cities and industries & appliances M1, M3 and M4 with strong adaptation co-benefits in 42 countries spanning Africa, Asia-Pacific, Eastern Europe and Latin America and the Caribbean. These target countries include the priority groups of SIDS, LDCs, and African States. The SnCF Global’s business model is designed to attract primarily private institutional investment and to deliver certified climate and sustainable development impacts and nature-based solutions at the global scale. The SnCF Global, with its deal size ranging from USD 5 million to USD 75 million, is designed to overcome project-level barriers and limitations in attracting private investment, which is known to lead to underfunding of bankable mitigation and adaptation

projects at the subnational level, where 70 per cent of known climate solutions are located. This will be achieved in cooperation with national designated authorities and local stakeholders via virtual stakeholder engagement events that ensure alignment with all eligible countries' nationally determined contributions.

9. The SnCF Global represents a positive disruptive solution showing how subnational climate projects can be structured, de-risked and funded by both private and public investors, as well as being monitored and benchmarked at the highest level of quality. This is the first time an impact equity fund has mobilized public (20 per cent) and private sector (80 per cent) funding at scale to de-risk subnational medium-scale infrastructure projects.

10. FP151 became effective on 20 April 2021 and the first disbursement was made on 26 May 2021.

11. **Project implementation progress:** Overall, project implementation in two (FP087, FP113) of the approved funded activities has started, while two (FP113 and FP131) are in the preparatory stage and have not yet submitted of annual performance reports (APRs). The remaining approved project (FP151) only became effective in April 2021, so no information is available yet on implementation. Regarding the Readiness grants, the two grants managed by GCF are completed, while the three grants under UNOPS management are under implementation.

12. For the funded activities, the AE had requested extensions for the submission of the key reports soon after project commencement, because all the projects commenced implementation during the onset of the COVID-19 pandemic, which affected development projects globally. The AE has submitted one APR for the first project (FP087) in 2020 and requested waivers for APRs for FP113 and FP124 because those projects only became effective in 2020. The remaining two projects are yet to require APR submissions.

13. For the Readiness grants, the two grants managed by GCF have received no-cost extensions (NCEs), with BFA-RS- 001 having received two NCEs for a duration of 7 and 3 months. CMR RS 001 received one NCE for a duration of 10 months. Out of the three grants managed by UNOPS, one grant (PAK-RS-004) has received a 6-month COVID-19 blanket extension.

14. **Reporting:** There has been little reporting for the funded activities, because most of the projects under IUCN's oversight are just entering implementation. In terms of the quality of reporting, the AE is quite timely in requesting extensions and also in seeking guidance and clarifications regarding reporting obligations under the funded activity portfolio. For submitted reports, the quality of reporting is above average with detailed reporting and clarity of information. In terms of communication, the focal point is very responsive and proactive in reaching out to the GCF Secretariat and, compared with other AEs, the turnaround time is efficient.

15. The AE explained implementation delays in the funded activity for FP087 as follows:

- (a) The main challenge faced during 2020 was the COVID-19 pandemic, which seriously hindered travel and in-person events for all the projects. These restrictions prevented the project management units and executing partners from visiting the project area and holding face-to-face meetings with beneficiaries and stakeholders; and
- (b) Changes in the political architecture in Guatemala caused disbursement delays.

16. For the Readiness grants, there have been marked delays in the submissions of the required interim progress reports and completion reports. The reporting timelines differ between the grants managed by GCF and UNOPS; however, significant delays have been observed for report submissions. The quality of reporting can be rated as slightly above average for all the grants. For the two grants managed by the GCF Office of Portfolio Management, the

reports are generally of good quality, while the quality of reporting for those under UNOPS management is mixed.

17. For the Readiness portfolio, the challenges include non-compliance with reporting timeline obligations regarding grants under implementation and reporting for the Readiness grant (PAK-RS-004) under UNOPS management; and non-submission of the BFA-RS-001 progress reports. In addition, a slow expenditure rate has been observed for the PAK-RS-004 grant. While the grant was extended by USD 6 million, the AE has indicated the intention to submit further requests for changes to the proposal. Moreover, although the project has been under implementation for at least 18 months, only 50 per cent of the funds provided to date (first tranche) has been used.

2.2.2 Entity work programme or inclusion in the country programme of concept notes, funding proposals and Project Preparation Facility requests

18. **Country programme/entity work programme (EWP):** IUCN has submitted the first draft of its EWP for the first replenishment period of GCF (GCF-1). The draft document is currently undergoing the Secretariat's review. An initial light review of the current draft of the EWP suggests that the EWP clearly explains the comparative advantages of the AE and the added value to GCF as a partner. However, improvements need to be made to the articulation of the programming strategies for the GCF-1 period and, more specifically, how IUCN's programming will contribute to GCF achieving its goals and priorities set out in the updated Strategic Plan for the GCF (USP). Additionally, the AE's approach to ensuring country ownership and its strategy to support and engage direct access entities (DAEs) in its programming needs to be elaborated. The EWP proposes to bring forward three new proposals in addition to the concept notes (CNs)/funding proposals already submitted. The funding amounts and instruments are yet to be determined.

19. **Concept notes/funding proposals:** As at 31 July 2021, the AE has 1 funding proposals in the pipeline at a total volume of USD 60 million in an African LDC. The funding proposals is cross-cutting, with approximately 25 per cent of funding for mitigation and 75 per cent for adaptation. In addition, there are eight CNs in the pipeline at a total volume of USD 348.6 million of which 19 per cent contribute to mitigation and 81 per cent to adaptation. There are four CNs (USD 155.5 million) in LDCs and one CN in a SIDS (USD 50 million). Seven CNs (USD 337 million) are in Africa and the rest are in Asia-Pacific and one CN (\$11M) is in Latin America and the Caribbean.

20. The quality of entry of the proposals and the AE responses has been mixed. There are three CNs with weak quality at entry that have been reviewed by the Secretariat and require further enhancement in terms of consistency, paradigm shift and innovation in each of the targeted result areas.

21. IUCN should focus on its strengths and unique position; hence, projects outside its main focus areas (e.g. REDD-plus interventions) should not be submitted. The AE is encouraged to design transformational projects where it can influence policy-making and transformation on the ground. Additionally, linkages and cooperation with private sector entities should be further explored and expanded.

2.2.3 Risk flags incurred by the projects, AE or country during the previous accreditation term

22. It is too early to indicate any risk flags on the IUCN funded activity portfolio because almost all of the projects are just starting implementation. However, the AE is quite responsive and eager to respond to comments and always seeking guidance on areas that are unclear. However, for the Readiness grants under UNOPS management, IUCN needs to ensure

compliance with the reporting obligations as well as timely communications on issues relating to grants under implementation that might request waiver or extension approvals.

23. IUCN's Commission on Environment, Economic and Social Policy and its gender equality and women's empowerment (GE&WE) policy are globally recognized with implications for enhancing environmental and social and gender-responsive principles/standards. IUCN's funded activity portfolio is still at its early stages with nearly all its projects just starting implementation. Therefore, there are no risk flags at this stage.

2.3 International access entity contribution to building the capacity of direct access entities

24. In line with the AMA clause 15.02(c)(ii), the AE has reported, on an annual basis covering 2017–2020, on various types of support it has provided to the GCF DAEs as well as potential local, national and regional level entities for accreditation. The reports provided by IUCN show that the AE has provided support to 10 DAEs/potential entities in Oceania and five countries/regions (Bangladesh, Burkina Faso, Guatemala, Nepal and West Africa). The types of support from IUCN included engaging these entities as partners/executing entities to build their track record; technical support to prepare proposals for GCF; building familiarity with GCF policies, modalities and investment criteria; and technical support to meet the GCF accreditation requirements.

2.4 Overall portfolio of activities of the accredited entity beyond those funded by GCF

25. As per the USP,⁷ the re-accreditation process,⁸ and the monitoring and accountability framework,⁹ the Secretariat and the AP are requested to provide an assessment of the extent to which the overall portfolio of activities of the AE beyond those funded by GCF has evolved during the accreditation period, in order to advance the goal of GCF to promote the paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development.

26. IUCN has provided information on the climate change related projects financed by various multilateral and national funds and entities, such as the Agence Française de Développement (AFD), GEF and the European Commission. During the accreditation period under GCF, the donors' contribution for adaptation, mitigation and cross-cutting projects increased from USD 174 million to over USD 413 million, while the total project budget increased from USD 468 million to USD 833 million. Currently, there are six projects in implementation financed by GCF, amounting to USD 71 million, and several CNs and draft funding proposals in the stage of consideration by GCF.

27. The AE provided the following information with regard to the guiding questions established in the baseline methodology:

(a) **Guiding question 1. Has the AE established policies or commitments in the short, medium or long term regarding investment in climate change projects?**

- (i) Over the period of accreditation, IUCN has drawn attention to the critical role that the world's ecosystems – and their conservation, restoration and sustainable management – can play in providing practical and effective nature-

⁷ Decision B.27/06 and annex VI thereto.

⁸ Decision B.24/13 and annex XXVI thereto.

⁹ Decision B.11/10 and annex I thereto.

based solutions for both climate change mitigation and adaptation. In this regard, it has established commitments in the short, medium and long term regarding investment in climate projects, as provided in its document “Programme for the Union 2021–2024/Nature 2030”, adopted in February 2021;

- (ii) IUCN’s ambition is that over the 2021–2030 decade the 1,400+ States, government agencies, indigenous peoples and NGO members of IUCN, together with its network of 16,000+ scientists and its secretariat will mobilize collectively around delivering a clear and demonstrable contribution to the Sustainable Development Goals (SDGs), the post-2020 global biodiversity framework and the Paris Agreement;
- (iii) Specifically, its Programme for the Union 2021–2024 aims to support a vision of limiting temperature rise to 1.5°C through future investments in climate projects with the following impact targets:
 - i. Countries use nature-based solutions and innovations in financing to scale up effective adaptation to the impacts of climate change, with the aim of leveraging private sector investment to amplify the impact over that from public finance targeted for nature-based solutions;
 - ii. Countries scale up nature-based solutions to reach climate mitigation targets, with the aim that countries apply nature-based solutions to contribute to at least 30 per cent of the overall climate mitigation required by 2030; and
 - iii. Responses to climate change and its impacts are informed by scientific assessment and knowledge to avoid adverse outcomes for nature and people, with the aim of informing and transforming decision-making on climate responses to benefit both people and nature, including climate investments; and
- (iv) The AE has not invested in coal-related power plants or coal mining activities.

(b) **Guiding question 2. Does the AE receive resources from third parties for the financing of climate projects?**

- (i) IUCN has provided substantive information on climate change related projects financed by fourteen (14) donors, such as the AFD, GEF, the World Bank and the European Commission;
- (ii) It has provided quantitative information on funds received over the period of accreditation and on the status of IUCN’s current portfolio of climate change projects, which totals USD 413 million, as of August 2021;
- (iii) The AE also provided information of the relative size of the currently active projects, indicating that the climate-related portfolio has grown from 62 projects in 2017 to 141 in 2021 (an increase of 227 per cent), whereas the overall portfolio increased from 233 to 473 projects in the same period (an increase of 203 per cent). The funding for climate-related projects also more than doubled in the period; and
 - (ii) Around half of current funding is climate-focused. Currently, there are six projects in implementation financed by GCF, amounting USD 71 million.

(c) **Guiding question 3: Does the AE calculate and reduce its greenhouse gas emissions?**

- (i) IUCN explained to the AP that its carbon footprint is estimated and monitored at the global institutional level. A file detailing the carbon dioxide (CO₂) estimates was provided, indicating approximately 1,202 tonnes of CO₂ (tCO₂) emitted as a result of IUCN operational activities in 2020. In addition, IUCN noted that it offsets CO₂ emissions relating to staff travel; and
- (ii) IUCN also estimates the direct and indirect emission reduction impacts of its portfolio projects over a 20-year lifespan. In the agriculture, forestry and other land use sector, IUCN makes use of the EX-Ante Carbon Balance Tool (EX-ACT), developed by the Food and Agriculture Organization of the United Nations, to estimate the ex-ante contribution of projects to greenhouse gas (GHG) emissions and reductions.
- (d) **Guiding question 4. Does the AE evaluate the climate risks of its portfolio?**
- (i) The AE's environmental and social management system (ESMS) is used for screening for the risks inherent to project design and implementation, including risks relating to climate change and its impacts (e.g. historic, current and future trends in climate variability and sensitivity, shifts in the biophysical conditions triggered by climate change, potential impacts of climate variability on project effectiveness, the risk of maladaptation and the impact of the proposed project on the adaptive capacity of ecosystems and communities). Currently, all IUCN projects over 1 million Swiss francs that are implemented on the ground must pass this screening in order to receive approval. The AE provided a sample of three (3) projects for which a climate change vulnerability assessment exists.
- (e) **Guiding question 5. What are the main sectors of activity of the AE?**
- (i) IUCN focuses on the conservation, restoration and sustainable management of ecosystems and how these activities translate into nature-based solutions for both climate change mitigation and adaptation; and
- (ii) In terms of the sectoral distribution of the climate-related portfolio, IUCN described its plans to track and monitor results related to its Nature 2030 programme. Starting in 2021, it will report annually on the number of projects (and associated investment) that focus on nature-based solutions for adaptation and for mitigation, and on the contributions of the projects to knowledge and capacity-building, policy influencing and/or policy implementation. It will also provide the appropriate methodology for continued reporting on results for climate change, disaggregated to the extent possible by mitigation and adaptation.
- (f) **Guiding question 6. Is the AE investing in mitigation projects/operations?**
- (i) Agriculture, forestry and other land use projects account for the majority of IUCN's current portfolio of projects focused on climate mitigation. Both direct and indirect emission reduction impacts from project interventions are estimated over a 20-year lifespan. Two (2) examples of active IUCN/GEF projects using EX-Act calculations were provided by the AE:
- GEF ID 9417 – Restoring ecological corridors in Western Chad to mitigate climate change: the project includes a direct GHG mitigation target of 705,685 tonnes of carbon dioxide equivalent (tCO₂eq); and
 - GEF ID 9518 – Building climate resilient green infrastructure: enhancing ecosystem services of planted forests in China through forest landscape restoration and governance innovation; a project that includes GHG targets

of 3.65 MtCO₂eq by direct mitigation plus 7.63 MtCO₂eq by indirect mitigation; and

- (ii) IUCN is currently analysing its portfolio to quantify the expected investment in 2022 for each key output for adaptation and mitigation. This work is expected to provide a baseline of the portfolio investment in mitigation and adaptation and to inform the appropriate methodology for continued reporting on investments and results for climate change, disaggregated by mitigation and adaptation to the extent possible, and reported on an annual basis to IUCN stakeholders including the GCF.

(g) **Guiding question 7. Is the AE investing in adaptation projects/operations?**

- (i) The AE actively seeks climate adaptation projects. It has been primarily focusing on biodiversity conservation and resilience investments, framed around three thematic actions/priorities: climate impacts on nature; nature-based solutions; and inclusive climate actions. IUCN has also supported the inclusion of nature-based solutions and ecosystem-based adaptation within national adaptation plans and national adaptation programmes of action, and supported their implementation in a number of developing countries;
- (ii) IUCN is currently analysing its portfolio to quantify the expected investment in 2022 for each key output for adaptation and mitigation. This work is expected to provide a baseline of the portfolio investment in mitigation and adaptation and to inform the appropriate methodology for continued reporting on investments and results for climate change, disaggregated by mitigation and adaptation to the extent possible, and reported on an annual basis to IUCN stakeholders including the GCF.

28. On the basis of the information presented by the AE, which has been analysed as part of the re-accreditation assessment, the AP notes the following:

- (a) The strategic direction for IUCN is set out in the Nature 2030 programme, which outlines the mandate, vision and programmes for IUCN to attract and manage resources for nature-based climate solutions. The strategic plan of the AE aligns with the GCF mandate and objectives and the USP to promote the paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development and efforts to eradicate poverty;
- (b) As stated under guiding question 1 above, the AE has never been involved in fossil fuel financing in the past and no activities of this kind are planned for implementation in the future; and
- (c) As stated under guiding question 2 above, the climate change projects make up 50 per cent of the current funding portfolio of the AE.

29. The AP considers that the evidence provided for the first accreditation term demonstrates the continuous positive trend of developing climate change mitigation and adaptation and cross-cutting activities. Both the strategy and the trend of activities are aligned with the GCF mandate and objectives.

III. Stage II accreditation review assessment

30. The AE is eligible for, and applied under, the fast track re-accreditation process as a GEF entity. Its application has been assessed by the AP during stage II (step 1) against the accreditation standards of the 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 re-accreditation requirements in paragraph 4 above.

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

3.1 Fiduciary standards

32. IUCN does not have any outstanding fiduciary conditions from the previous accreditation term.

3.1.1 Basic fiduciary standards: key administrative and financial capacities

33. There are no specific changes indicated by IUCN and observed by the AP in the systems and policies or procedures related to the key administrative and financial capacities. As per paragraph 30 above, the basic fiduciary standards concerning key administrative and financial capacities are considered to have been met by way of fast track accreditation.

34. IUCN's governance structure, as described in the IUCN Statutes, consists of the Members' Assembly (1,400 organizations) which meets every four years at the World Conservation Congress and which elects a Council made of representatives of the members and commissions of experts. The Council provides oversight to the secretariat, which is led by a Director General, appointed by the Council. The IUCN's organizational chart provides the evidence of IUCN's management capacity in terms of thematic programmes, financial management, corporate services and regional presence. The governance structure is considered to be in line with GCF basic fiduciary requirements.

35. IUCN has a formal goal-setting process in place. For 2021–2024, an iterative process involving several rounds of consultation has delineated core priorities, which were provided in the document Programme for the Union 2021–2024. IUCN has developed its programme impact framework by 2030 under the 2021–2014 programme document. The framework contains specific organizational impact targets and related SDG indicators.

36. The IUCN programme is implemented by its secretariat with support of members and commissions. It prepares a detailed annual plan, within the quadrennial programme, supported by a related budget. Each year management and budget reports are prepared at the secretariat level, under the coordination of the Director General, and distributed to members of the Council and the Congress, which includes financial reporting.

37. IUCN has in place a clear and complete set of financial statements that provide information on the statement of assets, liabilities and fund balances; statement of income and expenses; statement of changes in reserves and fund balances; and other notes to accounts. IUCN carries out a review of its financial statements by using an independent external auditor. Audited financial statements for 2019 and 2018 were provided and demonstrated the opinion of the external audit firm. The AP therefore concludes that the resources, systems and procedures for financial management and accounting are in place continue to meet the GCF requirements.

38. The IUCN Office of Internal Oversight Services (OIOS) oversees the work of the internal audit function, as well as the external audit firm as it relates to the audit of financial statements, control systems and reporting. The AE has provided the Investigation Manual of September 2020, developed to support investigation work by OIOS. The AE's external audit is conducted in accordance with the internationally recognized standards.

39. IUCN ensures regular oversight of the procurement function with consistent monitoring by the Procurement Officer. Its procurement policy includes the requirement for contract

opportunities and contract awards to be published on the IUCN website. The Procurement Officer conducts annual procurement compliance reviews and procurement activities are audited externally. The AE provided evidence on consistent monitoring and follow-up on review reports, proving that a risk management process exists and allows management to identify, assess and address existing or potential issues that may hamper compliance. Examples of procurement practices were provided, as well as the weblink for complaint and dispute resolution procedures available on the IUCN website.

40. The AP concludes that the basic fiduciary standards concerning key administrative and financial capacities are considered to have been met by the AE.

3.1.2 Basic fiduciary standards: transparency and accountability

41. As per paragraph 30 above, the basic fiduciary standards concerning transparency and accountability have been met by way of fast track accreditation, with the exception of the policy on whistleblowing and prohibited practices, the investigation function, and AML/CFT policies.

42. Regarding the policy on whistleblowing and prohibited practices, the AE has had an anti-fraud policy since 2014 as well as a Code of Ethics, both of which meet 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. The AE's policies include provisions related to whistleblower protection and individuals reporting such violations, as well as investigative procedures and structures to receive, investigate and deal with the allegations of prohibitive practices.

43. The investigative function is under the responsibility of Head of Oversight within the OIOS. IUCN recently updated (2020) its mandate for internal audit and investigation functions through two new charters, the IUCN Charter for Internal Audit and IUCN Charter for OIOS Investigations, bringing the function closer to international standards. Procedures to be used to investigate violations against the IUCN's anti-fraud policy, Code of Ethics and related standards have been complemented by two new operational manuals for internal audit and investigations published in September 2020. Investigation activity has been sufficiently demonstrated by the AE: several investigations over integrity events have taken place between 2014-2021. An increase in integrity events was reported in 2020; the AE has informed the AP that this is partly explained by improved capacity to log integrity incidents and enhanced risk management. As stated above, the AE has taken steps to modernize its investigation procedures.

44. The AE adopts procedures in line with the GCF AML/CFT Policy and the GCF Policy on Prohibited Practices, including 'know-your-customer' processes and procedures for the due diligence of its partners. However, the AE does not have a formally approved AML/CFT policy, which is required by the GCF.

45. As per paragraph 30 above, the basic fiduciary standards on transparency and accountability are considered to have been met by way of fast track accreditation. The AP finds that the AE's policies, procedures and capacity and track record partially meet the GCF Policy on the Protection of Whistleblowers and Witnesses, the GCF Policy on Prohibited Practices and the GCF AML/CFT Policy. The relevant gap is identified in paragraph 44 and is reflected by the same condition as those for re-accreditation in section 4.2.

3.1.3 Specialized fiduciary standard for project management

46. As per paragraph 30 above, the specialized fiduciary standard for project management is considered to have been met by way of fast track accreditation.

47. IUCN has over 1000 staff based in 40 offices worldwide. Its secretariat is organized with regional offices liaising with countries and members, and global thematic programmes which

provide overall technical guidance to the IUCN on areas of its programme. Project management is considered the primary means for the IUCN secretariat to deliver the interventions that will achieve the objectives of the IUCN programme and GCF. The IUCN delegation of authority policy regulates the delegation of authority from the Director General to directors, heads of cost centre and other managers, to ensure the highest risk-informed programmatic efficiency and effectiveness. The Project Guidelines and Standards document outlines for each procedure where appraisals and approvals have to be escalated to higher levels of authority within the function. The AE provided its Project Guidelines and Standards document, which establishes a road map and provides the toolkit for identifying, reviewing, selecting, planning, implementing, monitoring, evaluating and closing IUCN projects.

48. IUCN's project management phases follow established best practice in project cycle management and are aligned with the expectations of the sponsors, whether donors or clients, of IUCN projects. The IUCN life cycle comprises the following stages: (1) identification and conceptualization; (2) project development (status A); (3) contracting (status B); (4) implementation and monitoring (status C); and (5) evaluation and closure. Throughout the life cycle of every project, IUCN ensures that technical, financial, economic and legal aspects, as well as possible environmental, social and climate change aspects, are examined and managed. Monitoring is done at the project, portfolio and programme level. The Project Guidelines and Standards document defines the principles for engaging with internal stakeholders and gives access to tools for external engagement.

49. Regarding its track record of capability and experience in the identification and design of projects or programmes, IUCN has provided examples of project appraisal documents in different jurisdictions where identification and design of projects or programmes has taken place, including a GCF-funded project in Guatemala and a GEF-funded project concerning peatlands in Cambodia.

50. The AP finds that the policies, procedures and capacity of the AE, 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 funding allocation mechanisms

51. IUCN's overall approach to grant awards has remained the same since its original accreditation. The AE's grant processes address species, habitat and ecosystem conservation needs and issues, and they have been co-financed by various philanthropic organizations, or bilateral/multilateral institutions such as the European Union and GEF.

52. Policies and procedures for grant awards are consolidated in the AE's Grant Making Operations Manual, which contains procedures for evaluating proposals and awarding grants and the terms of reference of the AE's Steering Committee, including provisions for calls for security and confidentiality, criteria for exclusion, eligibility, legality, selection and evaluation. Recent examples of the grant notices and the publication of grant award decisions were provided, demonstrating that the public access to information on beneficiaries and results is guaranteed.

53. IUCN's grant award framework also includes provisions about transparency of financial resources allocation, including guidelines on eligibility of activities to be supported by grants, procurement rules and procedures required to be applied by the grant beneficiary, and monitoring of the implementation of individual projects under the grant awards. Grants awarded by the entity are subject to AML/CFT procedures. Regarding the AE's practices, reports of missions and site visits aimed at supporting grant beneficiaries and at disseminating best practices were provided, reflecting that IUCN is implementing its systems, policies, procedures and capacities with regard to grant making.

54. IUCN has solid experience as a grant-making agency. Evidence has been provided in relation to its extensive expertise (staff in countries, regions and global programmes, commissions and membership) and knowledge mobilized in support of grant-making mechanisms and of specific grants/projects. Because of its role in conservation policy at the global, regional, national and local level, and of its close relationship with government and government agency members, IUCN is in the position to link field activities supported by the grant-making mechanisms with policy processes.

55. The AP finds that the AE's policies, procedures and capacity, supported by evidence of its track record, fully meet the specialized fiduciary standard for grant awards.

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

56. The AE did not apply for re-accreditation for this standard at this time.

3.2 Environmental and social safeguards

57. IUCN does not have any outstanding conditions related to environmental and social safeguards (ESS) from the previous accreditation term.

3.2.1 Environmental and social policy

58. IUCN's environmental and social management framework (ESMF) is provided within its Environmental Management System Manual, which has been endorsed by senior management in 2016 and is available on its website. The policy commits the IUCN to the following: taking a rights-based approach; protecting the needs of vulnerable groups; gender equality and empowerment of women; stakeholder engagement; free, prior and informed consent; accountability; and the precautionary principle. The ESMS is consistent with operational policy 4.01 of the World Bank and the GEF policy on agency minimum standards on ESS, and has also been influenced by the environmental and social performance standards of the International Finance Corporation.

59. The AE has recently updated its ESMS with three guidance notes that support implementation regarding stakeholder engagement; the grievance redress mechanism; and assessment, management and monitoring of environmental and social (E&S) risks. With these enhancements, the entity's ESMS is now more closely aligned with the International Finance Corporation Performance Standard on Risk Management (PS1) and its requirements for the scope and nature of activities undertaken by the IUCN, particularly with regards to labour (PS2), resource efficiency (PS3) and community (PS4).

60. IUCN's indigenous peoples standard was revised in 2019, with additions relating to peoples living in voluntary isolation and to access to a culturally appropriate grievance redress mechanism. A guidance note is currently in preparation and it will reflect these changes. The correspondence and consistency between the IUCN ESMS, the indigenous peoples standard and the new guidance note with the principles of the GCF Indigenous Peoples Policy has been confirmed by an independent ESS expert.

61. IUCN's policies on climate change include Resolution 56,¹⁰ which calls on IUCN's members to strengthen their efforts towards implementing the Paris Agreement, including through ecosystem-based approaches, and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels. It also calls on the IUCN secretariat to support, as appropriate, IUCN members, commissions and programmes that are assisting Parties to the

¹⁰ Available at <https://portals.iucn.org/library/sites/library/files/documents/IUCN-WCC-6th-005.pdf>.

Paris Agreement with the implementation of their nationally determined contributions. At the project level, detailed climate risk screening is done at the concept and proposal stages of project development. On each of its projects, IUCN measures GHG emissions reduction potential and tracks this throughout the project life. The AE does not support coal-related power plants or coal mining activities.

62. The AP finds that the AE's ESMS, 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 B/I-2 projects/programmes with respect to performance standards 1–8.

3.2.2 Identification of environmental and social risks and impacts

63. IUCN has an institution-wide ESMS which is consistent with good international practice and which explicitly commits the IUCN to assessing cumulative and associated facilities impacts and to applying a mitigation hierarchy to manage impacts. The AE updated its ESMS in 2020 with a guidance note that supports the implementation of monitoring of E&S risks. The guidance note complements the policies and procedures established in the ESMS manual by providing more detailed guidance for the identification and management of E&S risks. The guidance note also provides guidance on exclusion and other project design decisions in order to avoid or mitigate risks and guidance for measures to mitigate or compensate risks.

64. Suitable evidence relating to the E&S risks and impact identification has been provided, including a screening template and screening reports from 2017, 2018 and 2020 for several category B/I-2 projects/programmes, including two climate resilience enhancement projects, in Sri Lanka and in Nepal, and a drylands sustainable management project in Burkina Faso. Also, the AE has provided its Annual ESMS Risk Report drawn from the IUCN Project Portal, demonstrating its track record on monitoring E&S risk status and making data partially available to the public. The AE explained that the portal will be further refined, including indicating further ESMS data.

65. The AP finds that the AE'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 GCF 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

66. IUCN's ESMS manual describes the institutional policy, process and standards for E&S risk management and related steps and procedures, as well as how they are connected to the project cycle. The ESMS is guided by eight overarching ESMS principles and four ESMS standards that reflect key environmental and social areas and issues that are at the heart of IUCN's conservation approach. The four IUCN ESMS standards – on involuntary resettlement and access restrictions; indigenous peoples, cultural heritage; and biodiversity and sustainable use of natural resources – are published as stand-alone documents that describe the standard's underlying policies and objectives and specific requirements on how to assess and manage associated risks. The AE's E&S risk policy also contains a description of oversight requirements on its partners.

67. A guidance note on "Assessment, Management and Monitoring of Environmental and Social Risks" was released in 2020, introducing new elements and providing detailed guidance for identification and management of risks in six specific areas that are common to biodiversity conservation projects: (1) adverse gender-related impacts, including gender-based violence; (2) risks of affecting vulnerable groups; (3) risk of undermining human rights; (4) community health, safety and security risks; (5) labour and working conditions, including that of project

workers; and (6) resource efficiency, pollution, wastes, chemicals and emissions of GHGs. The AE also indicated in the guidance note that it is preparing a methodology to assess the risk of a project design failing to take climate change into account.

68. The management of E&S risks includes screening, risk assessment, ESMS clearance, and management and monitoring and evaluation. All projects that have been categorized as moderate, substantial or high risk require a risk assessment to ensure that the risks are analysed in more detail and a strategy will be in place for managing risks and mitigating impacts. Due diligence may include scoping visits. Engagement with stakeholders and right holders is intended as part of the impact assessment process; and women and vulnerable groups are emphasized as essential parts of the community engagement for an environmental and social impact assessment.

69. The AE also requires that grant beneficiaries develop an ESMF or a fund-level ESMS. The purpose of these safeguard tools is to document the institutional processes showing how the executing entity will carry IUCN's E&S risk due diligence for each grant. The AE provided two examples – one ESMF and one fund-level ESMS.

70. The AE's ESMS was mainstreamed into the entire IUCN portfolio in 2016 such that it is applied to all area-based projects. Since mainstreaming the ESMS, a total of 222 projects have been screened and related data shared through a central database that was established in 2019 (the IUCN Project Portal). Only one project was rated high for E&S risk, 23 moderate (10 per cent) and 198 were considered low risk projects (89 per cent). The current safeguards risk profile reflects the fact that a large number of IUCN projects are either non-area-based projects¹¹ or area-based projects with no or only small-scale and low-impact physical interventions. The current approach for internal control is considered fit-for-purpose and commensurate to the types of projects and the risk level of the IUCN portfolio. The AE's ESMS was subject to external auditing in the context of GEF accreditation. The GEF external audit recommended that the AE include the production of free-standing standards that address requirements on resource efficiency and pollution prevention; labour and working conditions; and community health, safety and security in future updates to its ESMS manual and supporting documents. The AE also informed the AP of its plans to conduct an independent review of the effectiveness of the ESMS in 2025, after guidance notes have been pilot-tested on a sample of projects.

71. Regarding track record, IUCN provided two sample reports for category B/I-2 projects/programmes demonstrating the AE's E&S risk and impact mitigation measures and actions stemming from the E&S risk identification process, including experience with performance standards 2–8.

72. The AP finds that the entity'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 B/I-2 projects/programmes with respect to performance standards 1–8.

3.2.4 Monitoring and review

73. IUCN's main instrument for monitoring a project's ESMS is a project-specific Environmental and Social Management Plan (ESMP), which establishes the project's risk management strategy. A Guidance Note on ESMP describing the content of the ESMP and how the ESMP is monitored has been provided to the AP, including two templates for ESMP

¹¹ Interventions such as engagement in global policies, advice for regional or national policies, stakeholder engagement, capacity-building, and so on.

monitoring: one for tracking the implementation of the mitigation measures and another for monitoring the effectiveness of the ESMP (including indicators).

74. IUCN provided evidence on its track record: namely, two ESMPs monitoring reports for category B projects comprising ecosystem conservation and international water resources management, and an example of an aide-memoire of a supervision mission including findings of ESMP monitoring. High-risk projects require an ESMP supervision mission to be carried out by an external expert; however, this has not yet taken place because the one project in the IUCN portfolio that is categorized as high risk has not yet reached the supervision stage.

75. The AP finds that the AE'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/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

76. IUCN's ESMS manual describes its E&S information disclosure requirements. The AE has a policy on transparency and also a website for overarching external communications through which it shares information and invites interactions on its various global policies, projects and programmes.

77. At the project level, the AE's institutional-level grievance redress mechanism (GRM) is managed by the Head of Oversight and overseen by the Director of the Programme and Policy Group. The GRM process and procedures were updated in October 2020 through the publication of a guidance note. The updated guidance note contains information such as the avenues/channels of communication and the internal procedures and competencies to screen, assess and, as needed, address E&S risk-related issues raised. The guidance note also emphasizes the GCF principles of protection from retaliation, and provides information on the appropriate procedures to put in place. Changes further involved clarification of the escalation steps, the timeframe of responses and for filing a complaint (chapter 3), and clarifying in chapter 1 that the detail of any project-level GRM depends on the risk level as instructed by the screening process. To date, the AE has received only one E&S risk-related complaint through its institutional external communications system. Information about this case has been provided by the AE.

78. IUCN's ESMS grievance mechanism – referred to as the project complaints management mechanism – addresses stakeholders' complaints related to issues where IUCN projects have failed to respect ESMS principles, standards and procedures. The mechanism applies to all projects covered under the scope of the ESMS, irrespective of their size or source of funding. A sample of two (2) documents on project-level GRM was provided.

79. The AP finds that the AE's system of external communications, consultations, information disclosure and its GRM, supported by evidence of its track record, fully meets the GCF Environmental and Social Policy, the GCF interim ESS standards and GCF Information Disclosure Policy regarding the disclosure of environmental and social information 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

80. IUCN has provided an organizational chart that describes the roles, responsibilities, reporting lines and authority of its experts, including their competencies in implementing the ESMS. The project-related environmental and social functions are under the responsibility of the IUCN ESMS coordinator, hosted at its headquarters and supported by the ESMS expert team,

a group of IUCN senior and technical staff drawn from IUCN global thematic programmes and regional programmes, based in regional, national and project offices around the world.

81. The AE provided a list of personnel with qualifications to manage environmental and social issues, including the senior gender programme manager, the lead governance, rights and equity manager, the manager of the global protected area programme, and the programme officer for indigenous peoples and conservation, as well as regional officers involved in ESMS-related functions.

82. The AE also provided a sample of documents describing ESMS training organized as both physical events and in hybrid format (due to COVID-19).

83. Project oversight and supervision is assumed by the ESMS coordinator and members of the ESMS expert team in the respective countries. IUCN indicated its intention to further institutionalize ESMS support and oversight in the function of ESMS officers based on the main regional IUCN offices.

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

3.3 Gender

85. IUCN does not have any outstanding gender-related conditions from the previous accreditation term.

86. The AE provided a copy of its updated GE&WE policy, revised in 2018. The updated GE&WE policy includes the institutional commitment to realizing gender equality and women's rights and empowerment, and puts into place principles and requirements for embedding a gender-responsive approach into projects/programmes. The Director General oversees the implementation of this policy. The AE is committed to issuing a Gender Equality Synthesis report every four years to assess the institutional progress in the implementation of the IUCN GE&WE. The first synthesis report is due in 2022.

87. While IUCN's ESMS manual and environmental and social guidance note have provisions for disclosure of information and free, prior and informed consent (FPIC) in projects involving indigenous peoples, as well as gender-sensitive stakeholder engagement, these are not reflected in its GE&WE policy. The AP notes that this gap should be addressed by the AE through the inclusion of such provisions in the GE&WE. The AE informed the AP that its draft guidance note on the indigenous peoples standard addresses the need for participation of indigenous peoples to be gender inclusive and tailored to the needs of disadvantaged and vulnerable groups.

88. At the institutional level, IUCN ensures gender equality is enforced throughout its human resources policies. In particular, the IUCN talent acquisition policy lays out the principles of gender balance and non-discrimination. The gender pay gap and Swiss equity reports provided sufficient evidence on the AE's track record on gender mainstreaming at the institutional level. AE provided evidence that it does not have any gender pay gap globally, and there is gender pay parity in its head office. IUCN's Code of Conduct and Professional Ethics outlines that IUCN values and respects diversity. At the institutional level, the Human Resources Management Group is in charge of looking at gender equality matters within the secretariat.

89. Regarding capacity, the AE established a gender team as part of its Global Governance and Rights Programme, and has gender officers positioned in several regional and local offices. It has provided the curricula vitae of gender officers and members of its gender team. The AE

has provided evidence of having conducted gender activities and gender training events.¹² Copies of some gender training materials and lists of participants were provided.

90. A number of guidance notes, handouts and templates were provided by the AE. These are sufficient evidence of the AE's procedures to ensure gender mainstreaming at the project/programme level, including that project/programme design should be compliant with gender requirements in stakeholder analysis and engagement, situation analysis, project results framework, impact analysis and mitigation, risk monitoring, and GRM and protection from sexual exploitation, sexual abuse and sexual harassment.

91. With regard to practices, sample documents were provided that demonstrate the active participation of women in project/programme consultations and development of activities, as well as project-level gender assessments and gender action plans.

92. The AP finds that the AE's gender policy, procedures and capacities partially meet the updated GCF Gender Policy. The relevant gap is identified in paragraph 87 and is reflected as a condition of re-accreditation in section 4.2.

IV. Conclusions and recommendation

4.1 Conclusions

93. Following its assessment, the Secretariat concludes the following in relation to the application:

- (a) Overall, the AE has a limited size of a portfolio with GCF that is under implementation with APRs submitted and analysed. Therefore, it is too early to provide substantive recommendations apart from requesting the AE to address project- and grant-specific challenges on a timely manner;
- (b) The AE needs to improve its compliance with reporting deadlines for Readiness grants; and
- (c) The AE needs to prioritize the finalization of its EWP in 2021, and ensure that the partnership approach and programming strategy are aligned with USP.

94. Noting the recommendations above, on the basis of the AE's limited portfolio that demonstrates satisfactory progress, and the pipeline that offers potential to contribute to GCF achieving the goals and priorities set out in the USP, the Secretariat recommends that the AE's re-accreditation application be progressed to stage II.

95. Following its assessment of the application against the standards of the GCF in accordance with the accreditation requirements identified in paragraph 30 above, and noting that the AE has applied under the fast track accreditation process, The AP also concludes:

- (a) The AE partially meets the requirements of the basic fiduciary standards, the GCF Policy on the Protection of Whistleblowers and Witnesses, the GCF Policy on Prohibited Practices and the GCF AML/CFT Policy. The gap relates to the AE's lack of a formally approved AML/CFT policy, as reflected in paragraph 44 above and addressed in the corresponding condition of re-accreditation in section 4.2;
- (b) The AE meets the requirements of the specialized fiduciary standard for project management and the specialized fiduciary standard for grant award and/or funding allocation mechanism;

¹² Available at <www.genderandenvironment.org>.

- (c) The AE meets the GCF Environmental and Social Policy, interim GCF ESS standards and the Information Disclosure Policy on disclosure of environmental and social information in relation to the medium E&S risk category (category B/I-2); and
- (d) The AE has demonstrated that it has a policy, procedures and competencies in order to implement its GE&WE policy, which is found to be partially consistent with the updated GCF Gender Policy, and has demonstrated that it has experience in gender considerations in the context of climate change. The gap in the policy relates to the lack of provisions relating to non-discriminatory disclosure of information and FPIC by indigenous peoples in the AE's GE&WE policy, as required by the updated GCF Gender Policy, as reflected in paragraph 87 above and addressed in the corresponding condition of accreditation in section 4.2.

4.2 Recommendation on re-accreditation

96. The AP recommends, for consideration by the Board, IUCN for re-accreditation for its second term as follows:

- (a) **Accreditation type:**
 - (ii) **Maximum size of an individual project or activity within a programme:** medium¹³ (including micro and small);
 - (iii) **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
 - (ii) **Maximum environmental and social risk category:** medium risk (category B/I-2) (including lower risk (category C/I-3¹⁴));
- (b) **Conditions:** 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:
 - (i) Conditions to be met prior to the presentation of the AE's mid-term review of the accreditation process:
 - (1) Provision of evidence that the entity has formally approved an AML/CFT policy that is consistent with GCF AML/CFT Policy;
 - (2) Provision of evidence that the entity has updated the GE&WE policy, including provisions relating to non-discriminatory disclosure of information and FPIC by indigenous peoples.

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 USUSD 250 million for an individual project or an activity within a programme."

¹⁴ 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."

97. The entity has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 96 above, and agrees to the recommendation.

4.3 Remarks

46. The entity has reported that it plans to update its GE&WE policy after the quadrennial review of the current policy (2022). The AP recommends the creation of a Gender Committee or equivalent, and further integration of non-discriminatory disclosure of information and FPIC by indigenous peoples.

47. The entity has conducted a global gender pay gap analysis and an HQ equal pay analysis. The AP recommends that the AE develop similar types of analysis at the project level so as to demonstrate the implementation of the AE's non-discrimination policy, including the sharing of development benefits between men and women.

48. The entity has informed the AP that it plans to conduct an independent review of effectiveness of the ESMS in 2025, after guidance notes have been pilot-tested on a sample of projects. The AP recommends that the AE report on the progress of pilot testing by the mid-term review.

Annex VI: Re-accreditation with an upgrade assessment of United Nations Development Programme (RAPL007)

I. Introduction

1. The United Nations Development Programme (UNDP), is an international entity with a strong global presence and mandate concentrated on development, with a focus on sustainable development, climate change and disaster resilience, and governance. The accredited entity (AE) works in partnership with entities, such as national governments, United Nations agencies, civil society organizations, and development banks, in order to support the coordinated delivery of financing to achieve transformational impact in the areas of climate change mitigation and adaptation. Its work in adaptation covers all developing countries in all regions and includes a strong portfolio in least developed countries (LDCs), small island developing States (SIDS) and African States. Adaptation activities include integrated climate change strategies, national adaptation plans, national planning and budgeting frameworks; cross-sectoral climate resilient livelihoods; climate resilient integrated water resource and coastal management; ecosystem-based adaptation; and climate resilient energy and infrastructure. In mitigation, the AE supports developing countries in order to create enabling environments for investment in mitigation technologies and land uses at scale, with activities in: low-carbon energy access solutions (rural mini-grids, bioenergy and green charcoal supply chains), grid-connected renewables, energy efficient buildings and appliances, and reducing emissions from deforestation and forest degradation.

2. UNDP was accredited by the Board on 26 March 2015 in decision B.09/07, paragraph (b), and signed its accreditation master agreement (AMA) with GCF on 5 August 2016, which became effective on 23 November 2016, for the following parameters, as recommended by the Accreditation Panel (AP), under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** international access;
- (b) **Track:** fast track under the Adaptation Fund (AF);
- (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 project management; and
- (e) **Maximum environmental and social risk category:** medium risk (category B/intermediation 2 (I-2)).³

3. With the AMA having become effective on 23 November 2016, the AE's first accreditation term is from 23 November 2016 to 22 November 2021. The AE submitted its

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."

application for re-accreditation to GCF via the digital accreditation platform on 20 May 2021, as well as an application to upgrade its accreditation scope. Fees were not applicable for this upgrade application since the fees were paid for the relevant upgrade accreditation criteria during the initial accreditation application. Stage I was completed on 26 July 2021 and the AE was progressed to the stage II (step 1) accreditation review by the AP, which has been concluded with the publication of this assessment. The AE has applied to be upgraded at the same time as its re-accreditation for the following parameters under the fit-for-purpose approach of GCF:

- (a) **Fiduciary functions:**⁴
- (i) Specialized fiduciary standard for grant award and/or funding allocation mechanisms.
4. All other parameters of UNDP's accreditation scope remain the same.
5. The application to upgrade its fiduciary accreditation scope to also include the specialized fiduciary criteria for grant award and/or funding allocation mechanisms would facilitate the AE in expanding the range of modalities available to developing countries in the GCF context and would deliver new solutions to climate change mitigation and adaptation barriers and problems through grant award mechanisms at the project/programme level. This would allow for potentially more financially transformative projects as compared to those UNDP has submitted and received approval from GCF for under the specialized fiduciary standard for project management only, as UNDP could then submit projects/programmes with revolving grant structures.

II. Stage I institutional assessment and completeness check

6. The AE is eligible for, and applied under, the fast-track re-accreditation process as a Global Environment Facility (GEF) entity and a Directorate-General for International Cooperation and Development (DG DEVCO) entity. Its application has been assessed by the Secretariat during stage I in accordance with the requirements and gaps identified in decisions B.08/03, 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) "Updated strategic plan for the Green Climate Fund: 2020–2023" (decision B.27/06);
 - (b) "Matters related to the accreditation framework" regarding the re-accreditation process (decisions B.24/13 and B.26/01);
 - (c) "Guiding Framework and Procedures for Accrediting National, Regional and International Implementing Entities and Intermediaries, Including the Fund's Fiduciary Principles and Standards and Environmental and Social Safeguards" (decision B.07/02);
 - (d) "Guidelines for the Operationalization of the Fit-for-purpose Accreditation Approach" (decision B.08/02);
 - (e) "Policy on Prohibited Practices" (decision B.22/19);
 - (f) "Anti-Money Laundering and Countering the Financing of Terrorism Policy" (AML/CFT Policy) (decision B.18/10);
 - (g) "Policy on the Protection of Whistle-blowers and Witnesses" (decision B.BM-2018/21);
 - (h) "Environmental and Social Management System: Environmental and Social Policy" (decision B.19/10);

⁴ Decision B.07/02.

- (i) “Comprehensive Information Disclosure Policy of the Fund” (decision B.12/35) regarding the disclosure of environmental and social (E&S) information; and
- (j) “Updated Gender Policy and Gender Action Plan 2020–2023” (decision B.24/12).

2.1 Legal status, registration, permits and licences

7. The AE provided documents on its establishment and licences to operate, where relevant, as a part of the application. UNDP was established by the United Nations General Assembly through its resolution 2029 (XX) of 22 November 1965. The AE confirmed that it is willing to engage in amending the AMA to account for new GCF policies adopted after the initial accreditation and will put the necessary resources in place to review the draft AMA.

2.2 Accredited entity performance in contributing to GCF programming results

2.2.1 Approved GCF projects under implementation and national designated authority participatory monitoring

8. UNDP has the largest volume of GCF funding, both under-funded activities and readiness portfolios. On average, since the AE’s accreditation, the Secretariat approved approximately eight funding proposals for UNDP annually, as compared to one for other AEs.

9. As at 31 July 2021, the AE had 35 Board-approved projects with 34 under implementation, 4 more pending first disbursement and 1 more awaiting effectiveness of the funded activity agreements (FAAs). The total value of the approved projects is USD 2.41 billion of which GCF funding is USD 1.14 billion. To date, approximately USD 589 million has been disbursed, excluding AE fees, representing 51 per cent of the GCF funds for the funded activities under implementation by UNDP.

10. The portfolio is expected to abate a total of 106.9 million tonnes of greenhouse gases (GHG) in carbon dioxide equivalent and build the resilience and adaptive capacity of 162 million (direct and indirect) beneficiaries, based on the estimations of the AE.

11. The UNDP readiness portfolio is also the largest in terms of approved funding (25 per cent of total GCF readiness approved funding), with 58 grants for a value of USD 86 million. As at 31 July 2021, 56 Readiness grants and 1 PPF grant have received disbursements of USD 43 million.

12. **Project implementation progress:** With regard to funded activities, as at 31 July 2021, out of 35 funded activity projects, 24 projects (c.68 per cent) of the portfolio are deemed to be on track (based on 2020 annual performance reports (APRs) and updates from the AE on the impact of the COVID-19 pandemic). Most of the reported challenges during project implementation are owed to governmental changes and transitions, executing partners’ capacity constraints, quality of work and/or coordination of efforts with the executing entities (EEs), instability in the country, start up and recruitment of the project team, especially in projects carried out in SIDS, procurement delays and issues with project design assumptions at the funding approval stage. Key highlights of the funded activities are:

- (a) On average, the disbursement and expenditure rates of the UNDP portfolio is higher than the overall average of other AEs,⁵ however their results delivery rate is on average slightly lower than portfolio average (3 per cent and 5 per cent respectively)⁶;
 - (b) UNDP projects tend to leverage less co-financing⁷ and reach first disbursement faster on average;
 - (c) Implementation challenges are mentioned in APRs and often appear in multiple years. In some cases, implementation challenges take considerable time and effort to be resolved or addressed. In a number of instances, the magnitude of the challenges reported in APRs require additional elaboration and attention by the AE, e.g., FP016, FP018 and FP037;
 - (d) While cost deviations due to increasing cost of labor and goods are not uncommon in instances where there is a greater time period between the project design and implementation start, especially with infrastructure projects; the UNDP portfolio has been increasingly facing a recurring issue pertaining to cost increase/budget shortfalls vis a vis design estimates, which could be indicative of technical gaps/design weakness as some of the issues arise early during implementation experience e.g. FP107 which has reported cost increases in civil works, and FP018 which experienced cost escalations in small scale infrastructure reportedly attributed to inflation and design improvements based on early implementation experience. and
 - (e) With regard to projects requiring civil works, a number of these projects face cost escalations, and high environmental and social safeguards (ESS) risk factors which emerge during implementation.
13. Regarding the quality of independent evaluations (IE) and UNDP responsiveness the main concerns are:
- (a) UNDP has submitted 9 interim evaluations for projects that had reached midpoint of project implementation. In some of these evaluations, ratings are not supported by evidence: the IE should be objective and performance ratings should be backed by hard evidence. The claims made in progress reports need to be validated by the IE. Based on the issues, the performance rating needs to be revisited to reflect the ground realities along with analysis of beneficiaries' perspectives (e.g., "De-Risking and Scaling-up Investment in Energy Efficient Building Retrofits" – FP010, UNDP Armenia);
 - (b) Lack of clarity on assessment against the mid-term targets of final targets: the IE should necessarily focus on performance against mid-term targets as well as how this relates to the achievement of final targets, but not only focus on the progress against final targets as observed in some cases;
 - (c) A section on lessons learnt is lacking in IEs: the IE report should include a stand-alone section on lessons learnt, identify key lessons and provide a brief description on each of them. There is a need to devise a mechanism whereby the lessons can be fed back into project design;

⁵ Given the size of the UNDP portfolio, this may not be fully reflective of the actual performance as two or three large disbursements could mask the performance of rest of the portfolio that may not be meeting disbursement targets. Disbursement rate is defined as amount of GCF disbursement received by AE out of total approved GCF funding. The overall average rate is 33% and for UNDP projects is 44% as of 21st July 2021. The expenditure rate is defined as amount expended (reported by AEs in 2020 APR) out of the amount disbursed by GCF as of 31st December 2020. Overall rate is 42% and for UNDP projects it is 52%.

⁶ Results delivery rate is defined as the progress reported for applicable GCF core indicators (by AE in 2020 APR) against lifetime targets.

⁷ Co-financing ratio (which is defined as Co-financing divided by GCF funding) for UNDP projects on average is 1.39 versus the average for overall GCF portfolio which stands at 1.80.

- (d) Impact of COVID-19: it is noted that in some of the UNDP submitted independent evaluations, comprehensive assessment of the impact of COVID-19 on different aspects of project implementation was not conducted, neither there was an assessment of the impact on results delivery and overall funded activity performance along with a plan of action to address these;
- (e) Lack of co-financing/insufficient mobilization of co-financing: conduct a thorough analysis of co-financing, the lack thereof and/or insufficient mobilization and implications for project scope and results; and
- (f) Time bound action plan: the recommendation needs to be accompanied by a time bound action plan from UNDP along with roles and responsibilities of concerned parties, that will need to be adhered to for the project to achieve its objectives and delivery of anticipated results.
14. BDO assessment observations: the following two observations from BDO assessment are particularly pertinent for, and mirror, a number of the issues raised above on design and implementation quality, and interim evaluations. It is therefore fundamental that UNDP ensure that the management actions specified by the AE are implemented as these would address several of the challenges:
- (a) The strengthening of oversight by regional bureaux of projects is an area that has also been flagged in the recent BDO assessment (observation 5), which recommended that UNDP should ensure that measures are taken to strengthen the regional bureaux. UNDP has outlined a number of management actions to be undertaken, including preparing a Roles/Accountability/Consult/ inform (RACI) matrix covering the entire project cycle from origination to project financial closure, including oversight; reviewing the performance of the portfolio by region and by country three times a year with discussions on delays in implementation, risks, and oversight challenges in country offices, and development of action plans with clear roles, responsibilities and timelines for follow up; and revising regional bureau monitoring and oversight frameworks to strengthen quantitative and qualitative data on projects; and
- (b) Delays in project implementation have also been raised in the BDO assessment (observation 8), and UNDP's management response states that measures have already been introduced "to allow for a better assessment of programming capacities and resource needs, as well as robust pre-investment screening to determine the criteria on the basis of which UNDP will engage in programming. These, along with the stronger risk management processes during implementation, will provide a stronger foundation for robust project design, which should in turn contribute greatly to improved delivery and implementation."
15. With regard to readiness activities, as at 31 July 2021, under the Readiness Programme, a total of 47 no-cost extensions were granted to 37 grants (64 per cent of the total UNDP portfolio in terms of the number of approved grants) for an average duration of eight months. A total of 32 no-cost extension requests were granted on COVID-19 grounds, while for the rest, reasons included challenges in procuring project staff, natural disasters, changes at national designated authorities (NDAs), among others. One national adaptation plan (NAP) grant (VNM-RS-002) is presently under consideration for restructuring as the AE has requested to engage a national implementing entity to deliver some of the project activities.
16. **Reporting:** Under both funded activities and readiness, reporting by UNDP is mostly on time, and the AE is among the top performers in terms of complying with reporting timeliness. While the quality of reporting differs from one country office to another, the overall quality tends to meet the GCF reporting standards with a few exceptional observations related to financial aspects (e.g. inconsistent budgets). The AE designated focal points are easily reachable and tend to be responsive.

17. The majority of approved projects on the AE's portfolio are currently under implementation. To be more precise, as at 31 July 2021, 34 projects (out of 35) worth USD 1.14 billion in GCF funding have started implementation. Of the 34 projects under implementation, 30 projects have disbursed a cumulative amount of USD 589 million excluding AE fees. The active engagement of the AE with the Secretariat on portfolio matters, as well as the increased number of funded activity agreements (FAAs) which are being executed at the time when the funding proposals are presented by UNDP for consideration at GCF Board meetings, has significantly contributed to the acceleration of progress of the AE's projects from GCF Board approval towards disbursement.

18. As at 31 July 2021, six approved projects by the AE were on the Secretariat's watch list⁸ under an internal portfolio status report that is updated on a biweekly basis. Projects that are put on the watch list will be under close monitoring due to several challenges which range from significant implementation delays to restructuring. For example, FP015 and FP016 by UNDP were put on the watch list as they have either been or are currently going through restructuring. Two other projects on the watch list, FP010 and FP037, have had corruption allegations raised against them. In response, UNDP has taken action to investigate and have informed the GCF accordingly, and the Secretariat is awaiting the outcome of the investigations. Furthermore, two projects, FP010 and FP037, have experienced significant implementation delays. However, in relation to FP010, the delays are largely due to the war tensions at the project region between Armenia and Azerbaijan.

19. As at 31 July 2021, UNDP has submitted a total of 21 Completion Reports for grants valued at USD 8 Million (20 non-NAPs and 1 Project Preparation Facility (PPF)). Key results achieved from completed and ongoing projects as of December 2020 include 11 countries with an inter-institutional coordination mechanism established, 8 countries with no-objection procedures established, 6 countries with tools or criteria for prioritizing projects and programmes developed, and 13 Country Programmes and 5 concept notes developed.

2.2.2 Entity work programme (concept notes, funding proposals and Project Preparation Facility requests)

20. **Entity work programme:** the AE has submitted a draft entity work programme (EWP) for the GCF-1 period explaining the partnership approach to working with GCF, programming strategy and the pipeline of project ideas the AE intends to bring forward during the GCF-1 period in addition to the ones officially submitted as funding proposals/concept notes. The Secretariat has taken the EWP through a round of interdivisional review and shared the recommendations for UNDP to consider when revising the EWP. UNDP has updated the EWP in line with the Secretariat recommendations. The revised EWP is under the Secretariat's review. An initial light review of the current draft of the EWP suggests that UNDP's EWP is a comprehensive partnership document that articulates well its programming strategy for the GCF-1 period that leverages the AE's comparative advantages and seeks to contribute to achieving the goals and priorities set out in the GCF Updated Strategic Plan. The core elements of the AE's programming strategy are working with NDAs to implement NDCs, expand engagement with direct access entities (DAEs), and to do so the AE will focus on innovative proposals, crowding in support from the private sector and broader UN system, and designing multi-country programmes to accelerate access. The EWP also offers the AE's perspective on the main challenges and lessons learned from its existing portfolio, and discusses ways to prevent or address these, and where applicable jointly with the Secretariat. The EWP contains 13 concept notes and project ideas under development that the AE aims to submit throughout the remainder of 2021 and 2022. Early estimates suggest that these proposals will request approximately USD 474 million in GCF financing while raising USD 574 million in co-financing.

⁸ The watch list is under the Biweekly Post Approval Status Update prepared by the Office of Portfolio Management.

21. **UNDP as a delivery partner for readiness proposals:** UNDP has a large portfolio of approved readiness grants. The pipeline has decreased over time and is now almost exclusively focused on the adaptation planning window. In the readiness pipeline, UNDP is the nominated delivery partner for 10 proposals⁹ valued at USD 21.09 million, of which 8 proposals target adaptation planning and request USD 20 million. GCF has been discussing with UNDP regarding a series of multi-country readiness grants for up to 20 countries to support NDC enhancement and development of NDC investment plans. The proposals have yet to be formally submitted to GCF.

22. **Concept notes/funding proposals:** funding proposals from UNDP have moderate quality-at-entry and are increasingly being submitted as a complete package including most annexes ready for review. Some of the proposals lacked robust causality between climate drivers and proposed interventions during initial submission, causing multiple of reviews ultimately leading to non-endorsement of some of the projects by the independent Technical Advisory Panel. To date, six UNDP projects have not been endorsed by ITAP when presented the first time, though with the exception of 2 projects, the GCF Board ultimately approved a total of 35 projects to date. Of the 30 concept notes submitted from 2017 to date in the current pipeline, only 6 of them have been converted to funding proposals. Also, due to the inherent limitation of the AE's accreditation, many of the proposed activities lacked innovation in financing structures and designs leading to sustainability challenges. In addition, due to the AE's internal rules and procedures to deploy only one executing entity (EE) per project, their support to the GCF DAEs has been limited.

23. The Secretariat's key observations regarding the quality of the funding proposals in the portfolio under implementation is that the quality varies substantially and there is a lack of consistency and uniformity across them with regard to meeting minimum quality standards as per GCF requirements. While improvements have been observed recently, specific design areas that require strengthening include the theory of change narrative and diagram, and logframe means of verification, targets, unit of measurement, and alignment with feasibility study and/or economic and financial analysis.

24. As at 31 July 2021, there are currently 30 funding proposals/concept notes submitted by UNDP in the GCF pipeline. The funding proposals/concept notes in the pipeline should be evaluated and re-prioritized, before the AE can make new submissions. Funding proposals/concept notes which are deemed not be a priority or are inactive should be removed from the pipeline.

25. If UNDP is upgraded in its accreditation scope for grant award and/or funding allocation mechanisms this will open up more opportunities for innovative finance than is currently possible under its project management scope. If UNDP's accreditation scope to provide on-granting is decided, this should be incorporated into existing proposals/concept notes where appropriate.

26. Regarding transformational projects, UNDP should identify successful models for paradigm shift including systemic changes that can be scaled across a large region, for example, a private sector approach could be planned to scale up the shea oil project in Africa. Many projects do not take advantage of UNDP's considerable convening power.

2.2.3 Risk flags incurred by the projects, accredited entity or country during the previous accreditation term

27. The UNDP portfolio presents several ongoing risks that relate to project designs, and it is pertinent to consider risks in the current UNDP portfolio as it continues to grow, representing

⁹ Nine countries have submitted proposals nominating UNDP as deliver partner: Algeria, Burundi, Cuba (2), Djibouti, Guinea-Bissau, Indonesia Kazakhstan, Myanmar, Senegal.

a considerable part of the GCF portfolio under implementation. Currently six (17 per cent) of the UNDP projects under implementation are under watch. The reasons for placing these projects under this status vary and range from co-financing challenges, considerable project design reviews, cost overruns, issues relating to budget use and implementation delays leading to variance in expected results as set out in approved funding proposals, amongst others.

28. Key challenges and risks under the funded activities include the following:
- (a) Many of the risks occurring in the funding activities are generally rated as low probability risks under the funding proposal, but later aggravate to medium or high in the reporting. Funded activities often seem to underestimate key risks, which come to surface as implementation starts and are later identified in subsequent APRs;
 - (b) Long delays from the concept note to effectiveness result in changes in situ, that then present deviations from original considerations at project design. While acknowledging that adaptive management is essential to project developments for complex projects with multiple stakeholders, it is noted that special attention will need to be given to long term design considerations of projects going forward, so that they can continue to comply with relevant policies over time;
 - (c) Several key project challenges and mitigation measures are not always detailed and/or explained clearly in APRs. Furthermore, it should be noted that some of the persistent implementation issues and challenges require further attention by UNDP in APRs (see para 12 above regarding the details of some of the key challenges);
 - (d) There is need for more proactive engagement and coordination with government especially in instances of government transitions to reduce attendant delays during these periods as this has affected a number of projects managed by the AE;
 - (e) GCF responsiveness on clearances and reviews is noted by UNDP as a concern;
 - (f) Several logistical and staffing challenges, unique to projects involving mainly SIDS, should have been addressed more proactively; and
29. Under the readiness portfolio, progress reports of completed and ongoing projects have cited different reasons for project delays across the portfolio and can be summarized as follows:
- (a) Challenges in procurement processes which were a result of the limited availability of local expertise and the heavy reliance on external consultants and service providers to deliver most of the projects' technical studies;
 - (b) Volatile security conditions in certain regions;
 - (c) Delays in signing project start-up agreements with governments;
 - (d) Political instability and changes in governments and NDA offices; and
 - (e) Natural disasters.
30. UNDP's ESS and gender policies, strategies and principles are strong and globally recognized. There are no red flags in relation to ESS, nor issues around gender, however it can be noted that there have been a few implementation challenges and there are some opportunities for improvement. These have been commented on and are already being addressed by UNDP. They relate to aspects including the need for enhanced cooperation/participation in certain instances; strengthened systems to account for best practices in natural resource management, in line with national standards and policy regimes; the provision of updates on operationalizing institutional/project-level grievance redress mechanisms and associated capacity-building; information disclosure procedures and stakeholder engagement processes aimed at beneficiaries; and streamlined free, prior and informed consent processes. Furthermore, there have been some delays in undertaking

environmental and social impact assessments (ESIAs) and updating environmental and social management plans (ESMPs) where there have been significant changes to risk factors. These areas could also be improved, and have been discussed. In relation to indigenous peoples, a few issues were noted, mostly in relation to the scope of application of the IP Policy, as interpretation of this differed at times at the field level, but these were addressed and resolved through the reviews undertaken.

2.3 International access entity contribution to building the capacity of direct access entities

31. The AE has one of the largest numbers of approved projects under the GCF portfolio. However, as previously indicated, UNDP has not effectively used its portfolio with GCF to empower GCF direct access entities (DAEs). The majority of approved projects by UNDP either have government Ministries as executing entities or UNDP itself acts in that capacity. In future, it is recommended that the AE consider working with DAEs in countries where the DAEs accredited to GCF are present and appropriate for the role of executing entity with a view to strengthening the capacity of such DAEs.

32. A further analysis of the current GCF portfolio, particularly with respect to approved projects by DAEs, also reveals that UNDP has not been involved as EE in any of these projects. However, it is essential to note that the vast majority of international access AEs have not acted as executing entities for DAE-led projects. UNDP has extensive experience in project design and implementation with GCF, enjoys extensive country and regional presence, and is well-positioned to build the capacities of DAEs by enabling them to become executing entities of its projects with GCF, or also to become executing entities for DAEs. This type of cooperation will foster capacity development and technology transfer to the DAEs.

33. Outside its portfolio with GCF, through non-GCF funded assistance to countries, UNDP has been providing capacity-building support to both already accredited DAEs and potential local, national and regional level entities for accreditation. In line with the AMA clause 15.02(c)(ii), the AE has reported, on an annual basis from 2017 to 2020, on various types of support it has provided to these institutions. The reports received from UNDP show that the AE has provided technical support to the entities or engaged them as partners to build their track record in project design, implementation and monitoring and evaluation. Through trainings/workshops or consultancies, the AE has contributed to strengthening the entities' environmental and social standards, fiduciary capacities, and gender policies. Through these modalities, the AE also helped the entities improve their understanding of GCF policies, modalities and investment criteria, thus helping them meet the GCF accreditation requirements. UNDP has consistently engaged from 13 to 25 entities, on an annual basis, in their efforts to build their capacities towards climate readiness.

2.4 Overall portfolio of activities of the accredited entity beyond those funded by GCF

34. As per the GCF Updated Strategic Plan : 2020–2023,¹⁰ the re-accreditation process,¹¹ and the monitoring and accountability framework,¹² the Secretariat and the AP are requested to provide an assessment of the extent to which the overall portfolio of activities of the AE, beyond those funded by GCF, has evolved during the accreditation period, in order to advance the goal

¹⁰ Decision B.27/06 and annex VI thereto.

¹¹ Decision B.24/13 and annex XXVI thereto.

¹² Decision B.11/10 and annex I thereto.

of GCF to promote the paradigm shift towards low emission and climate resilient development pathways in the context of sustainable development.

35. Coherence: more linkages with UN agencies and the private sector should be created. A good example of this is the Global Coral Reef Fund, where the Private Sector Facility component links to an existing technical assistance fund to UNDP and other partners, showing high complementarity and synergies. Greater linkages to UNDP global programmes such as Global Commodities, BIOFIN or other programmes including links to finance entities, with UNDP as EE would transform areas.

36. The AE provided the following information with regard to guiding questions established in the baseline methodology:

(a) **Guiding Question 1. Has the entity established policies or commitments in the short, medium or long term regarding investment in climate change projects?**

- (i) In pursuit of its mandate, the AE has become one of the world's largest brokers of climate change adaptation and mitigation grants for developing countries. The AE's USD 2.2. billion climate change vertical fund portfolio of mitigation and adaptation projects (implementation as of December 2020) supports over 140 countries. It helps countries deliver on their climate change development priorities and achieve results at the global, national, regional and subnational levels. This work spans decades of experience and has been implemented in partnership with the Global Environment Facility (GEF) administered trust funds that finance action on climate change (the GEF Trust Fund, the Least Developed Countries Fund, the Special Climate Change Fund) and the Adaptation Fund.
- (ii) The AE's support to countries on climate change and disaster resilience is shaped by three important global agreements: the Paris Agreement on Climate Change, the Sendai Framework on Disaster Risk Reduction, and the 2030 Agenda for Sustainable Development. The AE works with countries to help them reduce greenhouse gases and advance a long-term goal of zero carbon development. At the same time, it works together with partners to adapt to the impacts of climate change, enhance access to clean energy, reduce the risk of disasters and, where needed, support resilient disaster recovery. Taken all together, these efforts form the path towards sustainable development that is risk-informed, zero carbon and resilient to climate change.
- (iii) **Adaptation:** The AE supports climate change resilience and risk management at the local, regional and global levels in the context of: climate resilient agriculture and food security, promoting sustainable water resource management, ensuring sustainable coastal zone development, addressing climate related extreme events and risks, providing access to early warning systems and climate information for enhanced planning, and pursuing ecosystem-based adaptation approaches. The AE also supports the integration of climate risks into national planning and budgeting processes and strategies through national adaptation plans (NAPs) and national adaptation programmes of action (NAPAs).
- (iv) **Mitigation:** All sectors, including energy, transportation, industry, forests and agriculture must be made more sustainable. The AE is also committed to providing long-term support to countries to pursue zero-carbon sustainable development. Together with partners, the AE supports countries to take ambitious climate action, contributing to a number of country-driven strategies and approaches, including, but not limited to: nationally determined contributions (NDCs), nationally appropriate mitigation actions (NAMAs), low emission development strategies (LEDS), and reporting to the United Nations

Framework Convention on Climate Change (UNFCCC). Sustainable energy is critical for progress on sustainable development and is at the centre of the 2030 Agenda and Paris Agreement. The AE now has close to three decades of experience in promoting sustainable energy solutions, with an active portfolio of over 140 projects in close to 100 countries. The AEs approach to sustainable energy aligns with Sustainable Development Goal (SDG) 7 targets (renewable energy, energy efficiency and energy access), and is formulated around as cross-cutting approaches to development in AE's Signature Solution¹³ theme on energy as set out in its Strategic Plan. This Signature Solution has three main areas of focus: (i) in low-income countries, on energy access (electrification, clean cooking), with a commitment to provide electricity to 100 million individuals by 2030; (ii) in middle-income countries, helping achieve transformational change and accelerate a just energy transition, including a focus on smart cities (energy efficiency, e-mobility, rooftop photovoltaic and battery storage); and (iii) in crisis settings, providing sustainable energy solutions in situations of displacement, using energy as a means to build resilience.

- (v) Reducing greenhouse gas emissions through conservation and sustainable management of forests is another key aspect of the Paris Agreement and an integral part of the AE's climate change mitigation portfolio. Deforestation and forest degradation accounts for more than 10 per cent of global GHG emissions. It is widely recognized that stabilization of global temperatures cannot be achieved without reducing emissions from the forest sector. In fact, land use and forests provide a quarter of all emission reductions planned by countries in their NDCs. The AE is also a founding partner of UN-REDD, a UN partnership to support REDD-plus in developing countries through capacity-building, policy design and multi-stakeholder dialogue aimed at embedding REDD-plus actions and results in national development.
- (vi) The AE's Social and Environmental Safeguard (SES) policy 2021, Standard 2, is "Climate Change and Disaster Risks". Per this policy, the AE supports countries to integrate disaster and climate risk concerns into national and sectoral development plans; advance low-emission and risk-informed development pathways; identify priority disaster risk reduction, risk governance, climate mitigation and adaptation measures; and implement measures to reduce exposure and vulnerabilities and to increase adaptive capacity and build resilience. The AE ensures that its projects are sensitive to climate change and disaster risks and do not contribute to increased vulnerability to climate change and natural hazards. The AE mobilizes resources to support programme countries to address the whole spectrum of issues related to climate change and disaster risk reduction, including financing their national adaptation costs, and to advance risk-informed development in order to reduce disaster risks.
- (vii) Further, the AE launched the "Climate Promise" at the UN Climate Action Summit in September 2019. The Climate Promise supports over 100 countries to enhance their nationally determined contributions (NDCs) under the Paris Agreement. The AE is leveraging its extensive climate change portfolio, its country office network and global policy services to provide thematic technical support to countries and ensure that NDCs are fully aligned with national sustainable development priorities. The Climate Promise is the AE's commitment to ensure that any country wishing to increase the ambition of their national climate pledge is able to do so. The AE has agreed Climate Promise

¹³ See <https://www.undp.org/six-signature-solutions>

workplans with 118 countries – making it the world’s largest offer of support for the enhancement of countries’ climate pledges. For more information, please see: <https://www.undp.org/content/undp/en/home/climatepromise.html>.

(b) **Guiding question 2. Does the entity receive resources from third parties for the financing of climate projects?**

- (i) The AE provided Excel Sheets with the list of its projects approved in the respective years from 2016 to the end of 2020 with a breakdown per mitigation and adaptation focus.
- (ii) An estimate of the overall UNDP adaptation and mitigation portfolios for 2016 to 2020.

Table 1: Estimate of overall UNDP adaptation and mitigation portfolio 2016-2021

Percentage of total UNDP project budget		
Budget	Adaptation	Mitigation
2016	6%	6%
2017	6%	6%
2018	7%	7%
2019	7%	8%
2020	7%	7%
2021	7%	5%

- (iii) Overall, the UNDP portfolio focused on climate change has been estimated to be steady in size with a tendency to increase since 2015; which the AE observes as an increasing trend among the developing countries to request support from UNDP on climate action. As of the end of 2020, UNDP is estimated to have implemented a portfolio of more than USD 1.4 billion for climate change globally.
- (iv) The number of projects with an adaptation focus between 2018 and 2021 are provided below:

Table 2: UNDP adaptation portfolio 2018-2021

Year	Number of adaptation projects in portfolio	Portfolio (USD million)
2018	716	371.8
2019	714	395.7
2020	714	399.3
2021	576	359.1

- (v) The number of projects with a mitigation focus between 2018 and July 2021 are provided below:

Table 3: UNDP mitigation portfolio 2018-2021

Year	Number of mitigation projects in portfolio	Portfolio (USD million)
2018	844	565.7
2019	842	622.1
2020	842	525.1
2021	680	533.5

(vi) It can be concluded that between 2018 and August 2021, the AE's mitigation portfolio was larger than its adaptation portfolio. At the overall corporate level, the AE tracks its projects with respect to SDGs at its transparency portal¹⁴. For SDG 13 – climate action – as of 4 August 2021 UNDP has a portfolio of 836 projects supporting climate action in 133 countries.

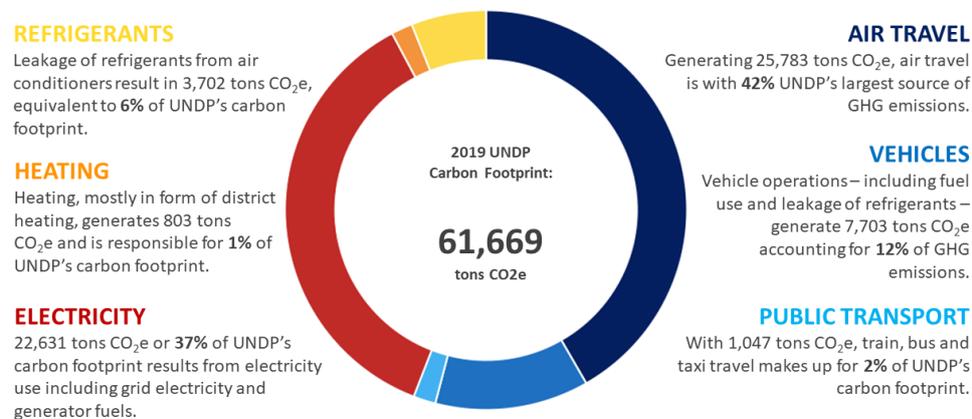
(c) **Guiding Question 3. Does the accredited entity calculate and reduce its greenhouse gas emissions at the corporate level?**

- (i) As a leading agency in the UN-wide 'Greening the Blue' initiative, UNDP has calculated and publicly disclosed its carbon footprint since 2009. Results are published annually as part of the *Greening the Blue Report*. The reports for 2016, 2017, 2018, 2019 and 2020 (2021 is not available at this point) can be accessed online¹⁵.
- (ii) The figure below provides the AE's corporate level 2019 carbon footprint. Scope 1 – including on-site fuel consumption for heating and generator operations, AE's vehicle fuel use and leakage of refrigerants – contributed 34 per cent of its carbon footprint (20,724 tonnes CO₂e). Scope 2 – including grid electricity and district heating – contributed 23 per cent of its carbon footprint (14,115 tonnes CO₂e).

¹⁴ See <https://open.undp.org/projects>

¹⁵ See: 2016: <https://www.greeningtheblue.org/reports/2016-greening-blue-report>; 2017: <https://www.greeningtheblue.org/2017-Greening-the-Blue-Report>; 2018: <https://www.greeningtheblue.org/reports/2018-greening-blue-report>; 2019: <https://www.greeningtheblue.org/reports/2019-greening-blue-report>; and 2020: <https://www.greeningtheblue.org/reports/greening-blue-report-2020>.

Figure 1: 2019 UNDP Corporate Level Carbon Footprint



- (iii) For projects that are expected to produce significant quantities of GHG, the AE characterizes and estimates the potential sources of GHG emissions related to project activities to form a baseline for developing measures to reduce the emissions, to the extent that this is technically and financially feasible. The AE ensures that relevant projects' emissions are tracked and reported in accordance with provisions of the UNFCCC and GHG minimization measures based on the emission estimation methodologies provided by the Intergovernmental Panel on Climate Change.
- (iv) The AE has been a leading agency in the Greening the Blue initiative since its beginning in 2009, having established one of the most comprehensive carbon footprint reporting frameworks and having been one of the first agencies to achieve organization-wide climate neutrality (2015). The AE assesses the carbon footprint of global operations annually since 2009 and discloses the results as part of the UN *Greening the Blue Report*. The AE's administrator launched a Greening UNDP Moonshot in August 2019, committing UNDP to:
- i. Reduce GHG emissions from global UNDP operations by 25 per cent by 2025 and by 50 per cent by 2030;
 - ii. Implement the best waste management in all UNDP premises; and
 - iii. Minimize the use of resources.
- (d) **Guiding Question 4. Does the accredited entity evaluate the climate risks of its portfolio?**
- (i) As an integral part of the social and environmental assessment process, the AE ensures that proposed activities are screened and assessed for climate change and disaster risks and their impacts to project activities and outputs as well as the possibility that project activities could increase exposure to such risks. The AE ensures that the status and adequacy and applicability of relevant climatic and disaster risk information is identified. If significant potential risks are identified, then further scoping and assessment of vulnerability, potential impacts, and avoidance and mitigation measures, including consideration of alternatives to reduce potential risks, will be required. Therefore, all the AE's projects are required to be screened for climate change risks and impacts prior

to implementation (with the Social and Environmental Screening Procedure, or SESP). These risks will be further screened, assessed and managed during project implementation in a manner commensurate with the level of risk. During project implementation, UNDP commissions an independent mid-term review and regularly monitors relevant indicators. If those indicate a failure to achieve the climate change-related and other objectives, UNDP will take appropriate remedy measures.

- (ii) Climate vulnerability screening was conducted for all UNDP-GCF climate change adaptation and mitigation projects and has been required for all UNDP vertical fund projects prepared from January 2021. Please see response to Item 2 above on investments in mitigation and adaptation.
- (e) **Guiding Question 5. What are the main sectors of activity of the accredited entity?**
- (i) Please refer to the answer in Question 2 and details of the same information for the years 2016–2020 can be accessed publicly on the UNDP website by searching the relevant SDGs and year.¹⁶
- (ii) Sectoral distribution of the UNDP portfolio:
- Climate-related projects (mitigation and adaptation);
 - Non-climate related projects and operations; and
 - Given its mandate, the AE does not invest its resources into fossil fuels or carbon intensive industries.
- (f) **Guiding Question 6. Is the accredited entity investing in mitigation projects/operations?**
- (i) The AE provided a document showing yearly breakdown on its GHG emission reduction and beneficiary tracking for the vertical fund portfolio that has been tagged internally to reduce or avoid GHG emissions and the respective values in tonnes of CO₂ eq.
- (ii) In terms of the total investment (USD) into renewable energy and energy efficiency projects, all projects tagged the total budget from 2016 to 2021 for the projects tagged with the Signature Solution "Clean, Affordable Energy" is USD 552,006,129.
- (g) **Guiding Question 7. Is the accredited entity investing in adaptation projects/operations?**
- (i) The AE is investing in adaptation projects. UNDP indicated that the system is being built internally within the organization to further aggregate the data but will likely not be completed before the end of 2021;
- (ii) The AP and the Secretariat consider that the evidence provided for the past four and a half years demonstrates the continuous positive trend of developing climate change adaptation and cross-cutting activities. Both the strategy and the trend of activities are aligned with the GCF mandate and objectives.

III. Stage II accreditation review assessment

37. UNDP's accreditation process was fast tracked five years ago as an Adaptation Fund (AF) accredited entity. This re-accreditation is eligible to be fast-tracked based on its

¹⁶ See <https://open.undp.org/>

accreditation status with the GEF, the AF, and DG DEVCO. The AE is eligible for, and applied under, the fast track re-accreditation process as a GEF entity, an AF entity, and a DG DEVCO entity. Specifically:

(a) **Global Environment Facility (GEF):**

- UNDP submitted its self-assessment to the GEF on 30 April 2021;
- In parallel, the GEF council has initiated the process for an independent third-party review of compliance with GEF Minimum Fiduciary Standards in close coordination with UNDP's management, corporate policy units, regional bureaux and country offices. The independent review was completed in August 2021 and UNDP intends to submit it to the GEF for attention of the Council; and
- UNDP remains an accredited GEF agency, and UNDP programmes and projects remain eligible for submission and approval in the GEF work programmes; the Financial Procedure Agreement between UNDP and the GEF remains in full force and UNDP continues to implement GEF-supported projects.

(b) **Adaptation Fund (AF):**

- UNDP was accredited in March 2010, re-accredited in March 2015 for five years and is currently in the re-accreditation process;
- Pending re-accreditation, no new funding proposals are submitted to the AF; and
- UNDP continues to implement existing projects supported and approved by the AF.

(c) **DG DEVCO:**

- UNDP has undergone a full Pillar Assessment with DG DEVCO.

38. The UNDP 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 re-accreditation requirements in paragraph 6 above.

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

3.1 Fiduciary standards

40. The AE did not have any accreditation conditions when accredited in March 2015.

3.1.1 Basic fiduciary standards: key administrative and financial capacities

41. As explained in paragraph 6 the AE's initial accreditation was fast tracked as an Adaptation Fund accredited entity. This re-accreditation is eligible to be fast tracked based on its accreditation status with the GEF and DG DEVCO. Nevertheless, the Accreditation Panel reviewed: the internal oversight bodies; the strategic and annual planning of UNDP including related performance measures and monitoring thereof; the annual financial statements and the related external auditor's review; the internal audit function including its annual and a few specific reports; the financial information systems; the internal control system including risk management processes and the control over procurement and payment and disbursement systems to executing entities and other third parties. The Accreditation Panel found an overall alignment of the policies and procedures framework which is set out in the Programme and

Operations Policies and Procedures (UNDP POPP) with key administrative and financial capacities required by the GCF basic fiduciary requirements.

42. As per paragraph 6 above, the basic fiduciary standards concerning key administrative and financial capacities are considered to have been met by way of fast track re-accreditation.

3.1.2 Basic fiduciary standards: transparency and accountability

43. As explained in paragraph 6 the AE's accreditation process was fast tracked five years ago as an Adaptation Fund AE. This re-accreditation is eligible to be fast-tracked based on its accreditation status with the DG DEVCO. Nevertheless, the Accreditation Panel assessed the AE's transparency and accountability policies, procedures, and implementation thereof to see if the GCF Policies on Prohibited Practices, Protection of Whistle-blowers and Witnesses, and Anti-money Laundering and Countering the Financing of Terrorism (AML/CFT), which were introduced since the AE was accredited by those organizations, were met and implemented throughout the organization.

44. There has been no change to the AE's Code of Ethics which is applicable to its staff and others contracted or functionally related by the organization and its content is regularly communicated through training as well as other channels. In addition to the Code of Ethics there are formal management policies and provisions to define expected ethical behaviour. The AE has conflict of interest provisions and a disclosure policy which is enforced. The Audit Evaluation Advisory Committee fills the role of ethics committee, and this is demonstrated through its annual report. The Ethics Director reports, without filter, to the Executive Board on an annual basis. Serious ethics violations are independently investigated by the Office of Audit and Investigation.

45. The AP examined the AE's updated Policy against Fraud and other Corrupt Practices approved in October 2018. The policy continues to emphasize a zero tolerance approach to fraud, financial mismanagement applicable to staff and third parties. The AE has an Anti-Fraud Strategy that is further complemented by the Anti-Fraud Action Plan. There is ample information on the website, including brochures that are easy to understand and explain how to lodge complaints, whistle-blower protection and the investigative process. The Ethics Office handles the first level of whistle-blower complaints and full investigations are dealt with by the Office of Audit and Investigation and there is detailed reporting thereon. The policy, procedures, capacity and implementation are in line with GCF policies and with the United Nations requirements.

46. The AE approved a new standalone Anti-Money Laundering and Countering the Financing of Terrorism Policy on 5 May 2021. The objective of the AE is to reaffirm its continued commitment to combating money laundering and terrorist financing, by aggregating and consolidating its existing policies and complementing, reiterating and cataloguing the safeguards and measures that it has in place in relation to AML/CFT. The Harmonized Approach to Cash Transfers (HACT) policy is a key tool together with due diligence in vendor management towards knowing your customer.

47. An external assessment of UNDP-GCF projects issued in June 2021 commented that the AML/CFT policy needs to be rolled out across the organization and as part of this roll-out, UNDP should raise awareness of its contents and modify various other UNDP policies to include AML/CFT considerations. It recommends that the changes are accompanied by a training/awareness-raising exercise throughout all country offices. UNDP formally approved an AML/CFT Policy Implementation Plan on 2 September 2021 to achieve the items mentioned by the external assessment over a one-year period.

48. As per paragraph 6 above, the basic fiduciary standards on transparency and accountability are considered to have been met by way of fast track re-accreditation. The AP

finds that the AE's policies, procedures, and capacity fully meet the GCF Policy on Prohibited Practices, and the GCF Policy on the Protection of Whistle-blowers and Witnesses. However, the AP finds that the AE's track record is insufficient. The relevant gap is identified in the previous paragraph number 47 and is reflected by the corresponding condition for re-accreditation in section 4.2.

3.1.3 Specialized fiduciary standard for project management

49. The AE's Programme and Operations Policies and Procedures are contained in a series of documents referred to as UNDP POPP. The policies and procedures contained therein are generally consistent with the special fiduciary standards of GCF. However, weaknesses in the implementation of the UNDP POPP were noted at the regional bureau, country office and regional hub levels. These weaknesses mostly affect the special fiduciary standards and explain some of the risk flags identified in Section 2.2.3 above.

50. Specifically, an audit report issued by the UNDP Office of Audit and Investigations issued 1 December 2020 entitled "Performance Audit of UNDP Global Environment Facility (GEF) Management" concluded that:

- Generally, the [UNDP] Country Offices appreciated the support being provided by the GEF Principal and Regional Technical Advisors (RTAs). Further, the UNDP Bureau for Policy and Programme Support (BPPS)/GEF Team kept the Country Offices abreast of the new GEF requirements and change in policies.
- The BPPS/GEF team in headquarters did not establish adequate governance arrangements, including adequate oversight by RTAs.
- Regional Bureaux/Country Office management did not put into place adequate controls or arrangements to provide oversight over project implementation.

51. The weaknesses in the AE's decentralized operations related to:

- (a) Inadequate segregation of duties between UNDP oversight and execution support roles, weak internal control frameworks and poor accountability;
- (b) Limited monitoring of audit recommendations for implementing partners through the Harmonized Approach to Cash Transfers referred to as HACT;
- (c) Weaknesses within project management; and
- (d) Reliability and integrity of financial and operational information and weaknesses in financial resource management.

52. These weaknesses were brought to the attention of UNDP management in December 2020 through the internal audit report referred to above in paragraph 14. Shortly after, the UNDP put in place a Management Action Plan to address the weaknesses. Both the GEF and GCF requested further studies which were done by external accounting firms. The GCF requested external study was based on 18 GCF projects and confirmed the internal audit findings that UNDP policies and procedures were generally adequate compared to the GCF fiduciary standards, but that there were significant gaps relating to the implementation of the policies and procedures. All the observations in the GCF requested external study were also noted as part of the internal audit report. Management has been proactive in executing its Management Action Plan and as of 24 May 2021 over 75 per cent of the actions it contained were completed while others were in progress. By 1 September 2021 this figure was over 90 per cent.

53. The twenty-eighth meeting of the GCF Board discussed the situation and requested that the following be included in funded activity agreements (FAAs):

- (a) The Accredited Entity shall ensure that the Funded Activity is audited in compliance with the requirements set out in:
 - (i) The UNDP Policy on Harmonized Approach to Cash Transfers (HACT); and
 - (ii) the Charter of the Office of Audit and Investigations.
- (b) The Accredited Entity shall, at its own cost, report to the GCF Secretariat, on a monthly basis for so long as any recommendations from the OAI GEF Audit and/or the GCF Assessment remain outstanding, following the template agreed between the Accredited Entity and the GCF Secretariat, on the actions taken or to be taken by the Accredited Entity to address any outstanding recommendations of the OAI GEF Audit and the GCF Assessment, in each case, to the extent that is relevant to the portfolio of GCF funded activities managed by the Accredited Entity (the “UNDP Portfolio”).
- (c) With respect to the UNDP Portfolio, the Accredited Entity shall, in each case, in accordance with the terms set forth in Clause 5.03(a) of the AMA, address all relevant actions and recommendations to the extent possible with respect to monitoring concerns raised by the GCF (with respect to e.g. annual performance reports, interim evaluations and ad hoc checks), where assessed relevant by UNDP.

54. The Accreditation Panel is encouraged by the swift and definite response of UNDP management but is of the view that there should be a further third-party confirmation in a couple of years to confirm whether the noted implementation issues remain substantially resolved in the programme and project execution.

55. To summarize, the AP finds that the AE’s policies, procedures and capacity fully meet the specialized fiduciary standard for project management. However, the AP finds that the AE’s track record – which refers to the adherence by the applicant to the fiduciary standards – is insufficient. The relevant gaps are identified in paragraphs 49 to 53 and are actively being addressed by the AE through an approved Management Action Plan. A demonstration of the eventual effectiveness of these actions is reflected by the corresponding condition for re-accreditation in section 4.2.

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

56. UNDP has extensive experience in low value grant awards and/or funding allocation mechanisms. These activities are subject to the “UNDP Policy on Low Value Grants and Innovation Challenges”. UNDP defines low value grants as cash awards to civil society and non-governmental partners intended to generate and solicit development solutions for which no repayment is typically required.

57. **Policy:** UNDP makes low value grants for non-credit purposes to support the following types of activities:

- (a) Strengthening the institutional capacity of entities critical for achieving development objectives;
- (b) Supporting community-based self-help initiatives, which may include income-generating activities designed to alleviate poverty;
- (c) Promoting advocacy activities and networking between civil society organizations, a government and donors;
- (d) Supporting NGOs and community-based organizations involved with local environmental protection and poverty eradication activities; and/or
- (e) Development challenges that still require some level of experimentation to identify possible solutions.

58. Low value grants may also be made for credit activities and can be used by the recipient organization to cover the costs of its operations, purchase equipment, hire new staff or capitalize credit funds within set financial limits.

59. The low value grants policy deals with operational aspects of allocating grants to responsible parties. These are the parties that will execute the grants under UNDP authority as an implementing entity. Any legally constituted and duly registered organization may become a responsible party and includes government agencies, intergovernmental organizations, private firms, other UN agencies, or civil society organizations, including non-governmental organizations, advocacy groups, state-owned enterprises and academia. The same policies and procedures for selecting civil society organizations as responsible parties are used for private and non-governmental academic institutions and foundations (notwithstanding their form of ownership, i.e. public or private) and state-owned enterprises.

60. According to the policy the capacity of partners receiving grants exceeding USD 300,000 per programme cycle must be evaluated with the micro assessment tool of HACT. The policy mentions that UNDP may provide support services, such as carrying out project activities, procurement, recruitment, payments, or other services, for a UNDP project implemented by another partner and this is referred to as country office support.

61. Grants can be given to UN agencies, intergovernmental organizations and government agencies and they are exempt from competitive procurement processes. They can be selected under various programming modalities. Civil society organizations, including NGOs and foundations, as well as duly accredited academia and state-owned enterprises are selected under a competitive process. However, they can be selected if they are uniquely positioned in terms of their value, legitimacy and/or access to particular groups of beneficiaries or geographic areas.

62. **Procedures:** Guidelines and procedures are in place to guide the contracting and procurement, and templates exist for standard letters of agreement depending on the nature of the institution such as a government ministry or institution, an intergovernmental organization, a UN agency, or an array of civil society organizations. The policy describes the role of the AE's support services, the function of the grants, the modalities for awarding grants and contingency repayments.

63. The operational guidelines cover the grants funded by donors. They include the mechanism whereby donors approve the grants. Part I of the guidelines covers the AE's headquarters structure that provides fiduciary oversight, and the country programme structure under which the grants will operate. Part II of the guidelines deals with the implementation and administration of grants in a country programme setting and budget and includes the country programme strategy. It describes the in-country institutional arrangements, the AE's country staff and roles and responsibilities during project execution and the procedures of a national steering committee. Part III relates to the implementation and administration of the grants itself. It describes the project cycle, planning the grants and preparing project proposals and the disbursement of funds. Reporting and communication is covered in the last part. The guideline is complemented with numerous reference documents such as model terms of reference for steering committees, model contracts and agreements and various evaluation templates.

64. **Practices:** The AE has referred to many grants that it has implemented, or is currently implementing, and provided examples of related documents such as calls for proposals through the media and scoring sheets for the selection of the grants, communications with grantees, communications via the media such as press releases including evidence of field appraisals, terms of reference for the national steering committee and minutes of such committees. As part of the upgrade application, evidence of oversight and monitoring were provided such as completed checklists and monitoring records, audit reports, project and financial audit reports, evaluation reports and annual programme reports.

65. **Track record:** The grants that the AE referred to include:
- (a) A promotion of tropical forest conservation in South-East Asia and south Asia with funding of over USD 17 million with the European Union as a partner;
 - (b) A landscape-level protection for natural World Heritage Sites with funding of USD 12 million with the New Zealand international aid agency as a partner;
 - (c) A Mekong and SIDS community-based adaptation programme with funding of USD 6 million and the Australian Government as a partner;
 - (d) A programme covering 26 countries related to biodiversity planning with funding of USD 12 million and the German government as partner; and
 - (e) A community development grant of over USD 10 million related to biodiversity planning with the Japan Biodiversity Fund and UNEP as partners.
66. The most significant example that the AE referred to is the Small Grants Programme (SGP) funded by the Global Environment Facility (GEF). According to the AE it has been ongoing since 1992 and implemented some 24,000 projects in over 125 countries, providing GEF grants totaling USD 652.7 million, and a total amount of co-financing leveraged of USD 833.3 million. The AE's policies and procedures for grant awards and funding allocations are based on the experience that the AE gained with the SGP.
67. The AE has implemented grant award and/or funding allocations for the GEF, DG DEVCO and the Adaptation Fund. It has the capacity and experience to administer grant award programmes funded by multilateral funds. As explained in paragraph 6, this accreditation is eligible to be fast-tracked. The AP review finds that the AE's policies, procedures, organizational structure and practices fully meet the specialized fiduciary standard for grant award and/or funding allocation mechanisms.
68. The AE provided information on the processes involved including the legal and financial instruments and the governance and organizational structures. The SGP has a National Steering Committee with adequate terms of reference. Technical Advisory Groups reporting to the National Steering Committee are set up where needed to ensure the scientific and technical soundness of project activities and country programmes. Eligibility and evaluation criteria are published on the SGP's website. SGP grant award results are communicated to AEs within a week of the review and approval of the National Steering Committee and the results are published online. The grantees can follow their own procurement policies provided they are consistent with UNDP procurement policies and principles. Project information is equally available online. The annual monitoring process is a multi-stakeholder process which results in an annual monitoring report which is the primary source of information on the SGP's portfolio. Monitoring takes place at the project, country and portfolio level. External audits are done at country programme level and cover management, financial and administrative issues.
69. The AP finds that the AE's policies, procedures and capacity, supported by its track record, fully meet the specialized fiduciary standard for grant award and/or funding allocation mechanisms.

3.2 Environmental and social safeguards

70. The AE provided its updated Social and Environmental Standards (SES) policy, which was approved by the AE's Operations Policy Group in July 2019, and came into effect on 1 January 2021. A one-year transition period is currently under way. Under that transition, projects that started prior to the effectiveness date of the updated policy will continue to follow the original (2015) SES policy. However, if such a project undergoes substantive changes, it will then be required to follow the updated (2021) SES policy. The original 2015 SES principles

were strengthened and expanded in the updated policy. Those principles were revised to align with UN Sustainable Development Cooperation Framework guiding principles. This includes new emphasis on gender-based violence, sexual harassment, sexual exploitation and abuse provisions; rights of persons with disabilities; and resilience. The publicly available SES Toolkit was updated at the time of launching the 2021 SES policy.

71. The objectives of the SES policy are to: (i) strengthen the quality of programming by ensuring a principled approach; (ii) maximize social and environmental opportunities and benefits; (iii) avoid adverse impacts to people and the environment; (iv) minimize, mitigate, and manage adverse impacts where avoidance is not possible; (v) strengthen the AE's and its partners' capacities for managing social and environmental risks; and (vi) ensure full and effective stakeholder engagement, including through a mechanism to respond to complaints from project-affected people.

72. The SES has adopted eight environmental and social safeguard (ESS) standards to further support implementation of the AE's commitments to: leaving no one behind; human rights; gender equality and women's empowerment; sustainability and resilience; and accountability (collectively, the SES Programming Principles). The standards set out specific requirements relating to different social and environmental issues. The AE's ESS standards are:

- (a) Standard 1: Biodiversity conservation and sustainable natural resource management;
- (b) Standard 2: Climate change and disaster risks;
- (c) Standard 3: Community health, safety and security;
- (d) Standard 4: Cultural heritage;
- (e) Standard 5: Displacement and resettlement;
- (f) Standard 6: Indigenous peoples;
- (g) Standard 7: Labour and working conditions; and
- (h) Standard 8: Pollution prevention and resource efficiency.

73. The AE's Social and Environmental Compliance Unit (SECU) ensures compliance with the AE's SES policy. SECU also evaluates whether UNDP has complied with its obligations, whether any non-compliance has caused harm to the complainant, and how UNDP can correct the non-compliance. The AE's senior management announced the updated policy to all relevant staff, and regional webinars are being held as part of the roll-out.

74. The AE has confirmed that its past or current investment portfolio does not contain any investments into fossil fuels, nor does it plan to do so in the future.

75. The SES policy includes ESS standard No. 2 "Climate change and disaster risks" according to which the AE supports countries to: integrate disaster and climate risk concerns into national and sectoral development plans; advance low-emission and risk-informed development pathways; identify priority disaster risk reduction, risk governance, climate mitigation and adaptation measures; and implement measures to reduce exposure and vulnerabilities and to increase adaptive capacity and build resilience. The AE ensures that its projects are sensitive to climate change and disaster risks and do not contribute to increased vulnerability to climate change and natural hazards. The AE mobilizes resources to support programme countries to address the whole spectrum of issues related to climate change and disaster risk reduction, including financing their national adaptation costs, and to advance risk-informed development in order to reduce disaster risks.

76. The AP finds that the AE's environmental and social management system, comprising the SES policy supported by evidence of its track record, fully meets the GCF Environmental and

Social Policy (ESP) and GCF interim ESS standards for maximum environmental and social (E&S) risk category B/I-2 projects/programmes with respect to performance standards 1–8.

3.2.1 Identification of environmental and social risks and impacts

77. The AE provided its Social and Environmental Screening Procedure (SESP) which serves to identify and assess risks and impacts. It is integrated into the Social and Environmental Standards Toolkit, among others. Based on the screening, the AE screens and categorizes projects according to the degree of potential social and environmental risks and impacts. In some cases, applicability of specific requirements will need to be determined through additional scoping, assessment, or management review. The screening process results in one of the following four risk categories for the proposed project: Low, Moderate, Substantial and High. Under the updated SES policy, the ‘Moderate’ categorization now has two levels; originally, in the 2015 SES policy, the ‘Moderate’ category had three levels, and under the 2021 SES policy the third (and highest) has been converted into a new category, called ‘Substantial’.

78. The two levels of moderate risk are as follows:

- (a) Impacts are very limited, well understood and easily mitigated; no assessment is required, and the SESP identifies risks and straightforward management measures; management measures are incorporated into the project document; and
- (b) Impacts are limited but their full extent is unclear; targeted assessment(s) (e.g. hazard assessment, audits, special studies) are required; targeted management measures/plans are required.

79. Both of these levels of UNDP’s updated ‘Moderate’ category are within the scope of the original (2015) ‘Moderate’ category. The removal of the third level of the original category means that the updated ‘Moderate’ is a narrower and lower risk category under the 2021 SES policy.

80. Projects that fall under the new ‘Substantial’ category have a varied range of limited but more complex impacts; require appropriately scoped (i.e. not full) ESIA/SESA; and require an appropriately scoped environmental and social management framework (ESMF) and environmental and social management plan (ESMP).

81. The AE provided samples of E&S risk screening and categorization forms for the following three projects in category B/I-2 to illustrate application of the E&S risk screening and categorization.: (1) Priming financial and land use planning instruments to reduce emissions from deforestation in Ecuador; (2) Strengthening the resilience of smallholder farmers in the dry zone to climate variability and extreme events in Sri Lanka; and (3) the Tuvalu coastal adaptation project in Tuvalu. The screening forms were approved by the AE’s quality assurance assessor and its senior management.

82. The AP finds that the AE’s system of identification of E&S risks and impacts, supported by evidence of its track record, fully meets the GCF ESP and GCF interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8.

3.2.2 Environmental and social management programme

83. The SES policy describes the AE’s E&S mitigation management procedure which is further elaborated in the AE’s 2020 SES Management Guidance (SESMG) Note to align it with the SES policy updates described in section 6.1 above. The SESMG provides the generic terms of reference for an ESIA, indicative outline for ESIA, ESMP, ESMF, etc. Additional guidance is also provided in the SES Toolkit available on the AE’s website. All projects/programmes classified in the ‘Substantial’ or ‘Moderate’ E&S risk category require either an ESMP or ESMF. The ESMP

includes the proposed measures for mitigation, monitoring, institutional capacity development and training (if required), an implementation schedule, and cost estimates. When uncertainty remains regarding specific project components or exact locations (e.g. projects still under development, upstream activities), an ESMF should be developed in place of an ESMP. Potential environmental and social risks and impacts associated with project contractors and primary suppliers are identified. Specific due diligence is undertaken to ascertain the performance and reputation of contractors and primary suppliers. Covenants in legal agreements are included with project contractors to comply with relevant SES policy requirements. Risks and impacts associated with project primary suppliers are addressed in a manner proportionate to the AE's control or influence over them. The AE's executing entities (EEs) (implementing partners) are responsible for the development of the ESMP or ESMF.

84. Oversight by the AE of individual project's safeguards monitoring and reporting during implementation takes place at three levels, corresponding to two tiers of oversight. The AE's country office (CO) is the first level of oversight and is the "risk owner" of all project risks (per the Enterprise Risk Management). Accordingly, the CO monitors, tracks and updates those risks – including SES risks – through the risk register and other corporate systems. This work involves conducting monitoring missions and meetings, obtaining field reports and other information from the Project Monitoring Unit and transmitting information to the Nature Climate and Energy Vertical Fund team (NCE-VFT) at the regional level. The second tier of oversight is provided by the NCE-VF Regional Technical Advisors, at the regional and global levels to supplement oversight by the AE's COs of projects with technical oversight and expertise.

85. The AE provided ESMPs for the same three projects in category B/I-2 mentioned in paragraph 81 above including the internal compliance reviews.

86. The AP finds that the AE's E&S management programme, supported by evidence of its track record, fully meets the GCF ESP 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 Monitoring and review

87. The AE monitors and evaluates its overall performance against the objectives and requirements of the SES policy. Monitoring is integrated with the quality assurance reporting system and risk register. The extent of monitoring activities is commensurate with the project/programme's risks and impacts. The AE requires that (i) the progress of implementation of mitigation/management plans required by the SES is monitored, (ii) complaints/grievances are tracked and monitored; (iii) follow-up on any identified corrective actions is tracked; and (iv) any required monitoring reports on SES implementation are finalized and disclosed. Monitoring activities involve direct participation of affected stakeholders, where possible, and in particular for projects with potentially significant adverse risks and impacts.

88. For projects with potentially significant risks and impacts, periodic reports are provided to the affected communities that describe progress with implementation of project management and action plans and on issues that the consultation process or grievance mechanism has identified as a concern. Any material changes or additions to the mitigation measures or actions plans are communicated to affected communities. Reports are provided at a frequency proportionate to the concerns of affected communities but not less than annually. Monitoring activities involve direct participation of affected stakeholders, where possible, and in particular for projects with potentially significant adverse risks and impacts. Where appropriate, monitoring engages and/or involves stakeholders and third parties, such as affected communities, independent experts, or NGOs, to complement or verify monitoring activities. The role of local governments is also considered in monitoring activities. Based on the

monitoring results, any necessary corrective actions are undertaken. The execution of individual project's safeguards monitoring and reporting is carried out by the AE's EEs, which hire safeguards officers into the Project Management Unit when the level of risk requires such expertise (per the SES policy). The project safeguards officer manages the day-to-day implementation of safeguards management frameworks and plans (e.g. ESMP) and related engagement plans, including the required monitoring and reporting.

89. The AE provided copies of interim evaluation reports for the same three projects mentioned in paragraph 81 above as well as the E&S compliance monitoring reports developed by AE's headquarters and country teams.

90. The AP finds that the AE's system of monitoring and review related to E&S, supported by evidence of its track record, fully meets the GCF ESP 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 External communications, consultations, information disclosure and grievance redress mechanism at the institutional level

91. The AE's SES are underpinned by an Accountability Mechanism with two key components: (i) the Stakeholder Response Mechanism (SRM) that ensures individuals, peoples, and communities affected by projects have access to appropriate grievance resolution procedures for hearing and jointly addressing complaints and disputes related to the social and/or environmental impacts of UNDP-supported projects; and (ii) the Social and Environmental Compliance Unit (SECU), an independent review body located in UNDP's Office of Audit and Investigations which investigates alleged non-compliance with AE's SES and screening procedure from project-affected stakeholders and recommends measures to address findings of non-compliance. The AE's SECU receives complaints or grievances concerning its compliance with the SES which can be reached via e-mail, an online form, a free-of-charge telephone hotline, mail, SMS and various messaging apps. The AE ensures meaningful, effective and informed participation of stakeholders in the formulation and implementation of its projects/programmes.

92. Upon receipt of a complaint, SECU determines the eligibility of the complaint, consults with the SRM and, if necessary, the complainant to determine the appropriate actor to deal with the complaint, develop terms of reference to lay out its investigation, take measures to prevent retaliation or retribution, and SECU undertakes the investigation. The result of this investigation is a final compliance report, which includes findings and recommendations, and input from complainants and other stakeholders. The AE's administrator makes the final determination of measures necessary to correct non-compliance. The process is described in more detail in SECU's investigation guidelines. The AE has also developed a "Supplemental Guidance: Grievance Redress Mechanisms". The full register of cases received and treated by the AE's SECU and its SRM since 2015 is available on its website SECU case registry available online¹⁷.

93. Provisions for project-level public consultation mechanisms and disclosure policies are provided in annex 2 of the AE's, "Guidance Note on Social and Environmental Assessment and Management". Since these provisions are valid for the entire project, they also apply to the AE's implementing partners. The AE's institution-wide Information Disclosure Policy is available on its website¹⁸. The SES, "Supplemental Guidance on Disclosure", provides additional detail. All relevant project information and documents, in line with the AE's Information Disclosure

¹⁷ See <https://info.undp.org/sites/registry/secu/SECUPages/SECUSummary.aspx>

¹⁸ See <https://www.undp.org/accountability/transparency/information-disclosure-policy>

Policy, can be found on the UNDP transparency website.¹⁹ All audit results since October 2008 are available on the UNDP audit disclosure website.²⁰

94. The AE's project-level Grievance Redress Mechanisms (GRM) guidelines and template are provided as attachments. The SRM states that UNDP will support implementing partners (i.e. executing entities) in establishing appropriate project-level GRMs and/or build their capacity in operating them. In case there is no project-level or implementing partner GRM, the UNDP SRM will be available also for grievances concerning implementing partners. The application of the UNDP SRM, which fulfils the role of a grievance redress and information inquiry mechanism, is provided on the UNDP SRM case registry website.²¹

95. The AE provided evidence on E&S disclosure and consultations and project-level for the same three projects mentioned in paragraph 81 above.

96. The AP finds that the AE's system of external communications, consultations, information disclosure and grievance redress mechanism, supported by evidence of its track record, fully meets the GCF ESP, 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.

3.2.5 Organizational capacity and competency

97. The AE provided the organization chart of its institution including the placement of its Nature, Climate and Energy and gender units, and the CVs of its key staff. The most relevant staff roles in the environmental and social screening procedure are the following:

- (a) Project Developer: Completes the social and environmental screening procedure during the design phase;
- (b) Quality Assurance Assessor: checks to ensure that the social and environmental screening procedure is adequately conducted;
- (c) Quality Assurance Approver: reviews and clears the project QA assessments;
- (d) Project Appraisal Committee: reviews and recommends whether a project should be approved, considering the advice from relevant experts;
- (e) Programme Manager: has the final approval authority and is accountable to the AE's administrator for ensuring the screening and standards have been fully applied and addressed; and
- (f) Project Manager: ensures that the identified social and environmental management measures are implemented and monitored throughout project implementation.

98. The Social and Environmental Compliance Unit (SECU) ensures continued compliance with UNDP project-level social and environmental standards, particularly by receiving and processing complaints.

99. Concerning most relevant actors within UNDP, each regional bureau has an SES focal point who coordinate with each other at least monthly. In addition, the UNDP Programme and Project Management (PPM) Reference Group regularly consults across bureaux and exchanges information on relevant policies, including the SES.

100. The AE's Social and Environmental Standards Learning and Communication Strategy (2020/21) contains an overview of the roles and responsibilities of the main actors at diverse levels of project, sector and UNDP-level staff. The Social and Environmental Standards Learning

¹⁹ See <https://open.undp.org/>

²⁰ See <https://audit-public-disclosure.undp.org/>

²¹ See <https://info.undp.org/sites/registry/srm/SRMPages/SRMSummary.aspx>

and Communication Strategy contains training materials on the SES and the pathways for their dissemination among UNDP and its partners.

101. The AP finds that the AE's organizational capacity and competency to implement the environmental and social management system, supported by evidence of its track record, fully meet the GCF ESP and GCF interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1-8.

3.3 Gender

102. The AE's Gender Equality Strategy (2018-2021) commits to promoting gender equality and mainstreaming gender across all of its work with focus on solutions to deep-rooted, structural barriers that perpetuate gender inequality and hinder sustainable development. The promotion of gender equality and the empowerment of women is central to the AE's mandate and fundamental to its development approach. The AE's approach to advancing gender equality and women's empowerment is operationalized through its Gender Equality Strategy which functions in parallel with its Strategic Plan. The AE applies its Gender Equality Strategy and gender-related requirements in all the programming and project activities that it supports. The principles underpinning the AE's approach, institutional architecture and compliance with the United Nations System-wide Action Plan on Gender Equality and Empowerment of Women (UN-SWAP) is summarized below:

- (a) Approach and core principles: The AE's approach to gender mainstreaming is a dual one. It supports the empowerment of women and girls through gender-responsive targeted interventions and also addresses gender concerns in the developing, planning, implementing and evaluating of all policies and programmes. The seven core principles underpinning UNDP's Gender Equality Strategy are: human rights; creating agency for women and men; leaving no one behind, with commitment to address multiple and intersecting forms of discrimination, including to marginalized groups; transforming power relations; engaging men and boys; contextual and country-driven solutions; and innovation.
- (b) Institutional architecture: The AE has three key interrelated accountability mechanisms for monitoring progress on advancing gender equality and women's empowerment: the Gender Steering and Implementation Committee, the highest decision-making body on gender mainstreaming within its own institution with responsibility for policy setting, oversight of all offices, and reporting on progress toward the Gender Equality Strategy to the AE's Executive Board; the Gender Seal Initiative, a quality certification process that assesses and improves the ability of the AE's country offices to deliver on gender equality; and the Gender Marker, which tracks investments and expenditures in gender equality. All are operationalized through the AE's Gender Equality Strategy.
- (c) UN system-wide compliance: Further, the AE reports annually to UN WOMEN on progress against the key performance indicators of the United Nations System-wide Action Plan on Gender Equality and Empowerment of Women (UN-SWAP) and is committed to full compliance within these areas. In line with the new United Nations System-Wide Strategy on Gender Parity promulgated by the Secretary-General and as detailed in the AE's Gender Parity Strategy 2018-2021, the AE aims to maintain full gender parity among all staff.

103. The AE's policy on Harassment, Sexual Harassment, Discrimination, and Abuse of Authority which implements UN Staff Rule 1.2 (f) specifies that every person working for UNDP has the right to be treated with dignity and respect, and to work in a safe environment free from harassment, sexual harassment, abuse, and discrimination. The AE does not tolerate harassment, sexual harassment, discrimination, and abuse of authority in any form.

104. Gender is often a key factor in determining access to project benefits and vulnerability to potential adverse impacts. It is vital that the stakeholder identification and analysis process be gender responsive in order to determine how and when women and men stakeholders should be involved and to address potential existing gender gaps in participation and decision-making.

105. The AE's project-level grievance redress mechanisms and its SRM address concerns promptly through dialogue and engagement, using an understandable and transparent process that is culturally appropriate, rights-compatible, and readily accessible to all stakeholders at no cost and without retribution. They are gender- and age-inclusive and responsive and address potential access barriers to women, the elderly, persons with disabilities, youth and other potentially marginalized groups as appropriate to the project. The UNDP SES Supplemental Guidance - Grievance Redress Mechanisms is available on its website.²²

106. The AE's Gender Equality Strategy specifies that: country/regional programme documents, programmes and projects are required to be informed by gender analysis; programme/project rationale must address structural barriers to gender equality and the priority areas should identify concrete changes to advance gender equality in at least one area of intervention; results and resources frameworks must include at least one gender-specific outcome and indicative outputs and indicators. The AE's project document template further details the requirements for how gender analysis and the gender action plan must be developed including around mitigation, monitoring and reporting measures and which includes gender-related activities (aligned with project-level outcomes and components); indicators; targets; baseline; budget; timeline; and responsible party.

107. The UNDP corporate monitoring system and results-based management tools mainstream gender equality and the empowerment of women to enable the organization to assess progress toward the three development outcomes established in the Strategic Plan. All the AE's evaluations are designed and implemented in accordance with the norms and standards for evaluation in the United Nations system, including the gender-related norms and standards. The AE's Evaluation Guidelines must integrate gender equality concerns and all evaluations are subject to assessment against the United Nations System-wide Action Plan on Gender Equality and the Empowerment of Women (UN-SWAP) Evaluation Performance Indicator. Gender is also included in risk-based audits undertaken by the organization.

108. UNDP has produced numerous knowledge products on gender equality and women's empowerment, and on the intersection of gender equality and climate change.

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

IV. Conclusions and recommendation

4.1 Conclusions

110. Following its assessment, the Secretariat concludes the following in relation to the application:

- (a) As UNDP is the AE with the largest GCF portfolio both in number of funded projects and total financing, statistical comparability of performance with other AEs may not be fully representative of the portfolio performance. With this caveat, a comparison of key

²² See https://info.undp.org/sites/bpps/SES_Toolkit/Pages/Guidance-and-Templates.aspx

- parameters shows that UNDP is above average in timely reporting, disbursement rate and expenditure, however, is generally below average in results delivery.
- (b) The AE needs to strengthen its intervention in addressing the implementation challenges at the project level (both for funded activity and readiness portfolios), in particular those that appear in multiple years. Where the challenges are indicative of design weakness, the AE needs to learn from the challenges and reflect the learning in the proposals under design stage.
 - (c) The AE needs to improve the quality of independent evaluations while taking into account specific areas discussed above.
 - (d) The AE needs to proactively address the observations identified in the BDO assessment, implement the management actions it has suggested where applicable, and report to the Secretariat on the progress of the implementation.
 - (e) The AE needs to prioritize the finalization of their Entity Work Programme (EWP) in 2021, and ensure that the partnership approach and programming strategy are aligned with GCF 2020–2023 Updated Strategic Plan and build on the challenges and lessons learnt from the existing portfolio. Additionally, the AE needs to re-visit the pipeline of concept notes and funding proposals that already have been submitted and evaluate those in the order of priority before submitting any new concept note.
 - (f) The AE needs to ensure consistency and uniformity in funding proposal quality in terms of meeting minimum quality standards as per GCF requirements. Specific design areas that require strengthening include the theory of change narrative and diagram, and logframe means of verification, targets, unit of measurement, and alignment with feasibility study and/or economic and financial analysis.
 - (g) Noting the recommendations above, based on the AE's overall satisfactory performance in managing the portfolio with GCF and the pipeline for the GCF-1 period and programming directions that offer significant potential to contribute to GCF achieving the goals and priorities set out in the Updated Strategic Plan, the Secretariat has recommended to progress the AE's re-accreditation application to Stage II, including the upgrade.
111. Following its assessment, the AP concludes the following in relation to the application:
- (a) The AE partially 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 and the specialized fiduciary standard for project management. The gaps relate to:
 - (i) The need to fully roll out the recently approved AML/CFT policy across the organization as described in paragraph 47; and
 - (ii) The need to have a third-party confirmation in a couple of years to confirm whether the noted implementation issues remain substantially resolved in the programme and project execution as described in paragraphs 49 to 53.
 - (b) The AE meets the GCF specialized fiduciary standard for grant award and/or funding allocation mechanism.
 - (c) The AE meets the GCF ESP, GCF interim ESS standards and the GCF Information Disclosure Policy on disclosure of E&S information in relation to the medium E&S risk (category B/I-2). The AE demonstrates a greater degree of E&S management system maturity than is required by the ESP and interim ESS standards for category B/I-2 against which the AE is seeking accreditation. Building on its experience in

implementing higher E&S risk projects and programmes, the AE may, in the future, seek an upgrade in accreditation for high E&S risk (category A/I-1); and

- (d) The AE 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 re-accreditation

112. The AP recommends, for consideration by the Board, UNDP for re-accreditation for its second term as follows:

(a) **Accreditation type:**

- (i) **Maximum size of an individual project or activity within a programme:** medium²³ (including micro and small);

(ii) **Fiduciary functions:**

- (1) Basic fiduciary standards;
- (2) Specialized fiduciary standard for project management;
- (3) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and

- (iii) **Maximum environmental and social risk category:** medium risk (category B/I-2) (including lower risk (category C/I-3²⁴)).

- (b) **Conditions:** 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.

(i) Conditions to be met with the submission of the mid term review documents:

- (1) Provision by the entity of an assessment report by an independent third party (which could be the Office of Audit and Investigations) which demonstrates to the satisfaction of the Accreditation Panel, in consultation with the GCF Secretariat, that the UNDP Programme and Operational Policies and Procedures (UNDP POPP) are adequately implemented for GCF-supported projects and readiness projects. This assessment is to be based on a representative sample of GCF-funded projects determined and selected by the independent third party and should be substantially similar in scope and areas assessed in Part 2 of the report “Independent Assessment of UNDP Management of GCF-supported Projects” by the accounting firm BDO LLP issued on 4 June 2021.
- (2) Provision by the entity of an assessment report by an independent third party that UNDP has completed implementation of its AML/CFT Policy

²³ 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.”

²⁴ 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.”

Implementation Plan formally approved on 2 September 2021. This assessment can be included in the assessment report required by the previous paragraph.

113. The entity has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 112 above, and agrees to the recommendation.

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

I. Background

1. In decision B.08/03, paragraphs (e–g), the Board decided that entities accredited by the Global Environment Facility (GEF), the Adaptation Fund (AF) and the Directorate-General for International Development and Cooperation (DG DEVCO) up to and including 17 October 2014 and in full compliance with those institutions' requirements, as contained in annex V to decision B.08/03 (annex V to document B.08/45), are eligible to apply under the fast-track accreditation process for the accreditation requirements of 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).