



**GREEN  
CLIMATE  
FUND**

**Meeting of the Board**  
17 – 20 October 2022  
Incheon, Republic of Korea  
Provisional agenda item 14

**GCF/B.34/09/Add.08**

**26 September 2022**

---

# Consideration of accreditation proposals – Addendum VIII

## Accreditation assessment of APL116

---

### **Summary**

This document contains the accreditation assessment conducted by the Secretariat and the Accreditation Panel in accordance with decision B.07/02, and the recommendation by the Accreditation Panel for accreditation of accreditation applicant 116 (APL116), Zambia National Commercial Bank Plc (ZANACO), based in Zambia, for the first accreditation term.

## I. Introduction

1. Applicant 116 (APL116), the Zambia National Commercial Bank Plc (ZANACO) is a national direct access, private sector entity based in Zambia. The applicant, aiming to be Zambia's leading, preferred and innovative financial institution, focuses on provision of fair deals and financial services to governments, food and agriculture businesses, personal banking and small- and medium-size enterprises banking through appropriate technology, distribution channels and empowered employees. The applicant undertakes various activities related to climate change in energy efficiency, transport, agriculture, land use and forestry and provides financial services and advisory services to regulatory authorities for climate projects.

2. The applicant submitted its application for accreditation to GCF via the online accreditation system on 13 September 2017. Accreditation fees were received from the applicant on 24 May 2018, thereby launching the stage I institutional assessment and completeness check. Stage I was completed on 30 June 2020 and the applicant was progressed to the stage II (step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the GCF fit-for-purpose approach:

- (a) **Access modality:** direct access, national. The applicant received a national designated authority (NDA) or focal point nomination for its accreditation application from Zambia;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or activity within a programme:** small<sup>1</sup> (including micro);<sup>2</sup>
- (d) **Fiduciary functions:**<sup>3</sup>
  - (i) Basic fiduciary standards; and
  - (ii) Specialized fiduciary standard for on-lending and/or blending (for loans and guarantees);
- (e) **Maximum environmental and social risk category:** medium risk (category B/intermediation 2 (I-2));<sup>4</sup> and
- (f) **Indicative results areas for intended projects/programmes with GCF:**
  - (i) Energy generation and access;
  - (ii) Low-emission transport;
  - (iii) Buildings, cities, industries and appliances;
  - (iv) Forestry and land use;

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

<sup>2</sup> 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 USD 10 million for an individual project or an activity within a programme."

<sup>3</sup> Decision B.07/02.

<sup>4</sup> 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."

- (v) Health, well-being, food and water security;
- (vi) Infrastructure and built environment;
- (vii) Ecosystems and ecosystem services; and
- (viii) Public, private, and cross-cutting types of projects/programmes.

## II. Stage I institutional assessment and completeness check

3. The applicant applied and was assessed by the Secretariat during stage I under the normal track accreditation process in accordance with the GCF policies and standards to the extent applicable to accreditation 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 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 Whistleblowers and Witnesses” (decision B.BM-2018/21);
- (h) “Environmental and Social Management System: Environmental and Social Policy” (decision B.19/10);
- (i) “Revised Environmental and Social Policy” (decision B.BM-2021/18);
- (j) “Comprehensive Information Disclosure Policy of the Fund” (decision B.12/35) regarding the disclosure of environmental and social (E&S) information; and
- (k) “Updated Gender Policy and Gender Action Plan 2020–2023” (decision B.24/12).

### 2.1 Legal status, registration, permits and licences

4. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. The applicant was established under the Companies Act Chapter 388 (Company No. LCO 5387) of the Laws of Zambia and was licenced under the Banking and Financial Services Act to conduct banking business.

### 2.2 Institutional presence and relevant networks

5. The applicant plays a critical role at the national level in delivering financial services to grow businesses and economy in Zambia. It provides a broad range of financial products and banking services through various financial instruments to public sector, large corporates, financial institutions, small- and medium-sized enterprises, micro-businesses, retail businesses and individuals. Furthermore, the applicant promotes sustainable development initiatives in pursuit of its corporate social responsibility objectives. The applicant targets various local communities and groups to provide financial education and community engagement through its

strategic partnerships around various areas, such as water and sanitation, agri-business and environment.

6. The NDA of Zambia has informed the Secretariat of their objective to revise the Country Programme developed in 2017. The revision is expected to maintain alignment with the country's Vision 2030 and 7<sup>th</sup> National Development Plan (2017-2021), which maintains mitigation and adaptation measures mainstreamed in the energy (e.g. solar, wind, biomass and geothermal considered as a way of diversifying the energy mix and improving supply), agriculture (e.g. adoption of agricultural environment-friendly practices) and water (e.g. enhancing rainwater harvesting and catchment protection) sectors.

7. The applicant has strongly committed itself to assisting Zambia in the achievement of the Nationally Determined Contributions and the implementation of Zambia's National Policy on Climate Change. The applicant has engaged and consulted with the NDA of Zambia and the Ministry of National Planning. In line with the priority areas presented in Zambia's Country Programme by the NDA, the applicant intends to focus on areas of renewable energy, agri-business, water investments and sustainable management of ecosystems and natural resources, if accredited to the GCF.

8. In order to advance the objectives of GCF and align with Zambia's Country Programme, the applicant intends to utilize GCF resources for the following projects:

- (a) USD 117 million for the project of Building Resilience and Adding to Agriculture Programme to promote a climate-resilient pathway through productivity increase and improved energy-efficient post-production management;
- (b) USD 80 million for the project of Strengthening Climate Resilience, Adaptation and Mitigation in Production Systems and Livelihoods in Zambia; and
- (c) USD 6 million for the project of Community-Based Forestry Conservation and Restoration in Zambia to build resilience of forest to maintain ecosystem integrity and reduce greenhouse gas emissions.

9. In addition, the applicant intends to engage with independent power producers with a focus on investment in mini hydro-electricity power generation and renewable energy sources. It intends to provide GCF resources to nine identified companies by the applicant for energy projects. The applicant, through these projects, intends to harness the country's renewable energy potential to drive economic growth and catalyse private sector investment in renewable energy sector to boost electricity generation and diversify Zambia's energy mix.

## 2.3 Track record

10. Collaborating closely with the NDA of Zambia, the applicant has been selected as one of the executing entities for the GCF-approved programme (FP080) titled "Zambia Renewable Energy Financing Framework" undertaken by the African Development Bank. In addition, the applicant's track record in financing sustainable development and climate change-related projects to-date includes the following:

- (a) USD 80 million (loans) provided to the Zambia Electricity Supply Corporation for integrating electricity utilities to generate, transmit, distribute and supply electricity in Zambia;
- (b) USD 21 million (loans) provided to the National Airports Corporation for the construction of the airport in Livingstone City, Zambia; and
- (c) USD 46.92 million (guarantees) provided to an undisclosed counter party (due to confidentiality).

### III. Stage II accreditation review assessment

11. The applicant applied under the normal track accreditation process. Its application has been assessed by the AP during stage II (step 1) against the standards of GCF in accordance with the accreditation requirements to the extent applicable to accreditation identified in paragraph 3 above.

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

#### 3.1 Fiduciary standards

##### 3.1.1. Basic fiduciary standards: key administrative and financial capacities

13. ZANACO has a clearly defined governance and oversight structure that formally defines the roles of each function in every department. There is a clear reporting structure for Finance, Internal Audit, and Procurement among other functions. To help discharge its executive functions, the ZANACO board has established five sub-committees, each governed by written terms of reference defining the frequency of meetings, authority, duties and reporting obligations. These committees continuously evaluate the progress made towards meeting the bank's overall objectives, in addition to ensuring the efficient and effective management of the entire bank's core functions. A non-executive director chairs each of the five sub-committees. These are Audit, Risk, Credit, Human Resources and Compensation and Nominations.

14. The ZANACO strategic plan (2020-2025) contains the bank's targets through to 2025. The aspiration is to be the most efficient and financially sustainable financial institution in Zambia, to be achieved through market leadership, efficient processes and digitized systems. To ensure that the bank's overall objectives are achieved, ZANACO management has developed a Balanced Score Card (BSC) to monitor, evaluate and measure the defined objectives. Each unit of the bank has its own BSC which combines into the overall BSC for the bank.

15. The objective setting process is divided into medium to long term plans and an annual process. The medium-term plan is developed through an all-inclusive participatory process which includes brainstorming, situational analysis, objective setting and strategy mapping. The board of directors, Chief Executing Officer (CEO) and the Management board (MBoard) undertake a series of sessions aimed at charting a strategic direction for the bank. Thereafter, a leaner effective core team ensures focused discourse that culminates in a precise strategic direction framework. The Strategy and Innovation Department develops the strategic plan including the various ideas that fit the overall strategic direction.

16. The annual process feeds off the strategic direction. An all-inclusive process that includes the CEO and the MBoard develops the objectives for the year and agree the annual plan. The Finance division collates input from the business and the business support functions to develop the annual budget. The bank also has a process of aligning the objectives with the organizational mission. The bank's mission is embedded in the long-term plan and is cascaded down to the medium-term plan and the annual plans as they are developed. This alignment is subject to a review of the governance processes of the bank which includes MBoard monthly reviews and board of directors' quarterly reviews. The entire spectrum of strategic implementation is reviewed on a quarterly basis by the board of directors and its various sub-committees.

17. The board of the bank engages external auditors on a rotational basis every five years. The external auditors are responsible for reporting on whether the financial statements are fairly presented in accordance with International Financial Reporting Standards (IFRS) and in

the manner required by the Zambian Companies Act and the Banking and Financial Services Act.

18. Consultation occurs between external and internal auditors to ensure an efficient audit process. The Internal Audit Department has a direct reporting line to board's Audit Committee. It is an independent, objective assurance and consulting activity that helps the bank accomplish its objectives by bringing a systematic and disciplined approach to evaluating and improving risk management, control and governance processes. Audit findings and recommendations are uploaded onto a web-based tool called TeamMate and management has access to the platform to provide status updates to ensure closure of the identified items. The effectiveness of the internal audit function is monitored regularly with internal and external assessments using an Internal Audit Quality Assurance and Improvement Program (QAIP).

19. ZANACO's financial statements are prepared in accordance with recognised IFRS. The financial statements are published quarterly in the public media pursuant to the Zambian Banking and Financial Services Act and are also available on the ZANACO website. ZANACO uses the FCUBS computer program as its core banking system for transaction processing as well as another program called ERP to support day to day business functions used by various units and the Calypso treasury program. ZANACO has a transparent and consistent payment and disbursement system. Internationally, the bank is a member of Society for Worldwide Interbank Financial Telecommunication, SWIFT, the international platform for the execution of financial transactions and payments between banks worldwide.

20. The bank has an independent Compliance Function, guided by a Compliance Charter, which defines the fundamental principles, roles and responsibilities of the compliance functions within the bank, as well as the relationship with the executive management, the board of directors and the business and operational functions. The Charter is updated from time to time to reflect the legal and regulatory evolution and is regularly communicated to all staff. The board of directors is responsible for formally approving the Compliance Charter. The Compliance Function independently reports to the board Audit Committee on material compliance issues in the bank through a Compliance Quarterly report, to enable the board to appreciate the level of compliance risk and to solicit timely action.

21. The objectives of the Independent Compliance Function are to: Identify and evaluate the compliance risks within the bank; Organise, co-ordinate and structure compliance related controls; Control and monitor all measures taken to mitigate compliance risks; Report to the executive management and the board of directors as appropriate; and Act as the compliance advisor within the bank. The Compliance Function and compliance monitoring programme are subject to an independent review by both an internal and external audit for the appropriateness of the policies and their implementations.

22. ZANACO's supply chain policy and related manual set out the procurement guidelines. The purposes of the policy are to ensure that all procurements: (i) provide best possible value and ensure goods and services are procured at competitive rates; (ii) are conducted in a fair, objective and transparent manner; (iii) ensure good governance; (iv) provide guidance to all staff regarding supply chain management; and (v) empower and provide capacity building for local suppliers. The vendor selection process for goods and services under selective bidding with thresholds as per the procurement procedures manual requires a Request for Proposal to be prepared and at least 3 written competitive bids obtained. The transparent process of procurement is designed to ensure there is no perception of corruption. The bid documents also contain a channel for whistleblowing, which is managed by an external firm, should a bidder have cause to suspect corrupt practices in the procurement process. The bank has stated that no procurement complaints have been received in the last 2 years.

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

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

24. ZANACO has a Code of Conduct to address ethics of corporate behaviour by which the bank is judged in all its dealings and operations and to promote and safeguard the integrity of the organisation. The Code of Conduct stipulates the standards by which individuals within the bank are judged, with key areas including: skill, care and diligence; relations with regulators; staff interests and gifts; customer due diligence; and conduct of business in customer relations, communications and conflicts of interest.

25. Members of staff, as well as contractors, are given ongoing training on the contents of the Code of Conduct and staff also receive further guidelines on how to seek prior authorisation and reporting for the gifts and hospitality they give or receive in-connection with their employment. This promotes transparency and avoids potential conflicts. There is a separate formal procedure for board members and management to make an annual declaration of interest which is required to be updated regularly. While ZANACO does not have an ethics committee by name, the Compliance Department is responsible for the functions of an ethics committee. This department ensures adherence to the Code of Conduct, plus other related policies such as the Whistle-blower Policy, the Compliance Standards and Anti Money Laundering Policy.

26. ZANACO has provided evidence of how its policy of zero tolerance for fraud and financial mismanagement is communicated to staff. The bank has an option for potential violations to be reported anonymously. This service is managed by a branch of the independent auditors, KPMG. The bank regularly communicates the email address and the link on its website that can be used for whistle-blowing.

27. ZANACO has an Investigation Procedure Manual which is established in accordance with the provisions of the Internal Audit Charter. The manual is intended for use by all members of the internal audit investigation unit who are responsible for conducting investigations. The bank also has an anti-fraud unit within the risk function and operations governed by a Fraud Policy and a corresponding procedures manual. This unit conducts collaborative risk assurance reviews in conjunction with the compliance team especially on matters of conduct risk and the unit's head reports directly to the Chief Risk Officer. Fraud risks and remediation are escalated and reported through a risk oversight committee chaired by the Chief Risk Officer and fed into the bank's Risk and Compliance Committee.

28. ZANACO does not publish the terms of reference of its Investigation Function on its website. This is because under the Zambian jurisdiction, neither the Bank of Zambia nor the Securities and Exchange Commission (ZANACO is listed entity) have made such disclosure requirement on ZANACO. However, this information is available on request and is part of the Investigations Policy. Track record of the Investigation Function has been demonstrated with a report recording violations of the Code of Conduct which details a list of 6 misconduct disciplinary cases from 2018-2020, including the verdict, penalty awarded and case status.

29. The bank has in place the Anti-Money Laundering (AML) and Watch List Management (WLM) solutions. The two interrelated systems detect and report suspicious activities through automated screening of transactions and names of customers in line with the Bank of Zambia Anti-Money Laundering Directives, the Financial Intelligence Centre Act and the bank's Anti-Money Laundering Policy. The bank conducts compliance training programmes for staff and contractors to identify and report suspicious activities as well as to understand the obligations under regulatory requirements. ZANACO has a mechanism to trace and monitor electronic transfers. The process of on-boarding a customer onto the electronic platform follows the

standard checklist of KYC procedure. The bank tracks and monitors customer activity for suspicious money laundering transactions. Track record has been demonstrated with year-end compliance reports showing recent transaction and payment screening activities.

30. The AP finds that ZANACO's policies, procedures and capacity, supported by evidence of its track record, fully meet the basic fiduciary standards on transparency and accountability, and to the extent applicable to accreditation, the GCF Policy on Prohibited Practices,<sup>5</sup> the GCF Policy on the Protection of Whistle-blowers and Witnesses,<sup>6</sup> and the GCF AML/CFT Policy.<sup>7</sup>

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

31. ZANACO did not apply for accreditation for this standard at this time.

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

32. ZANACO did not apply for accreditation for this standard at this time.

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

33. ZANACO is a duly registered Commercial Bank with a licence for on-lending issued by the Bank of Zambia. ZANACO has considerable experience of financing arrangements with international and multilateral institutions, including the African Development Bank (AfDB), European Investment Bank (EIB), the German Investment Corporation (DEG), International Finance Corporation (IFC) and Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO). These include on-lending and guarantees to small and medium sized enterprises. By balance sheet size, ZANACO is one of the top 5 banks in Zambia with a AA long term local credit rating.

34. The bank has a financial management policy that outlines the approach to managing financial resources. Control procedures are in place to analyse the lending portfolio of intermediaries. The bank uses a tool called Enterprise Risk Management, within which each business unit reviews its internal processes and develops controls to mitigate potential risk.

35. ZANACO does not prepare investment portfolio management reports, but has adopted an equivalent approach to managing its liquid assets. The bank has a significant investment in securities and guidance on how much stock to invest and the tenors is defined in a Liquidity Policy, an Assets & Liability Management Policy and a Liquidity Risk Appetite report, all of which are approved by the bank's board. Together, these are the elements of an investment policy that drives investment and liquidity decisions. In addition, the bank holds its Assets and Liability Committee Meetings once a month at which these issues of liquidity and investments are debated in line with policies.

36. ZANACO does not currently produce evaluation reports for its on-lending programmes. The reports that have typically been prepared are driven by their funders including status updates and presentations during meetings. These have mainly quantitative information. In some instances, the lenders themselves have come on the ground to check the impact and qualitative aspect of the programmes and projects and issued a report principally for their own audiences. The bank is currently working on an agricultural facility with the European Investment Bank and will use this to develop its own templates that meet the requirements of the GCF specialized fiduciary standard for on-lending and/or blending (for loans and

<sup>5</sup> Decision B.22/19 and annex XIV thereto.

<sup>6</sup> Decision B.21/25 and annex II thereto.

<sup>7</sup> Decision B.18/10 and annex XIV thereto.



guarantees). As such ZANACO cannot demonstrate compliance with GCF's Evaluation Policy in so far as it relates to accreditation. ZANACO's experience managing credit lines and other funding facilities from multilaterals and having conducted evaluations for those projects/programmes indicate that the bank has the capacity to meet, in so far as it relates to accreditation, GCF's Evaluation Policy for future funding proposals but the bank does not currently have the systems in place as it has not developed an evaluation policy.

37. ZANACO's treasury function has an effective management of assets and liabilities to foster a sustainable growth of the business. The Asset and Liability Management Committee (ALCO), comprising of the senior management of the bank, is primarily responsible for managing assets and liabilities under an Asset Liability Management Policy. While setting any standard under the bank's ALM policy, the management and the board of directors take necessary care to ensure that the minimum or maximum limits (where applicable) stated by Bank of Zambia in the ALM Guidelines are upheld. In other cases, international best practices suitably customized for local banks depending on their capacity and needs may be used.

38. The AP finds that ZANACO's policies, procedures and capacity, supported by evidence of its track record, partially meet the specialized fiduciary standard for on-lending and blending for loans and guarantees. The relevant gap is identified in paragraphs 36 above and is reflected in the corresponding conditions for accreditation in section 4.2 below.

## 3.2 Environmental and social safeguards

### 3.2.1 Environmental and social policy

39. The applicant's Environmental and Social Management System (ESMS) comprises 2016 Environmental and Social Management Policy (E&S Management Policy), supplemented by the Environmental, Social & Governance Framework (ESGF) approved by its Chief Risk Officer in April 2021. The ESGF describes the procedure for implementing the E&S Management Policy. The E&S Management Policy is accompanied by the supplemental guidelines on the E&S Management which include policy clauses specifically addressing E&S information consultation and disclosure requirements in line with the GCF Information Disclosure Policy.

40. The E&S Management Policy applies to all sectors of the economy with a focus on building and construction, agriculture, manufacturing, energy, mining and food processing as these have the greatest impact on the environment

41. The goals of the E&S Management Policy are:

- (a) To ensure that the environmental and social aspects of major projects financed by the applicant are given consideration, and that measures are taken to avoid any adverse environmental impacts;
- (b) To liaise with the Zambia Environmental Management Agency (ZEMA) on technical cooperation to create awareness about environmental and social management practices;
- (c) To assist the applicant's clientele, specifically those within the construction, manufacturing and food processing sectors, in identifying environmental and social issues, developing appropriate solutions, and implementing projects to sustainably manage and improve the environment; and
- (d) To promote diversity and inclusion such as gender equity and supporting lending to women and youth led enterprises.

42. ZANACO further commits to the following: ZANACO will comply with relevant national and international environmental laws, regulations, standards and other requirements:

- (a) Integrate environmental considerations into procurement practices;
  - (b) Prevent pollution by reducing, reusing and recycling materials and goods purchased;
  - (c) Encourage energy saving, reduce water consumption, and promote good housekeeping practices;
  - (d) Set and review its environment objectives and targets from time to time;
  - (e) Raise staff awareness to environmental issues and sustainable development; and
  - (f) Improve and maintain the quality of the working environment within its organization and all its branches/affiliates (air quality, water quality, waste management, paper use, energy use, etc.).
43. The E&S Management Policy has adopted the IFC PS 1-8. The ESGF contains checklists to screen and assess E&S risks and impacts in line with the PS 1-8.
44. The applicant's Chief Credit Risk Officer is the owner of the E&S Management Policy and ESGF and has the ultimate responsibility to ensure that all staff involved in the credit process understand and adhere to the framework; and ensure that all credit applications include environmental & social risk analysis.
45. The applicant has no past or current investments nor any future plans to invest in fossil fuels. While the applicant has not established any climate related policies, it is active in promoting financing renewable energy projects/programmes in its country.
46. The applicant adheres to the PS 7 on Indigenous People, as relevant in its projects/programmes and has the capacity to meet the GCF Policy on Indigenous People as applicable in GCF financed activities.
47. The applicant's policy on harassment applies to its institution's human resources only. The applicant does not have any policies or procedures pertaining Sexual Exploitation, Abuse and Harassment (SEAH) for projects/programmes financed by it. However, the applicant is committed to comply with the GCF Revised Environmental and Social Policy, particularly regarding the provisions on SEAH as applicable to GCF financed activities.
48. The applicant has not demonstrated that it has policy or procedures to conduct evaluation of E&S and gender matters in its projects/programmes in line with the GCF Evaluation Policy. However, the applicant has committed to comply with the GCF Evaluation Policy requirements for its projects/programmes financed by GCF.
49. The ESMP, ESGF including the supplemental guidelines have been communicated to within the applicant's organization and relevant training has been conducted.
50. The AP finds that the applicant's environmental and social management system, comprising the Environmental and Social Management Policy and Environmental, Social & Governance Framework, supported by evidence of its track record, partially meet the GCF Revised Environmental and Social Policy to the extent applicable to accreditation and GCF interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1-8. The relevant gap is identified in paragraph 48 above and is reflected in the corresponding conditions for accreditation in section 4.2 below.

### 3.2.2. **Identification of environmental and social risks and impacts**

51. The E&S Management Policy requires the applicant to screen all projects/transactions to determine if it will proceed with a given transaction, given its environmental and social impacts. The applicant categorizes transactions according to E&S risk levels A, B and C (High, Medium or Low) to determine the scope of environmental and social due diligence that will be necessary to identify E&S risks and impacts. By so doing, the applicant prioritizes

transactions/projects and focuses on those clients that represent high environmental and social risks.

52. The applicant uses an Environment Social Risk Assessment (ESR) Tool to classify in terms of risk levels categories A - C. Where a project is classified as E&s risk category B or higher, an external consultant may be recruited to provide periodic expert review of the ESS issues on the project. The consultant periodically prepares and submits for a consideration an E&S safeguards reports on the assigned project.

53. The applicant has various internal oversight mechanisms that review and approve the E&S safeguards reports for decision making. A Portfolio Quality Review Meeting (PQR) held monthly chaired by Head Credit Administration to discuss any adverse reports and appropriate remedial actions are taken where there is deviation from the covenants. The applicant provided a sample of reports presented to the PQR. The report forms part of the annual review process of the project and its findings are summarized for consideration by Management Credit Committee (MCC). Based on the Report, MCC may require as a condition for reassessment of specific E&S issues identified in the report. The MCC is chaired by the applicant's Managing Director.

54. The applicant provided a sample of E&S review reports prepared by its external consultants to support the applicant's project appraisal process that include E&S risk and impacts identification including categorization for E&S risk category B/I-2.

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

### 3.2.3. **Environmental and social management programme**

56. The E&S Management Policy describes applicant's institutional process for managing mitigation measures and actions stemming from the E&S risk identification process. The policy requires the applicant to conduct an Environmental and Social Due Diligence (ESDD) for each project, but the level of detail will vary by transaction and will be based on the E&S risks identified during the screening.

57. The supplement to the ESGF requires that for E&S risk category B/I-2 activities with limited impacts, a fit-for-purpose environmental and social impact assessment (ESIA) and an environmental and social management plan (ESMP), with a more limited focus as may be appropriate, that describes the potential risks and impacts, as well as appropriate mitigation, monitoring and reporting measures will be required. For E&S risk category C/I-3 activities should have no expected significant environmental and social impacts and therefore may not require any assessments, although a pre-assessment or screening should confirm that the activities are indeed maintained in category C/I-3.

58. ESIA/ESMP of medium-risk (category B) transactions are typically regulated under the Zambia Environmental Agency (ZEMA) environmental and social regulatory framework to which the applicant satisfies itself that the client complies with all applicable regulatory requirements. The applicant provided a sample of E&S Clearance/Compliance Certificate issued by ZEMA to the applicant.

59. The applicant provided a sample of E&S review reports prepared by its external consultants for projects financed by it. All these documents were prepared to support the applicant's appraisal and limited audit process to identify E&S mitigation measures to address potential environmental issues in the Corrective Action Plans. The applicant also provided evidence on its due diligence and oversight mechanism is at different levels and stages. The

Relationship Manager on each project works closely with the external consultant to ensure compliance with the approved covenants of the project. The applicant also provided evidence on E&S assessments for its projects/programmes involving loans and guarantee.

60. The applicant's ESMS has not yet undergone an external audit on its management effectiveness. However, the applicant has confirmed that it would be willing to commission an external audit on the effectiveness of its ESMS during the implementation of its first GCF financed project/programme.

61. The AP finds that the applicant's E&S management programme fully meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation and GCF interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8. However, the AP finds that the applicant's ESMS has not undergone an external audit. The relevant gap is identified in paragraph 60 above and is reflected by the corresponding condition for accreditation in section 4.2.

#### 3.2.4. **Monitoring and review**

62. The supplement to E&S Management Policy describes applicant's internal processes to support a monitoring/supervision program that tracks and ensures completion of mitigation and performance improvement measures. The applicant will be responsible for E&S monitoring and reporting to GCF on the GCF financed activities. Where the applicant is acting in an intermediary function, it shall require its financial intermediaries (FI), to ensure that its executing entities fulfil the activity-level monitoring and reporting requirements and will in turn provide the requisite monitoring and reporting information to GCF. This may include both activity-specific and aggregated monitoring and reporting.

63. In monitoring the environmental and social performance of activities, the applicant undertakes all necessary measures to ensure participatory monitoring through the involvement of communities, local stakeholders, indigenous peoples and civil society organizations in all the stages of the life cycle of activities. This participatory monitoring approach will also encourage the national designated authorities or focal points to organize country portfolio reviews involving people affected by the activities and other local stakeholders. Where an external consultant has been engaged, there is a requirement that the consultant will provide E&S monitoring reports as part of the regular monitoring process.

64. Once a loan is approved, the applicant develops a post approval aide memoire which includes all conditions precedence to be drawn and would include ZEMA compliance review certification and any E&S issues identified by the external consultant. The applicant holds a Monthly Portfolio Review Meeting chaired by the Head, Credit Administration and Monitoring. During the meeting, a Monitoring and Control Sheet, among other things, is tabled which details identified E&S issues in the running projects.

65. The applicant provided a sample of E&S audit reports prepared by its external consultants. However, the applicant could not provide evidence on regular E&S monitoring reports prepared either by it or its external consultants for its projects/programmes.

66. The AP finds that the applicant's system of E&S risk related monitoring and review fully meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation and GCF interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8. However, the AP finds that the applicant's track record is insufficient on E&S monitoring and reporting. The relevant gap is identified in paragraph 65 above and is reflected by the corresponding condition for accreditation in section 4.2.

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

67. The applicant provided its institutional level and project level grievance redress mechanism (GRM) formally identified as Grievance Redress Mechanism. The applicant's Operational Risk Department is designated as the independent oversight function on applicant's GRM. However, the applicant has not published the GRM procedure, and it is not available in the applicant's website. The GRM procedure otherwise does conform to the requirements of the GCF Revised Environmental and Social Policy and reflects the adoption of Ruggie Principles in the "The UN Guiding Principles on Business and Human Rights"<sup>8</sup> on transparency and independence. The applicant also indicated that it has not yet established a register of E&S related inquiries/complaints but will do so for GCF financed activities.

68. The supplement to the ESGF includes the policy on E&S information disclosure in line with the GCF Information Disclosure Policy requirements for E&S category B/I-2. The ZEMA is responsible for disclosing E&S assessments for public consultation for applicant's projects/programmes. However, the applicant has not demonstrated the application of its E&S information disclosure policy as there was no such previous requirement.

69. The applicant's GRM requires all its Executing Entities to include GRM in projects/programmes financed and overseen by the applicant. The Executing Entity is responsible for informing project-affected parties about its GRM as it will be the first point of contact. Project affected communities and other interested stakeholders may raise a grievance at any time to the Executing Entity or directly to the applicant. The applicant reserves the right to review the Executing Entities' GRM. However, the applicant could not provide evidence on its Executing Entity implementing the project level GRM.

70. The AP finds that the applicant's system of external communications, consultations, information disclosure and grievance redress mechanism, supported by evidence of its track record, partially meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation, 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. The AP finds that the applicant's track record is insufficient. The relevant gaps are identified in paragraphs 67, 68 and 69 above and are reflected by the corresponding conditions for accreditation in section 4.2.

### 3.2.6. **Organizational capacity and competency**

71. The applicant provided its organigram showing the placement of its E&S unit. The applicant has created a unit in the Credit Risk Management Department to ensure all credit applications include E&S risk analysis and the governing principles are well adhered to. The key driver of ESS initiatives is the Head of Credit Appraisal & ESS Officer who reports directly to the Head of Corporate Credit.

72. The Commercial Teams is responsible for ensuring at loan origination and annual review of facilities that applications are E&S compliant properly following out of the checklist. The Credit (Head of Credit) is responsible for ensuring that all applications are properly assessed and opinioned to be compliant and make recommendations to the Management Credit Committee (MCC). The MCC will be responsible for approval of facilities, including E&S compliance. The Board Credit Committee is responsible for approving facilities above the MCC discretionary limit mandate, including major credit policy documents.

---

<sup>8</sup> The UN Guiding Principles on Business and Human Rights.

73. The Chief Risk Officer is responsible to check the implementation and governance of the ESGF while the Internal Audit Department to undertake independent reviews on the effectiveness of the ESGF.
74. The Governance, Risk and Compliance Committee approves the ESGF and ensures adherence to its requirements and ensures sufficient resources are available for necessary training.
75. The applicant collaborates with several stakeholders to enhance the skills in E&S which include (i) training to be offered by a member of the AP on the Environmental and Social Safeguards Standards and Gender Policy in GCF funded projects/ programmes; and (ii) Climate Finance training provided as part of the Technical Assistance under the AfDB.
76. The applicant provided curriculum vitae of its E&S experts which show evidence of their necessary experience in PS 1-8.
77. The AP finds that the applicant's organizational capacity and competency to implement the environmental and social management system, supported by evidence of its track record, fully meet the GCF Revised Environmental and Social Policy to the extent applicable to accreditation 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

78. The applicant provided its institutional level Gender Policy of 2015 which primarily focuses on its internal human resource matters. The Gender Policy states that applicant will create a work environment that encourages attainment of gender equity and equality in the management of its operations with a target of at least 50 per cent female staff at management levels. It is committed to creating a gender friendly environment through its policies and strategies. This environment will enable all employees to fulfil their potential, enable them to broaden their perspective and hence appreciate, whilst maximizing the different contributions that individuals make irrespective of gender differences.
79. Subsequently, upon recommendation of the AP, the applicant developed supplemental Guidelines to the Gender Policy which include the following requirements on gender mainstreaming at project/programme preparation stage and funding proposal stage to meet the principles and requirements of the updated GCF Gender Policy:
- (a) Submit as a part of the funding proposal (i) a gender assessment, along with appropriate environmental and social assessments (as may be required according to the level of risks and impacts), and (ii) a project-level gender action plan including gender-sensitive indicators; and
  - (b) Integrate analysis of context and sociocultural factors underlying climate change-exacerbated gender inequality and optimize the potential contributions of women and men of all ages to build both individual and collective resilience to climate change.
80. At the project implementation stage, the supplemental Guidelines to the Gender Policy require following for at the monitoring and reporting stage:
- (a) Take necessary measures to implement the project-level gender action plan submitted as part of the funding proposal approved by GCF;
  - (b) Refine the gender-related baseline, indicators and targets in implementing the project-level gender action plan, as may be necessary;

- (c) Take the necessary measures to ensure periodic updates on the gender assessments and notify GCF when there are major changes in the design and execution of projects, or other circumstances that may affect the implementation of the gender action plan; and
- (d) ZANACO will also notify GCF of any changes in the project-level gender action plan; and
- (e) Monitor and report on the progress made in implementing the project-level gender action plan.

81. The Gender Policy states that Human Resources and Director Human Resources and Training (DHRT) are responsible for the overall effectiveness of the policy, and the Executive Team is responsible for the implementation of the policy.

82. The Gender Policy states that the applicant will facilitate capacity building processes and training to enhance perspectives and conceptual clarity on gender issues for all the staff members. Thus, this will be an important component of the induction programme. The development programmes will focus on promoting both gender perspectives of management and leadership, and a multicultural perspective in terms of models, theories and case studies.

83. The applicant provided curriculum vitae of its gender experts including the organigram showing their placement. The evidence on their capacity building on gender was also provided.

84. The applicant could not provide evidence on having conducted gender assessment in any of its projects/programmes. However, it did provide as an example of one of its flagship products under the Agribusiness Unit which is a product called Loan a Cow. However, the project document does not detail examples of how women and men have benefitted from different climate change projects.

85. The AP finds that the applicant's gender policy, procedures, capacities and competencies fully meet the Updated GCF Gender Policy to the extent applicable to accreditation. However, the AP finds that the applicant's track record is insufficient. The relevant gap is identified in paragraph 84 above and is reflected by the corresponding conditions for accreditation in section 4.2.

## **IV. Conclusions and recommendation**

### **4.1 Conclusions**

86. Following its assessment, the Secretariat concludes the following in relation to the application with respect to the potential to support the mandate and objectives of GCF: the applicant has the potential to support GCF in implementing its Updated Strategic Plan for 2020–2023 with respect to:

- (a) Alignment of the applicant's GCF pipeline with the climate-related national priorities of Zambia, where the applicant operates;
- (b) Potential contribution to the adaptation and mitigation balance in the GCF portfolio since the applicant has the ability to include adaptation components in its activities; and bring cross-cutting projects to GCF for financing;
- (c) Enabling country ownership and increasing the portfolio of DAEs to GCF, particularly as the applicant is the first national private sector DAE in the country to be recommended by the AP for the Board's consideration on accreditation;
- (d) Supporting diversity in GCF results areas such as health and food and water security; and ecosystems and ecosystem services; and

- (e) Diversification of the use of financial instruments, particularly with guarantees as well as loans.

87. Following its assessment, the AP concludes the following in relation to the application with respect to the applicant's ability to meet the GCF accreditation standards identified in paragraph 3 above:

- (a) The applicant meets the requirements of the GCF basic fiduciary standards, and to the extent applicable to accreditation, the GCF Policy on the Protection of Whistle-blowers and Witnesses, the GCF Policy on Prohibited Practices, the GCF AML/CFT Policy and specialized fiduciary standard for on-lending and/or blending for loans and guarantees;
- (b) The applicant partially meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation, 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 key gaps are: (i) lack of evidence on track record on E&S monitoring and reporting in its projects/programmes; (ii) the procedure describing institutional level grievance redress mechanism has not been published in applicant's website and has not established a register for E&S inquiry/complaints; and (iii) evidence on incorporating project-level GRM are lacking; (iv) the ESMS has not undergone an external audit of its management effectiveness;
- (c) The applicant has demonstrated that it has a policy, procedures and competencies in order to implement its gender policy, which is found to be consistent with the Updated GCF Gender Policy to the extent applicable to accreditation, however, the applicant has not demonstrated its track record on implementing its gender policy and experience in gender consideration in the context of climate change; and
- (d) The applicant has not demonstrated that it has institutional-level policy or procedures regarding evaluation as required by the aforementioned GCF basic and specialized fiduciary standards and interim ESS standards that would enable it to meet the requirements of the GCF Evaluation Policy for its GCF-funded activities.

## 4.2 Recommendation on accreditation

88. The AP recommends, for consideration by the Board, applicant APL116 for accreditation as follows:

- (a) **Accreditation type:**
- (i) **Maximum size of an individual project or activity within a programme:** small<sup>9</sup> (including micro);
- (ii) **Fiduciary functions:**
- (1) Basic fiduciary standards; and
- (2) Specialized fiduciary standard for on-lending and blending (for loans and guarantees); and

---

<sup>9</sup> As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "small" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above USD 10 million and up to and including USD 50 million for an individual project or an activity within a programme."



- (iii) **Maximum environmental and social risk category:** medium risk (category B/I-2) (including lower risk (category C/I-3<sup>10</sup>)); and
- (b) **Conditions:** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the conditions. The AP will thereafter assess whether the conditions have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes:
- (i) Conditions to be met by the applicant prior to submission of the first funding proposal to the Board:
- (1) Delivery to GCF by the applicant of evidence, in a form and substance satisfactory to the AP, of:
- a. Adoption of a policy or procedures to implement the GCF Evaluation Policy in respect of GCF projects and programmes;
  - b. Establishment of an E&S monitoring and reporting plan;
  - c. For a funding proposal in E&S risk category B/I-2 only, disclosure of the E&S assessment in line with the requirements of the GCF Information Disclosure Policy;
  - d. Publication of the applicant's institutional-level grievance redress mechanism on its public website;
  - e. Integration of the project-level grievance mechanism, including a register for E&S complaints, in the environmental and social assessment; and
  - f. A gender assessment and gender action plan in line with the requirements of the GCF Updated Gender Policy; and
- (ii) Condition to be met by the applicant within three (3) years of the first disbursement by GCF for the first approved project/programme in E&S risk category B/I-2 to be undertaken by the applicant during the accreditation term:
- (1) Delivery to GCF by the applicant, in a form and substance satisfactory to the AP, of an audit report from an external auditor on the effectiveness of the applicant's environmental and social management system.

89. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 88 above, and agrees to the recommendation.

### 4.3 Remarks

90. The applicant should consider establishing a policy on Sexual Exploitation, Abuse and Harassment (SEAH) in line with the SEAH provisions in the GCF Revised Environmental Social Policy prior to submitting the first funding proposal to GCF.

---

<sup>10</sup> As per the Revised Environmental and Social Policy adopted in decision B.BM-2021/18, 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."