



**GREEN
CLIMATE
FUND**

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Consideration of accreditation proposals and activities – Addendum V

Accreditation assessment of APL177

Summary

This document contains the accreditation assessment conducted by the Secretariat and the Accreditation Panel in accordance with decision B.31/06 and the transitional arrangements in respect of the revised accreditation framework adopted in decision B.42/13 paragraph (m) and set out in annex VI to that decision, and the recommendation by the Accreditation Panel for accreditation of applicant 177 (APL177), Town Development Fund (TDF), based in Nepal.

I. Introduction

1. The Town Development Fund (TDF) is an autonomous government organization that has been financing a broad spectrum of urban infrastructure projects in municipalities across Nepal for more than two decades. Its mission is to contribute to the economic and social well-being of people by financing sustainable urban infrastructure and providing technical assistance services for local governments and municipalities.

2. The applicant submitted its application for accreditation to GCF via the online accreditation system on 2 February 2019. Accreditation fees were received from the applicant on 4 November 2020, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 26 October 2025 and the applicant 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:¹

- (a) **Access modality:** direct access, national. The applicant received a national designated authority or focal point nomination for its accreditation application from Nepal;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or programme:** medium;²
- (d) **Fiduciary functions:**³
 - (i) Basic fiduciary standards;
 - (ii) Specialized fiduciary standard for project management; and
 - (iii) Specialized fiduciary standard for on-lending and/or blending (for loans);
- (e) **Maximum environmental and social (E&S) risk category:** medium risk (category B/intermediation 2 (I-2));⁴ and
- (f) Indicative result areas for intended projects/programmes with GCF:
 - (i) Energy generation and access;
 - (ii) Transport;
 - (iii) Buildings, cities, industries and appliances;
 - (iv) Forest and land use;
 - (v) Livelihoods of people and communities;
 - (vi) Health, food and water security; and
 - (vii) Infrastructure and built environment; as well as

¹ Refer to section 4.2 below for the scope of accreditation recommended by the Accreditation Panel.

² As per annex III to decision B.31/06, “medium” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by GCF, of above USD 50 million and up to and including USD 250 million for an individual project or programme”.

³ Decision B.07/02.

⁴ As per the revised Environmental and Social Policy adopted in decision B.BM-2021/18, category B is defined as “Activities with potential limited adverse environmental and/or social risks and impacts that individually or cumulatively, are few, 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 impacts that are few, generally site-specific, largely reversible, and readily addressed through mitigation measures; and includes no activities with potential significant adverse environmental and social risks and impacts that, individually or cumulatively, are diverse, irreversible, or unprecedented”.

- (viii) Public and private 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 following GCF policies and standards to the extent applicable to accreditation:

- (a) Updated Strategic Plan for the Green Climate Fund: 2020–2023 (decision B.27/06);
- (b) Updated Strategic Plan for the GCF 2024–2027 (decision B.36/13);
- (c) Updates to the accreditation framework (decision B.31/06);
- (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) Comprehensive Information Disclosure Policy of the Fund (decision B.12/35) regarding the disclosure of E&S information;
- (i) Updated Gender Policy and Gender Action Plan 2020–2023 (decision B.24/12);
- (j) Revised Environmental and Social Policy (decision B.BM-2021/18); and
- (k) Evaluation Policy for the GCF (decision B.BM-2021/07).

2.1 Legal status, registration, permits and licences

4. The applicant provided the documents on its establishment and licences to operate, where relevant, as a part of the application. The applicant was established pursuant to the Town Development Fund Act, 1997. The applicant was established as an autonomous and corporate body and is the legal successor to the Town Development Fund Committee/Board established in 1988. The applicant is governed by the Town Development Fund Act, 1997 and the Town Development Fund Rule, 1997.

5. The applicant has indicated and provided evidence that it has independent legal personality and legal capacity to enter into legal arrangements directly with GCF. Notwithstanding the applicant is an autonomous and corporate body, the applicant is required to obtain an approval of the Government of Nepal before taking any financial assistance from any international organisation or agency. In accordance with the transitional arrangements in respect of the revised accreditation framework adopted in decision B.42/13 paragraph (m) and set out in annex VI to that decision, if approved, the applicant's accreditation will be deemed to be complete on the date that GCF issues a confirmation/certificate evidencing the applicant's accreditation.

2.2 Institutional presence and relevant networks

6. The applicant is headquartered in Kathmandu, Nepal, and has 44 staff members as of 30 May 2026.

7. TDF works with various partners and can leverage its network of municipalities, public institutions, private entities and donors. TDF has experience working with international donors

such as KfW, the German Agency for International Cooperation, the Asian Development Bank, the World Bank, the European Union and the United Nations Capital Development Fund.

8. TDF has a strong institutional presence across the country's urban sector through its work with municipalities, enabling close engagement with subnational governments and positioning TDF as a central actor in the country's urban development ecosystem.

9. Through its lending, technical assistance and project appraisal functions, TDF has developed long-standing partnerships with a wide range of local governments, including metropolitan cities, sub-metropolitan cities and emerging municipalities. This extensive engagement allows TDF to maintain a strong understanding of local development needs, institutional capacities and investment priorities, thereby enhancing its effectiveness as a financing and implementing entity.

10. TDF plays an active role within Nepal's broader institutional and policy networks. It works in close coordination with key line ministries, including the Ministry of Urban Development and the Ministry of Finance, ensuring alignment with national policies, fiscal frameworks and urban development strategies. TDF also collaborates with regulatory and advisory bodies, contributing to the development of standards, guidelines and sectoral frameworks relevant to urban infrastructure financing.

11. TDF is included in Nepal's country programme, for GCF which was endorsed on 10 February 2023. Once accredited, TDF will engage the public sector, specifically subnational governments (metropolitan, sub-metropolitan, municipal and rural municipal authorities), to address public sector financing needs related to achieving mitigation targets and developing climate-resilient infrastructure.

2.3 Track record

12. The applicant has experience in implementing projects/programmes in urban infrastructure, water and waste management.

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

- (a) USD 201.5 million (grants and loans) for the Urban Resilience and Livability Improvement Project;
- (b) USD 81.3 million (grants and loans) for the Third Small Towns Water Supply and Sanitation Sector Project;
- (c) USD 76.94 million (grants and loans) for the Urban Water Supply and Sanitation Sector Project;
- (d) USD 69.61 million (grants and loans) for the Secondary Towns Integrated Urban Environment Improvement Programme; and
- (e) USD 56.8 million (grants and loans) for the Integrated Urban Development Project.

III. Stage II accreditation review assessment

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

15. 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.

16. TDF is an autonomous State-owned corporate body established under the Town Development Fund Act and Rules, 1997, and serves as a key financing institution supporting urban infrastructure and municipal development across Nepal. TDF operates under the oversight of a 12-member Board of Directors, chaired by a government-appointed representative and including the Executive Director as the Member Secretary. The Board of Directors comprises representatives of key line ministries, including the Ministry of Finance, municipal representatives and independent technical experts, strengthening coordination between national government priorities and subnational development needs. The functions, powers and responsibilities of both the Board of Directors and the Executive Director are defined in the Town Development Fund Act and Rules. The Board of Directors is supported by several standing committees, including the Investment Promotion, Internal Audit, Loan Recovery, Human Resources, Recruitment and Technical Committees. The terms of reference for these committees define their mandates, composition, and appointment and tenure arrangements. Neither the Board of Directors nor committee members receive remuneration.

17. TDF maintains an organizational structure that clearly delineates reporting lines, roles and responsibilities, which is publicly available through its website. The organization comprises 44 staff and supplements internal capacity through the use of consultants and technical experts to support project implementation and oversight across municipalities in Nepal.

18. TDF sets annual plans and budgets that are tied to its overall Business Plan (for 2024–2028). The annual plans cover financial information related to targets, and information on the progress of existing projects can be found on its website.⁵ Processes are controlled and monitored through key performance indicators, which are set through the Business Plan and evaluated annually by an independent external reviewer. Budgets and key performance indicators as reviewed by the AP cascade through all departments and are prepared and monitored monthly.

19. Financial statements are prepared in accordance with the International Financial Reporting Standards. The finance function is led by the Chief of Finance and Investment Activities and comprises four permanent staff, two expert consultants and two temporary assistants. TDF has used the MicroBanking accounting and banking software since 2001. The software was originally developed by the Food and Agriculture Organization of the United Nations with support from the German Agency for International Cooperation, and is periodically upgraded as required. The system is used for recording financial transactions and produces automated trial balances, party ledgers, loan outstanding summaries, receivables and payables on a real-time basis but is not yet used for project-specific financial reporting. Samples of recent financial reports generated from the system were reviewed by the AP.

20. Financial management procedures are documented in the by-laws of TDF and incorporate key internal controls, including segregation of duties, reconciliations, payment controls and periodic financial reporting. Budgets are prepared and reviewed semi-annually and are additionally submitted to the Ministry of Finance for external review. The global budget is maintained under two categories: operational budgets, funded from TDF resources and approved by the Board of Directors; and project budgets, which are financed by development partners through the Ministry of Finance. Budgets and pertinent monitoring reports are discussed and approved at the Board of Directors level.

21. TDF has established a three-member Internal Audit Committee under the Board of Directors responsible for oversight of audit and assurance matters. The Internal Audit

⁵ See <https://tdf.org.np/documents>.

Committee operates under approved terms of reference and meets on a triannual basis. Meeting minutes were reviewed by the AP. Historically, TDF relied on internal audit consultants engaged by management, who conducted audits in accordance with approved terms of reference and issued reports whose recommendations were subsequently tracked and implemented. However, this arrangement did not provide sufficient operational independence from management. The current governance structure, through direct oversight by the Internal Audit Committee, strengthens the independence and accountability of the internal audit function. The internal audit function now operates under an Internal Audit Manual aligned with internationally recognized practices promoted by the Institute of Internal Auditors. The Internal Audit Manual outlines procedures for audit planning, execution, reporting and follow-up of recommendations. An annual audit plan was prepared and implemented for 2024–2025; however, no audit has yet been conducted under the new governing arrangements. TDF has also not yet undertaken an internal or external quality assessment of the internal audit function.

22. TDF financial statements are audited annually in accordance with the Nepal Financial Reporting Standards, which are substantially aligned with International Financial Reporting Standards. The audit process is governed by the Government Audit Standards and falls under the oversight of the Office of the Auditor General. The Office of the Auditor General appoints external audit firms to conduct audits and oversees the audit process. Upon completion, audited financial statements are submitted to the Internal Audit Committee for review and recommendation prior to adoption by the Board of Directors. Recommendations arising from audits are followed up by the Finance Department. Audited financial statements are publicly disclosed on the TDF website.⁶

23. TDF has recently developed an Internal Control Framework intended to consolidate the policies and procedures governing its various functions. The Internal Control Framework is anchored in the organization's by-laws and is operationalized through supporting policies and procedures. TDF has also established a Quality Systems Manual aligned with International Organization for Standardization standard ISO 9001:2015,⁷ which outlines management commitments and processes for maintaining quality management systems across its operations. In addition, previously conducted internal audits have supported the strengthening of the effectiveness of operational systems. Compliance with regulatory requirements is embedded within organizational policies and procedures and is further reinforced through the quality management system and audit processes. The recently adopted Internal Control Framework also introduces an institutional risk management process, which remains under implementation. Prior to this, risk management practices were largely fragmented and focused primarily on project-level risks and key institutional risks, such as credit risk. These project risk reports and credit risk reports were reviewed by the AP.

24. The procurement activities of TDF are governed by the Government of Nepal's Public Procurement Act (PPA) and Public Procurement Rule (PPR). These frameworks establish procurement methodologies, financial thresholds and procedures applicable to the procurement of works, goods and consulting services, while embedding principles of fairness, economy, competition and value for money. The PPA covers mechanisms for resolving disputes, which are adhered to by TDF, and samples of resolved disputes and Procurement Committee minutes were reviewed by the AP. The PPA and PPR are publicly available⁸ and require the

⁶ See <https://tdf.org.np/page-annual-reports>.

⁷ See www.iso.org/standard/62085.html. This is a globally recognized standard for quality management. It helps organizations of all sizes and sectors to improve their performance, meet customer expectations and demonstrate their commitment to quality. It covers customer confidence, effective complaints resolution, process improvements and ongoing optimization.

⁸ See <https://ppmo.gov.np/content/7401/7401-public-procurement-rule-2064/>.

publication of procurement tenders; however, procurement awards are not routinely disclosed publicly nor there is provision for public disclosure within the PPA and PPR.

25. In accordance with the PPA and PPR, TDF established the Procurement Committee, which is responsible for overseeing procurement activities. The procurement function has also been subject to internal audit reviews, the reports of which were reviewed by the AP. Recommendations arising from these audits were monitored and actioned by management. For projects implemented through executing entities, including municipalities, TDF provides no-objection approvals for contractor procurement processes. Municipalities are similarly required to comply with the PPA and PPR. However, TDF has not developed dedicated procurement guidelines on procurement by its executing entities.

26. The AP finds that the applicant's policies, procedures and capacity partially meet the basic fiduciary standards on key administrative and financial capacities. Furthermore, the AP finds the track record insufficient. The relevant gaps are identified in paragraphs 21, 24 and 25 above and are reflected in the corresponding conditions of accreditation in section 4.2 below.

3.1.2 Basic fiduciary standards: transparency and accountability

27. The applicant's ethical requirements are set out in its Employment Terms and Conditions By-laws, which establish the standards of conduct applicable to employees. However, the ethical code does not formally extend to contractual third parties, including the Board of Directors and committee members, contractors and consultants. Staff are required to sign an oath of office upon appointment, while members of governance structures execute separate oaths of office.

28. TDF has established a Board of Directors level Ethics Committee, although the committee is not yet operational. The applicant has also adopted a Fraud Prevention and Whistleblower Protection Guideline, which prohibits practices broadly in line with the GCF Policy on Prohibited Practices. The Fraud Prevention and Whistleblower Protection Guideline provides for the protection of whistleblowers and permits anonymous reporting. However, TDF has not yet operationalized a dedicated mechanism or channel for submitting anonymous complaints. TDF falls under the jurisdiction of Nepal's National Vigilance Center and Commission for the Investigation of Abuse of Authority, through which allegations of wrongdoing may be reported. The Commission for the Investigation of Abuse of Authority is empowered to independently assess and investigate allegations, as appropriate.

29. The TDF conflict of interest arrangements are currently guided primarily by requirements of the Commission for the Investigation of Abuse of Authority, under which employees are required to submit annual financial disclosures to the Government of Nepal. TDF has recently incorporated conflict of interest provisions within its Fraud Prevention and Whistleblower Protection Guideline and introduced a disclosure form for staff. However, it has not yet established comprehensive internal procedures for identifying, assessing, managing and monitoring conflict of interest disclosures and the current provision is limited in scope, does not adequately address different forms of conflict of interest and does not extend to governance officials.

30. Investigations relating to corruption and abuse of authority may be conducted externally through Nepal's National Vigilance Center and Commission for the Investigation of Abuse of Authority. The investigative procedures of the latter are governed by the Commission for the Investigation of Abuse of Authority Rules and the Prevention of Corruption Act. Internal interpersonal grievances are managed through arbitration and judicial mechanisms as provided for under the TDF grievance handling framework. TDF has recently formalized internal investigation arrangements within its Fraud Prevention and Whistleblower Protection Guideline, assigning oversight of investigations to the internal audit function under the authority of the Internal Audit Committee and laying out the guidelines to be followed.

However, the function is in the process of being operationalized, including through the recruitment of external investigative support and public disclosure of the guidelines. Investigations have not yet been conducted under the new guidelines.

31. TDF generally operates under Nepal's Money Laundering Prevention Act and associated money-laundering prevention rules. However, TDF has not yet operationalized these legislative requirements through internal anti-money-laundering and countering the financing of terrorism (AML/CFT) policies, procedures or guidelines tailored to its activities. TDF considers its exposure to money-laundering and terrorism financing risks to be low, given that its funding has historically been sourced from or through the Government of Nepal and channelled primarily to municipalities, which are themselves subject to the same legal and regulatory framework. Consequently, TDF has not established dedicated internal controls for managing AML/CFT risks, such as sanctions screening, training or formal risk assessments.

32. The AP finds that the applicant's policies, procedures and capacity partially meet the basic fiduciary standards on transparency and accountability, and to the extent applicable to accreditation, the GCF Policy on Prohibited Practices, the GCF Policy on the Protection of Whistleblowers and Witnesses and the GCF AML/CFT Policy. Furthermore, the AP finds that the applicant's track record is insufficient. The relevant gaps identified in paragraphs 27, 28, 29, 30 and 31 above are reflected by the corresponding conditions for accreditation in section 4.2 below.

3.1.3 Specialized fiduciary standard for project management

33. The applicant's project management processes are governed by its Standard Operating Procedures. As a specialized urban infrastructure financing institution, TDF supports municipalities across Nepal through a combination of loans, soft loans, grants and technical assistance, with a focus on sustainable infrastructure projects. Financing is mobilized through multiple sources, including internally generated municipal resources, provincial and federal government grants, donor financing and the applicant's own debt financing mechanisms. TDF finances both revenue-generating and social infrastructure projects, with total investments of 10 billion Nepalese rupees (NPR).

34. Project development begins with project identification, either by municipalities directly or with technical support from TDF. In both instances, TDF assesses whether projects are technically and financially viable and suitable for investment. Projects subsequently undergo pre-feasibility and feasibility assessments, followed by a structured project selection process. TDF uses internal technical teams for appraisal and engages external consultants if specialized expertise is required. Appraisals include assessment of technical feasibility, legal considerations, environmental impacts, and financial and economic viability. Financial analysis considers factors such as the cost of capital, internal rate of return, payback periods and projected cash flows, while social infrastructure projects are additionally assessed for institutional repayment capacity. TDF also provides technical assistance to municipalities for project studies and preparation activities.

35. Following appraisal, investment proposals are submitted by the Investment Officer, through the relevant director, to the Executive Director for approval. Approval follows a tiered governance structure involving the Executive Director, Board of Directors committees and the Board of Directors itself, depending on financial thresholds. Samples of appraisal reports such as the Bairani land pooling project appraisal (2022) and the Dipayalsilgadthi bus park project appraisal (January 2026) were reviewed by the AP.

36. TDF has demonstrated experience in implementing infrastructure projects in Nepal, including projects financed with support from development partners such as the World Bank and Asian Development Bank. Examples reviewed by the AP included the financing of the Dharan drinking water project for NPR 621 million (USD 5.44 million as per the USD 1 = 114

NPR rate of last disbursement December 2019) to the Damak municipality for the Multipurpose Building project, and NPR 408 million (USD 3.38 million USD 1 = 120 NPR rate as per the date of loan agreement of June 2020) Sunkoshi Panchkal drinking water and sanitation project. These were financed through a matching fund. The total portfolio of investments on-lent by TDF is approximately NPR 10.88 billion (USD 71.4 million 1 USD = 152.29 NPR rate as per the date Mid-July 2025), 7547.69 million (USD 49.5 million 1 USD = 152.29 NPR rate as per the date Mid-July 2025) from the Asian Development Bank, NPR 91.9 million (USD 0.6 million USD 1 = 152.29 NPR rate as per the date Mid-July 2025) from the World Bank and NPR 1740.7 million (USD 11.4 million 1 USD = 152.29 NPR rate as per the date Mid-July 2025) from the Government of Nepal. Following project approval, TDF establishes implementation and monitoring arrangements. TDF has established a dedicated Project Monitoring and Supervision Management Division and operates under the Monitoring and Verification Manual. Monitoring information is maintained through a project monitoring system known as the Realtime Monitoring System.⁹ TDF provides no-objection approvals during bidder selection, supervises consultants, undertakes site visits and reviews disbursement requests linked to physical and financial progress. Periodic implementation reports covering technical and financial performance are prepared and monitored. These reports are discussed during monitoring and evaluation meetings chaired by the Executive Director and with attendance by representatives of the Planning Monitoring and Evaluation Section and the Head of the Project Development Section. Progress reports, including outputs from the Realtime Monitoring System, and meeting reports were reviewed by the AP.

37. The Planning Monitoring and Evaluation Division is responsible for project monitoring and evaluation from project inception to completion. TDF approved a stand-alone Monitoring and Evaluation Guideline in 2025, which is yet to be fully operationalized. Nevertheless, evaluations have previously been conducted in accordance with donor requirements, including for projects financed by KfW, the Asian Development Bank and the World Bank. Samples of these evaluation reports were reviewed by the AP. Monitoring and evaluation activities are coordinated by the Project Monitoring and Supervision Management Division and supported by independent consultants where appropriate.

38. The applicant's project closure arrangements comprise both technical and financial closure processes. Technical closure takes place upon completion of the physical implementation of a project, while financial closure is achieved following full repayment of loans, which may extend over periods of up to 20 years. Technical project closure reports, such as a KfW final progress report for two projects (NRS 753 million and NRS 918 million) dated July 2021, were reviewed by the AP and were found to be in accordance with donor requirements.

39. Projects at risk are identified through ongoing monitoring processes, with escalation procedures embedded within the TDF project risk management arrangements. Risks identified at the operational and management level are escalated through governance structures up to the Board of Directors level, as appropriate. Examples of such escalations were reviewed by the AP.

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

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

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

⁹ See <https://rtms.tdf.org.np/login>.

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

42. TDF plays an intermediary role between the Government of Nepal, development partners and municipalities by mobilizing and administering financing for municipal infrastructure and urban service delivery projects. It works closely with the Ministry of Finance and relevant sector ministries in relation to externally financed programmes and national urban development priorities, while also working directly with municipalities on project identification, appraisal, financing, implementation and monitoring. TDF primarily provides financing directly to municipalities through a blended financing model comprising loans, soft loans, grants and technical assistance. Grants are primarily used to support technical assistance and project preparation activities, while loans finance infrastructure and development projects. Loan tenures are generally long term, extending to 20 years or more.

43. The applicant's mandate to provide both loan and grant financing is established under the Town Development Fund Act and Rules. TDF has not yet obtained an independent institutional credit rating. As a wholly government-owned institution, TDF presently relies on Nepal's sovereign credit profile, which has been assigned a BB- rating, with a stable outlook. The applicant's track record comprises loans from its own resources as well from donor-funded resources. Multilateral donors channel their resources to TDF through the Government of Nepal. Some of the projects undertaken included the Urban Resilience and Livability Improvement Project, for which the Government of Nepal received USD 160 million from the Asian Development Bank, including USD 23.1 million channelled through TDF for on-lending to municipalities (2024), and the KfW Social and Economic Project (2020), for which KfW contributed in three phases DM 10 million, DM 14 million and EUR 7.5 million respectively.

44. Due diligence processes for lending are embedded within the TDF project appraisal process. Assessments encompass the technical, legal, E&S and financial dimensions of proposed projects, as discussed in paragraph 36 above. Financial appraisals include evaluation of project viability, repayment capacity, institutional creditworthiness, projected returns and broader financial sustainability considerations. Sample appraisal reports demonstrating the integration of these due diligence elements were reviewed by the AP.

45. TDF does not use financial intermediaries and lends directly to executing and implementing entities, primarily municipalities. Financial and investment risks are governed through the TDF Investment By-laws and Investment Guide, which define its approach to the management of its resources and investment portfolio. Reporting on loans, grants, investment exposure and non-performing loans is provided to the Investment Promotion Committee, which meets regularly. The AP reviewed samples of such reports.

46. TDF maintains internal controls to manage credit risk, including contractual provisions to enforce repayment obligations and restrictions on extending additional financing to municipalities in default. The Debt Recovery Committee oversees the recovery of debt. The committee meets semi-annually and relevant reporting on current and overdue debt, together with recovery efforts, were reviewed by the AP. Non-recoveries are approximately USD 10 million including interest as of May 2026. Interest risk decision-making is proposed by management and escalated to the Investment Promotion Committee, which determines the proposed interest applicable to the applicant's internal resources. While interest and credit risk monitoring has historically been the primary focus of the financial risk management function, TDF has recently expanded its scope to include monitoring and reporting on liquidity risk and has developed a cash management plan.

47. TDF discloses information regarding its projects on its website¹⁰ and has relevant disclosure policies available to the public.¹¹ Resources disbursed to municipalities are subject to

¹⁰ See <https://tdf.org.np/>.

¹¹ See <https://tdf.org.np/node/778>.

monitoring by TDF, including reviews of bank statements, financial reports and supporting documentation submitted with disbursement requests. In addition, independent evaluations have been conducted for resources received from donors. Municipal expenditures also remain subject to independent audit oversight through the Office of the Auditor General.

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

3.2 Environmental and social safeguards

3.2.1 Environmental and social policy, management and monitoring

49. The applicant's Environmental and Social Safeguards Policy (ESSP), approved by its Board of Directors in 2025, outlines its approach to identifying, assessing and managing E&S risks of all supported projects/activities. It supersedes an earlier version of the ESSP, which was in place from 2021. The ESSP comprises both the E&S policy and the implementation procedures for undertaking E&S risk management, through the Environmental and Social management system (ESMS) framework. It reflects the applicant's commitment to sustainable urban development through integrating environmental, social and governance principles into its operations and aims to: prioritize projects that enhance environmental resilience and social well-being; actively engage stakeholders, including affected communities; foster climate-smart infrastructure and low-carbon development; embed equity and inclusion principles in all projects, ensuring that vulnerable populations benefit from projects; and ensure responsible and sustainable development, safeguarding both communities and the environment. It requires compliance of all projects with the E&S laws and regulations of Nepal, the Nepal Ratra Bank Environmental and Social Risk Management Guidelines, the International Finance Corporation (IFC) Performance Standards (PSs) and the World Bank's Environmental, Health and Safety Guidelines. The policy applies to all lending, project financing and investments made by the applicant. The ESSP comprehensively covers key commitments of TDF regarding E&S objectives; community health, safety and security; sociocultural protection and promotion; climate risk management; biodiversity, ecosystem services and resource efficiency; gender-smart investing; labour and working conditions; and prevention of sexual exploitation, abuse and harassment (SEAH). The ESMS framework also includes the applicant's Grievance Redress Mechanism (GRM).

50. The applicant is committed to and has been integrating climate conscious practices into its operations and investment decisions, and promotes solutions that minimize greenhouse gas emissions and improve resource efficiency, particularly those that enhance climate resilience given Nepal's high level of vulnerability to climate-induced hazards (floods, landslides, etc.). The applicant aims to align its climate approach with Nepal's Nationally Determined Contributions (NDCs), National Adaptation Plan (NAP 2021–2050), National Adaptation Programme of Action (NAPA), Climate Change Policy (2019) and Urban Development Policy (2020). TDF does not have any exposures to carbon-intensive sectors, and an analysis of climate risks is integrated into all project assessments. All projects supported to date generate adaptation and mitigation co-benefits (e.g. climate-resilient drainage and flood management systems). Greenhouse gas accounting and tracking for financing provided has not yet been undertaken, but the applicant is committed to enhancing its practices to measure and track Scope 3 financed emissions.

51. TDF ensures that projects respect the rights, culture and traditions of Indigenous Peoples, including through obtaining free, prior and informed consent (FPIC) before undertaking any activities that impact them, and equitable distribution of benefits to affected Indigenous communities. Projects proposed for financing are reviewed for any potential risks and impacts on Indigenous Peoples and all requirements of IFC PS 7 are applied to them if PS 7

is triggered. Projects that would adversely impact Indigenous Peoples as defined under national laws are excluded from being financed. Assessment forms used for programmes supported by TDF include due diligence related questions to guide E&S appraisal of risks and impacts related to Indigenous Peoples. Project monitoring reports (e.g. for the Urban Water Supply and Sanitation Sector Project) shared with the AP demonstrate implementation of the requirements at the project level and provide details on consultations undertaken with Indigenous Peoples and how the project addressed feedback received from them, Indigenous Peoples Plans developed, training provided, participant details and the involvement of Nepal's Federation of Indigenous Nationalities in grievances received. To date, the applicant has not managed projects that affect Indigenous Peoples and will be using external consultants with the required experience in identifying and managing risks and impacts related to Indigenous Peoples as required. The AP finds that the applicant has the capacity and systems to meet IFC PS 7 in accordance with the GCF interim ESS standards.

52. The applicant's ESSP and Gender Equality, Disability and Social Inclusion Policy (2025) outline its zero tolerance towards all forms of SEAH and gender-based violence (GBV). Compliance with the SEAH provisions is expected from management, staff, contractors, partners and borrowers. To implement the SEAH commitments in financed activities, all project-related assessments must include an analysis of potential SEAH risks based on established screening tools. GRMs are to be survivor-centred, secure and confidential, allowing for anonymous complaints and ensuring timely redress. Training both internally and at the project implementation level is undertaken regularly. At the institutional level, SEAH aspects are governed through a code of conduct and a dedicated gender-related GRM has been established to address SEAH-related incidents. Supplier screening follows established GRM guidelines. No SEAH incidents have so far been reported. The AP finds that the applicant partially has the systems and capacity to meet the principles of the GCF Revised Environmental and Social Policy with respect to SEAH.

53. The ESMS includes detailed procedures to identify, manage and monitor E&S risks and impacts that cover E&S screening, stakeholder engagement, the development of risk mitigation measures, and monitoring and reporting requirements. Initial screening includes a review of activities against TDF Exclusion List and is undertaken to identify potential risks and impacts and to determine the environmental category and whether additional studies are required. Risks are categorized into A, B and C, aligned with GCF requirements. For high-risk projects (category A) an Environmental Impact Assessment must be undertaken, and for medium risk projects (category B) an Initial Environmental Examination/brief Environmental Study must be undertaken in accordance with local requirements. E&S due diligence is undertaken using the screening tools and due diligence checklists developed, including through site visits and stakeholder engagement. Based on the findings on the key risks and impacts and how they are mitigated, an Environmental Management Plan (EMP) is prepared together with any other plans required in the light of the identified risks and impacts (e.g. Resettlement Action Plan) and submitted for clearance. Stakeholder engagement is integrated into the process, including the development of a Stakeholder Engagement Plan. Once approved, the necessary E&S provisions are included in the legal documentation. Key implementation tools have been developed to ensure adequate ESMS implementation, including definitions for each E&S risk category as well as a detailed E&S due diligence assessment checklist that covers all key aspects of PSs 1–8.

54. During the supervision phase, projects are regularly monitored based on the subproject-specific monitoring plans, which include regular site visits to ensure implementation of all agreed mitigation measures and continued compliance with the E&S requirements. In the event of non-compliance, Corrective Action Plans are agreed. Borrowers are required to submit biannual E&S update reports, and annual environmental, social and governance compliance reports are prepared by TDF covering all projects. Supervision and monitoring reports and evaluations are typically based on donor-specific requirements. The AP

finds that the applicant has the capacity to undertake monitoring and evaluation in line with the Evaluation Policy for the GCF. However, it lacks a documented Monitoring and Evaluation guideline for projects funded from its own funding.

55. The applicant's ESMS implementation and track record is adequate for the risk category applied for (category B/I-2). The applicant provides E&S-related appraisal and monitoring support for subprojects funded through donor programmes as well as those financed from its own resources to local municipalities and communities, helping to ensure that E&S risks and impacts are adequately identified and mitigated. Regular monitoring is undertaken in accordance with the project administration manuals prepared for the programmes. The applicant provided the AP with a list of six programmes supported by TDF since 2012 categorized at category B (each financing multiple category B subprojects) funded by the Asian Development Bank, KfW and the Government of Nepal, as well as Environmental Impact Assessments, Initial Environmental Assessments and Environmental Management Plans, which are typically prior reviewed by its donors in advance to ensure adequate quality, and recent monitoring reports. These provide sufficient evidence of an ESMS implementation track record and capacity for the accreditation applied for (category B/I-2).

56. Regular updates of the ESSP are expected to be made if there are material changes, such as changes in risk appetite, risk exposure or organizational structure, regulatory changes or to address any other relevant factors, subject to approval by the Board of Directors. In addition, in accordance with the ESSP, ESMS effectiveness at the institutional and project level is to be reviewed both through regular internal audits and external third-party audits of projects. As the revised ESSP has only recently been adopted, no external audits have yet been undertaken but are planned for the future.

57. The ESMS outlines the current organizational roles and responsibilities, including collaboration required between teams. The Board of Directors has oversight of E&S, ensuring that all relevant policies and procedures are integrated and adequately implemented. The Executive Director leads on resource allocation, and an assigned, well-qualified E&S expert is responsible for day-to-day oversight of ESMS implementation, reporting directly to the Executive Director. The Project Management and Technical Assistance Department supports borrowers in undertaking E&S risk identification and monitoring for financed projects and undertakes assessments and supervises projects directly funded by TDF. The applicant primarily relies on E&S consultants rather than dedicated staff members, and has a comprehensive roster of consultants who can provide support for specific E&S issues, including on Indigenous Peoples issues, gender and climate. The Appraisal Division is responsible for integrating E&S clauses into contracts with borrowers, and the Human Resources Division supports grievance management and integration of E&S aspects into internal policies for staff. Under a proposed new organizational structure currently under consideration, a new Risk Department is expected to be established, which will include a dedicated unit covering E&S, to be staffed by consultants currently already working for TDF. Approval for the new organizational structure has not yet been received and formal terms of reference for the E&S expert leading the work of the unit and the consultants supporting it are yet to be developed.

58. The AP finds that the applicant's ESMS, comprising the Environmental and Safeguards Policy and implementation procedures outlined therein, supported by evidence of its track record, partially 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 IFC PSs 1–8. The relevant gaps are identified in paragraphs 54, 56 and 57 above and are reflected by the corresponding conditions for accreditation in section 4.2 below.

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

59. External communication channels both at the institutional and project-specific level are established in accordance with the TDF ESSP provisions on its GRM, its Grievance Redress Mechanism Guidelines (2025) and specific GRM requirements of the various donors for projects supported by them (and typically formalized in agreed upon project implementation arrangements). Regular training is provided on the GRM, including for project-implementing entities and project beneficiaries.

60. The ESSP establishes the overarching objectives and principles applicable to the GRM. It requires that both at the institutional and project level such mechanisms must, among other things, be culturally appropriate, anonymous/confidential, accessible, promote transparency and responsiveness, facilitate prompt and effective resolutions, and help to strengthen accountability and governance practices. Key tools needed to implement the GRM are included in the Grievance Redress Mechanism Guidelines. The TDF GRM is accessible to all key stakeholders, both internally and externally to project beneficiaries, contractors, local municipalities and affected communities. Internal and external grievances are handled through two distinct channels, outlined in detail in the Grievance Redress Mechanism Guidelines. For internal complaints, the Human Resources Department receives complaints and assigns a dedicated reviewer. If the matter cannot be resolved, it will be escalated to the Internal Grievance Committee, which is independent from the project teams and consists of the Executive Director and representatives of the Human Resources Department and legal or finance functions. If the aggrieved party is unsatisfied with the outcome, it can be further escalated to the Independent Appeals Panel, which comprises three Board of Directors members. For external (project-specific) complaints, each local government or project executing agency appoints a Grievance Officer or establishes a committee. If unresolved, the grievance can be escalated to the Grievance Redress Committee and further escalated to the Independent Appeals Panel.

61. Complaints, feedback and anonymous grievances can be submitted through various channels, including on the website,¹² through email, directly at local government, project or TDF offices, through suggestion boxes and through a toll-free hotline. Timelines for each step to be undertaken to review and address grievances are clearly defined, and applicants are not restricted from pursuing available national remedies. All complaints are logged in a register and reported annually to the Board of Directors and on the website.¹³ To date, no complaints have been received directly by TDF, and evidence of functioning GRMs at the project level is included in project monitoring reports. While the applicant has dedicated channels for submitting grievances, including through the website, as well as well-established processes to handle them, the Grievance Redress Mechanism Guidelines, including the key steps followed in addressing them outlined therein, should be made publicly available at the institutional level to enhance transparency and predictability.

62. Stakeholder engagement and consultations are undertaken throughout the entire project cycle, ensuring that affected communities, and particularly vulnerable or marginalized groups, are appropriately engaged. Public consultation and community engagement are to be carried out in a transparent, inclusive, accessible and culturally appropriate manner. Stakeholder consultations are initiated during the E&S due diligence, and a Stakeholder Engagement Plan is to be developed for public consultation, which will incorporate any feedback received. If Indigenous Peoples are affected, free, prior and informed consent and a public register of grievances are required. The applicant has provided monitoring reports to the AP demonstrating the implementation of stakeholder engagement and consultations

¹² See <https://tdf.org.np/contact-us>.

¹³ See <https://tdf.org.np/page-grievance-handling>.

undertaken at the project level, which is also confirmed through project evaluations undertaken by the applicant's donors.

63. Regarding information disclosure, IEAs/EIAs required by national laws are public documents and the applicant currently discloses summaries of project-related information and other documents as required by its donors on its website (or includes links to the donors' respective disclosures). At the project level, project beneficiaries such as the municipalities undertake project-related disclosure in line with the requirements of specific donors (e.g. the Asian Development Bank) and national requirements. The applicant's own disclosure does not yet include E&S-related documents and information required by GCF. The applicant provided a commitment letter expressing its willingness to disclose E&S-related information regarding GCF-funded projects, in line with the requirements of the Comprehensive Information Disclosure Policy of the Fund for category B/I-2 projects.

64. The AP finds that the applicant's system of external communications, consultations, information disclosure and GRM, 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 Comprehensive Information Disclosure Policy of the Fund regarding E&S information disclosure requirements for maximum E&S risk category B/I-2 projects/programmes with respect to PSs 1–8. The relevant gap is identified in paragraph 61 above and is reflected by the corresponding condition for accreditation in section 4.2 below.

3.3 Gender

65. TDF has been integrating gender aspects internally and mainstreaming them at the project level since 2019, when its first Gender Policy was adopted. The policy has recently been upgraded into a Gender Equality, Disability and Social Inclusion Policy (GEDSI Policy, 2025). In addition, TDF adheres to the Ministry of Urban Development's Gender Equality and Social Inclusion Guidelines. TDF aims to align its gender practices with the key national requirements included in the Constitution of Nepal and the Act for Mainstreaming Gender Equality, as well as the relevant international frameworks and standards (e.g. IFC PSs) and the GCF updated Gender Policy and Gender Action Plan 2020–2023. The overall objectives and key principles of the Gender Equality, Disability and Social Inclusion Policy are to ensure that all activities supported by TDF are designed and implemented in a manner that promotes gender equality, non-discrimination, equitable participation and opportunity, gender responsiveness and the empowerment of women, people with disabilities and other marginalized populations, while also advancing social justice, transparency and accountability. In addition, TDF aims to advance gender-smart projects that help to close gender gaps related to employment, pay and access to resources and has currently achieved a gender composition of its staff/consultants of 26 men and 18 women.

66. The Gender Equality, Disability and Social Inclusion Policy also outlines the key processes to be mainstreamed and integrated throughout the project cycle. Gender-specific priorities and barriers are identified during the initial stakeholder engagement for a project, and gender assessments to identify key potential gender-specific risks and impacts and how projects can be designed to address gender-specific needs are undertaken as part of the E&S due diligence, including the development of Gender Action Plans. Monitoring, including through the collection of gender-specific data (sex-disaggregated data, disability status, social identity, etc.) during project implementation is part of the ongoing supervision. Requirements for gender-sensitive stakeholder engagements, project-level GRMs and tools to assess gender aspects are also included in the Gender Equality, Disability and Social Inclusion Policy, including guidance on how to review assessments undertaken by project implementation teams (e.g. at the municipality level). For donor-funded programmes' gender-related processes, guidance and tools for both appraising and monitoring gender aspects are integrated into project-specific administration manuals.

67. Donors undertake regular project supervision and reviews, ensuring project-level implementation of all gender-related requirements. In addition, implementation progress is reported in programme-level biannual monitoring reports (e.g. the Third Small Towns Water Supply and Sanitation Sector Project), which provides key updates on all projects being implemented and the status of both their E&S and gender performance. This demonstrates that key elements of gender provisions are being adequately implemented. However, no gender audit at the institutional level has been undertaken to assess the applicant's gender capacity, systems and implementation of its gender policy provisions, particularly for projects funded from its own funds, and no institutional Gender Action Plan has been developed to address gaps and advance gender practices.

68. To date, TDF has utilized its pool of consultants, who have the relevant experience to support the assessment and monitoring of gender-related aspects of supported and financed projects. As TDF expands its portfolio of projects managed without donor involvement, including those potentially funded by GCF, gender-related organizational structures, roles and responsibilities have been formalized with clearly defined roles and responsibilities, including dedicated oversight arrangements. A dedicated gender focal point has been appointed within the Gender Equality, Disability and Social Inclusion Unit, and annual mandatory capacity-building for all staff/consultants is planned.

69. The AP finds that the applicant's gender policy, procedures, capacities and competencies, supported by evidence of its track record, partially meet the GCF updated Gender Policy and Gender Action Plan 2020–2023 to the extent applicable to accreditation. The relevant gap is identified in paragraph 67 above and is reflected by the corresponding condition for accreditation in section 4.2 below.

IV. Conclusions and recommendation

4.1 Conclusions

70. Following the assessment of the applicant, the applicant is found to have the potential to support GCF in implementing its Strategic Plan for the GCF for 2024–2027 with respect to:

- (a) The indicative projects/programmes that the applicant intends to submit to GCF within the scope of accreditation recommended by the AP in paragraph 72 below;
- (b) Alignment of said indicative pipeline with country programming priorities;
- (c) Increasing the portfolio of direct access entities accredited to GCF;
- (d) Potential contribution to the adaptation and mitigation balance in the GCF portfolio since the applicant operates across both mitigation and adaptation results areas, including transport and climate-resilient infrastructure;
- (e) Enhancing private sector participation by creating enabling environments and de-risking climate investments through the use of financial instruments such as loans; and
- (f) Diversifying the use by direct access entities of appropriate financial instruments, such as loans.

71. 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 14 above:

- (a) The applicant partially meets the requirements of the GCF basic fiduciary standards, and to the extent applicable to accreditation, the GCF Policy on the Protection of Whistleblowers and Witnesses, the GCF Policy on Prohibited Practices and the GCF AML/CFT Policy. The gaps are related to the lack of an internal or external quality

assessment of the internal audit function, the need to operationalize the revised internal audit arrangements, the lack of publication of procurement awards and guidelines for overseeing procurement in executing entities in line with GCF standards, the lack of an ethical code that covers contractual third parties such as consultants and Board of Directors members, the lack of a functioning ethics committee and an anonymous complaints reporting mechanism, the lack of procedures for managing conflicts of interest, the lack of published investigation guidelines, and the absence of a track record and adequate provisions for managing AML/CFT risks. In addition, the applicant does not have a track record for project closures. The gaps are identified in paragraphs 21, 24, 25, 27, 28, 29, 30 and 31 above and are addressed by the corresponding conditions for accreditation in section 4.2 below;

- (b) The applicant meets the specialized fiduciary standard for project management and the specialized fiduciary standard for on-lending and/or blending for loans;
- (c) The applicant partially meets the GCF revised Environmental and Social Policy to the extent applicable to accreditation, GCF interim ESS standards and the Comprehensive Information Disclosure Policy of the Fund on disclosure of E&S information in relation to the medium E&S risk (category B/I-2). The gaps relate to the lack of a monitoring and evaluation guideline for projects funded by the applicant's funds, the lack of an external audit of ESSP implementation, the lack of formalized terms of reference for E&S staff/consultants and of an approved new organizational structure, and non-publication of GRM guidelines on the website. The gaps are identified in paragraphs 54, 56, 57 and 61 above and are addressed by the corresponding conditions for accreditation in section 4.2 below;
- (d) The applicant has demonstrated that it has a policy, procedures and competencies in order to implement its gender policy, which is found to be partially consistent with the GCF updated Gender Policy and Gender Action Plan 2020–2023 to the extent applicable to accreditation, and has demonstrated that it has experience in gender consideration in the context of climate change. The gaps relate to the lack of an institutional Gender Action Plan and Gender Audit. The gap is identified in paragraph 67 above and is addressed by the corresponding condition for accreditation in section 4.2 below; and
- (e) The applicant has demonstrated that it has institutional-level systems, capacities and competencies regarding evaluation as required by the aforementioned GCF basic and specialized fiduciary standards and interim ESS standards that would enable it to implement the Evaluation Policy for the GCF for its GCF-funded activities.

4.2 Recommendation on accreditation

72. The AP recommends, for consideration by the Board, APL177 for accreditation as follows:

- (a) **Accreditation type:**
 - (i) **Maximum size of an individual project or programme:** small¹⁴;
 - (ii) **Fiduciary functions:**
 - (1) Basic fiduciary standards;
 - (2) Specialized fiduciary standard for project management; and

¹⁴ As per annex III to decision B.31/06, "small" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by GCF, of above USD 10 million and up to and including USD 50 million for an individual project or programme."

- (3) Specialized fiduciary standard for on-lending and/or blending (for loans); and
- (i) **Maximum E&S risk category:** medium risk (category B/I-2);
- (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 the issuance by GCF of a certificate/confirmation of accreditation under the transitional arrangements adopted in paragraph (m) of decision B.42/13 (in connection with the revised accreditation framework adopted in paragraph (a) of decision B.42/13):
- (1) Delivery to GCF by the applicant, in a form and substance satisfactory to the AP, of: (i) the Terms and Reference for the dedicated E&S Expert overseeing ESSP implementation and additional E&S consultants within the ESS Unit of the applicant's risk function, (ii) evidence of the applicant's approval of a new organizational structure including a risk function and a dedicated ESS Unit, and (iii) evidence of the publication of the applicant's GRM guideline on its website; and
- (2) Delivery to GCF by the applicant of evidence, in a form and substance satisfactory to the AP, of:
- a. Adoption of a policy or provisions in an existing policy that requires the extension of the applicant's ethical code to Board of Directors members, committee members, contractors, and consultants and evidence of the incorporation of the requirement into legal arrangements with such parties;
 - b. The operationalization of the applicant's Ethics Committee, which evidence shall include the terms of reference that demonstrate that the Ethics Committee provides oversight of ethics-related matters and evidence that the Ethics Committee is functioning effectively;
 - c. The operationalization of AML/CFT requirements, including: (i) the adoption of provisions within an integrity-related policy or guidelines supporting a risk-based approach, (ii) conducting required sanctions screening of covered parties in line with a risk-based approach, (iii) the provision of training or awareness-raising activities to relevant parties, and (iv) minutes or equivalent documents demonstrating oversight by the responsible governing body;
 - d. The establishment of a publicly available system for staff and third parties to anonymously report wrongdoing;
 - e. The operationalization of the Internal Audit Committee and implementation of the applicant's internal audit policy, with evidence to include the internal audit plan adopted by the Internal Audit Committee and at least one internal audit report;
 - f. Publication of investigation guidelines and operationalization of the internal investigations function; and
 - g. Adoption of a conflict of interest risk management policy and guidelines for managing conflicts of interest, together with evidence of their implementation;

- (ii) Conditions to be met by the applicant prior to the 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. Completion of an independent external quality assessment of the overall effectiveness of the applicant's internal audit function and submission of the final report; and
 - b. Adoption of procurement guidelines that will govern procurement for GCF-financed projects and that provide for the publication of awards and oversight of executing entities;
- (iii) Conditions to be met by the applicant prior to the submission of the first funding proposal to the Board in E&S risk category B/I-2:
 - (1) Delivery to GCF by the applicant of evidence, in a form and substance satisfactory to the AP, of (i) the adoption of an M&E guideline, (ii) a completed Gender Audit assessing the applicant's gender capacity, systems and implementation of its gender policy undertaken and a report on how the key recommendations have been addressed by the applicant, and (iii) the adoption of an institutional level Gender Action Plan; and
- (iv) Condition to be met by the applicant within two 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:
 - (1) Delivery to GCF by the applicant of evidence, in a form and substance satisfactory to the AP, of an external audit of the ESSP and its implementation, and a report on how the key recommendations have been addressed by the applicant.

73. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 72 above, and agrees to the recommendation.

4.3 Remarks

74. The applicant is encouraged to continue strengthening its financial risk management oversight as well as its institutional risk management process.

75. The applicant is encouraged to seek support through a GCF Readiness and Preparatory Support Programme direct access entity window. This should be coordinated with the national designated authority to address the accreditation conditions identified above.

76. The applicant is already taking steps to meet the conditions identified in paragraph 72 (a) above.
