

**GREEN
CLIMATE
FUND**

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GCF/B.35/06/Add.03

21 February 2023

Consideration of accreditation proposals – Addendum III Re-accreditation assessment of RAPL018

Summary

This document contains the re-accreditation assessment conducted by the Secretariat and the Accreditation Panel in accordance with decision B.24/13, and the recommendation by the Accreditation Panel for re-accreditation of re-accreditation applicant 018 (RAPL018), Inter-American Development Bank (IDB), based in the United States of America, for the second accreditation term.

I. Introduction

1. The Inter-American Development Bank (IDB) is a multilateral development bank with several decades of experience in promoting poverty reduction, economic growth and private sector development and in fostering regional integration and trade in developing countries in the Latin American and Caribbean (LAC) region. IDB has a successful track record in implementing projects and programmes in clean energy, healthcare sectors, agricultural development and natural resources management. It has delivered projects and programmes, including the reduction of carbon emissions through low-carbon transport systems, climate-resilient agricultural development, integrated watershed modelling tools and early warning systems.

2. IDB was accredited by the Board on 9 July 2015 in decision B.10/06, paragraph (c), for the following parameters, as recommended by the Accreditation Panel (AP), under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** international access;
- (b) **Track:** fast track under the Adaptation Fund (AF) and Global Environment Facility (GEF);¹
- (c) **Maximum size of an individual project or activity within a programme:** large;²
- (d) **Fiduciary functions:**³
 - (i) Basic fiduciary standards;
 - (ii) Specialized fiduciary standard for project management;
 - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
 - (iv) Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees);
- (e) **Maximum environmental and social risk category:** high risk (category A/intermediation 1 (I-1));⁴ 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;
 - (v) Health, well-being, food and water security;

¹ During the review of IDB's application for its first accreditation term and following information related to eligibility for fast-tracking as a GEF agency, the applicant was assessed under the fast track as both a GEF agency and an accredited entity of the AF.

² As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "large" is defined as "total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above USD 250 million for an individual project or an activity within a programme."

³ Decision B.07/02.

⁴ As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), category A is defined as "Activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented" and intermediation 1 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented."

- (vi) Most vulnerable people and communities;
- (vii) Infrastructure and built environment;
- (viii) Ecosystems and ecosystem services; and
- (ix) Public, private and cross-cutting types of projects/programmes.

3. IDB signed its accreditation master agreement (AMA) with GCF on 29 August 2017, which became effective on 30 March 2018. With the AMA coming into effect, the first accreditation term of the accredited entity (AE) is from 30 March 2018 to 29 March 2023. The AE submitted its application for re-accreditation to GCF via the digital accreditation platform on 12 July 2022. Accreditation fees were not applicable since the AE is seeking re-accreditation for the same accreditation scope that it was previously accredited for; thus, the stage I institutional assessment and completeness check commenced upon submission of the re-accreditation application. Stage I was completed on 2 December 2022 and the applicant was progressed to the stage II (step 1) accreditation review by the AP, which has been concluded with the publication of this assessment.

4. The AE has applied for the same accreditation scope for which it was previously accredited, and has updated the indicative result areas for the projects/programmes it intends to submit to GCF as follows:

- (a) **Track:** fast-track under the GEF;
- (b) **Indicative results areas for intended projects/programmes with GCF:**
 - (i) Energy generation and access;
 - (ii) Transport;
 - (iii) Buildings, cities, industries and appliances;
 - (iv) Forests and land use;
 - (v) Health, food and water security;
 - (vi) Livelihoods of people and communities;
 - (vii) Infrastructure and built environment;
 - (viii) Ecosystem and ecosystem services; and
 - (ix) Public, private and cross-cutting types of projects/programmes.

II. Stage I institutional assessment and completeness check

5. The AE is eligible for, and applied under, the fast-track re-accreditation process as a GEF entity. Its application has been assessed by the Secretariat during stage I in accordance with the requirements and gaps identified in decision B.08/03, and 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) “Matters related to the accreditation framework” regarding the re-accreditation process (decisions B.24/13 and B.26/01);
- (c) “Guiding Framework and Procedures for Accrediting National, Regional and International Implementing Entities and Intermediaries, Including the Fund’s Fiduciary Principles and Standards and Environmental and Social Safeguards” (decision B.07/02);

- (d) “Guidelines for the Operationalization of the Fit-for-purpose Accreditation Approach” (decision B.08/02);
- (e) “Policy on Prohibited Practices” (decision B.22/19);
- (f) “Anti-Money Laundering and Countering the Financing of Terrorism Policy” (AML/CFT Policy) (decision B.18/10);
- (g) “Policy on the Protection of 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;
- (k) “Updated Gender Policy and Gender Action Plan 2020–2023” (decision B.24/12); and
- (l) “Evaluation Policy” (decision B.BM 2021/07).

2.1 Legal status, registration, permits and licences

6. The AE provided documents on its establishment and licences to operate, where relevant, as a part of the application. The AE confirmed that there had been no change in its legal status or licences to operate since the original accreditation application.

7. As indicated in paragraph 3 above, the AE and GCF entered into the AMA for the AE’s first accreditation term from 30 March 2018 (date of AMA effectiveness) to 29 March 2023.

8. If the Board approves the AE’s re-accreditation, GCF and the AE will amend and restate the AMA. The amended and restated AMA will set out the terms and conditions of the reaccreditation, including but not limited to: (i) the scope of the AE’s accreditation; (ii) any conditions of re-accreditation based on the AP assessment of the AE against the GCF standards and policies listed in paragraph 37 below; and (iii) a reflection of the GCF policies and standards adopted by the Board in effect as of the date of the amended and restated AMA.

9. The AE confirmed at the time of publication of this recommendation that it is willing to engage with GCF on negotiating the amended and restated AMA and that it will provide the necessary resources to review the draft amended and restated AMA.

2.2 Accredited entity performance in contributing to GCF programming results

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

10. As of 31 January 2023, IDB has a portfolio of eight approved projects, representing USD 761.7 million in GCF financing, largely committing sovereign loans and grants, with one project accessing limited amounts in equity and guarantee funding from GCF. Seven projects are in the public sector, whereas one is a private sector project.

11. Out of eight funded activities in the IDB portfolio, six (FP009, FP020, FP048, FP063, FP064, FP111) are currently under implementation, one has reached funded activity agreement (FAA) effectiveness (FP173), and another (FP189) has the FAA executed and is awaiting FAA effectiveness. These activities are a mix of mitigation and cross-cutting projects in multiple countries in Latin America and the Caribbean.

12. **Project implementation progress:** With regard to six projects under implementation, some of the activities have experienced delays in execution (i.e. FP009, FP020, FP048, FP111) and some have had to extend their closing and completion dates by two years (i.e. FP063, FP064). Most of the delays experienced have been attributed to difficulties in deploying some of the resources per the original structure approved in the funding proposal and to disruptions related to coronavirus disease 2019 (COVID-19).

13. In terms of disbursements, as indicated in table 1 below, GCF has fully disbursed one funded activity (FP064) and made four disbursement tranches for FP009 and FP048. The remaining projects/programmes under implementation (FP020, FP063 and FP111) have requested only one or two disbursements.

Table 1: Funded activities under implementation (as at 31 January 2023)

Funded activity		Detail
1.	FP009	4 disbursements accruing USD 13.20 million of USD 21.70 million
2.	FP020	1 disbursement accruing USD 2 million of USD 80 million
3.	FP048	4 disbursements accruing USD 8.54 million of USD 20 million
4.	FP063	1 disbursement accruing USD 3 million of USD 23 million
5.	FP064	3 disbursements accruing USD 103 million of USD 103 million
6.	FP111	2 disbursements accruing USD 1.79 million of USD 35 million

14. With respect to the ability to meet conditions under the respective FAA, the experiences vary from one funded activity to the other. In FP009, the engagement regarding conditions has been around requests for disbursement as there are no conditions precedent. In FP020, some delays have been experienced with respect to financial statements of the GCF account and for semiannual reports. In 2020, IDB submitted a restructuring proposal for FP048 to modify some of the conditions approved by the Board for this funded activity. However, in 2021 the AE decided to withdraw this proposal and opted to continue the implementation as per the FAA. In FP063, IDB experienced difficulties in 2019 and partially in 2020 due to COVID-19-related impacts. This funded activity is to employ the GCF reimbursable funds to facilitate a sovereign loan to the Government of Paraguay. In September 2022, the country's National Congress ratified the IDB loan agreement, however no funds under the loan component have been disbursed as of 31 January 2023. In both FP063 and FP064, as previously mentioned, conditions included in the FAA related to the closing and completion dates have been modified.

15. **Reporting:** The quality and timeliness of reporting, in general, have been acceptable. IDB has been collaborative in reflecting the changes when feedback and/or comments have been provided by the Secretariat, especially in annual project reports. Albeit on some occasions, the Secretariat referred to attention to detail to IDB when providing responses and following up with answers (i.e. on FP064), indicating that the annual project report did not provide adequate information and also that there was unsatisfactory financial reporting; this was subsequently addressed by IDB.

16. With respect to IDB's ability to handle restructuring or change/adaptive management actions when and if needed, in general IDB has the ability to handle such types of action.

17. Finally, with respect to IDB's ability to close FAA negotiations, the experience has been positive in general. However, the execution of the FAA for FP009 was delayed because the AMA only became effective in March 2018. For FP111, the FAA was not finalized within the 180-day

period stipulated in decision B.23/10 due to a project change issue. The original deadline for FAA execution was extended by 30 days to ensure sufficient time to close the FAA.

18. For FP020 and FP063, GCF continues to monitor the actions initiated by IDB to overcome implementation challenges and accelerate the execution of the funded activities, given that only 2.5 per cent and 13 per cent of total GCF funds, respectively, have been disbursed since these projects reached FAA effectiveness in August 2019 and January 2019, respectively. The Secretariat will review the status of funded activities in the 2022 annual performance reports (APRs) and proactively engage with IDB on actions required to bring the projects back on track.

2.2.2 Officially submitted entity work programme, concept notes, funding proposals and Project Preparation Facility requests

19. **Entity work programme (EWP):** IDB has not yet submitted its EWP to GCF. In early discussions it was indicated that the EWP would reflect the partnership approach of the AE with GCF and highlight the AE's comparative advantages and the pipeline of projects/programmes to be implemented, which may include early-stage project ideas that the AE intends to bring forward in the remainder of first replenishment period of the GCF (GCF-1) and the pipeline for early GCF-2, if re-accredited. While the EWP has not been submitted, the AE shared a tentative pipeline of projects and programmes which have received feedback from the Secretariat's programming divisions.

20. **Concept notes and funding proposals:** The IDB pipeline currently consists of two projects at the concept note stage. IDB has thus far used Project Preparation Facility (PPF) support for one project.

21. The Secretariat has gained experience working with IDB on project origination, due diligence and processing as well as FAA execution and implementation for several projects. IDB utilizes its considerable regional, technical and operational expertise in project and programme development, which aids the review and approval processes as well as independent Technical Advisory Panel and Board discussions. IDB has demonstrated its strength in formulating funding proposals and adjusting specific elements to better suit GCF investment criteria. For example, in projects such as FP189 (Electric Mobility), IDB was able to add adaptation activities to a predominantly mitigation-oriented programme to better serve the needs of the countries and the development of resilient and low-emission transit systems. IDB has also been able to incorporate Caribbean small island developing States (SIDS) in some of its regional programmes, which better reflect the diversity and needs of the region. IDB's use of its own and third-party resources as co-financing or parallel financing is also beneficial to the financial structure of large programmes submitted to GCF for funding.

22. IDB has thus far focused largely on mitigation and energy sector interventions, although it is now also developing cross-cutting and adaptation-related investments for GCF. Projects such as FP173 (Amazon Bioeconomy Fund) demonstrate IDB's ability to structure large adaptation and cross-cutting programmes. There are also opportunities for IDB to broaden the sectoral scope of its concept notes and funding proposals, including adaptation investments across agriculture, water and sanitation, and ecosystems. While IDB is adept at structuring large multi-country programmes, only four of eight approved projects are multi-country. GCF would be interested in IDB developing more regional programmes focusing particularly on SIDS. IDB has not yet utilized the simplified approval process (SAP) modality, which can also be explored further for projects consistent with the SAP eligibility criteria. IDB has indicated an interest in developing projects focusing on sovereign disaster financing and index insurance in the LAC region, which would be welcomed by GCF.

23. A concept note submitted by IDB was approved in late 2018 for the amount of USD 548,205 in PPF grants but was subsequently withdrawn by the AE; the PPF grant

agreement did not progress from legal processing and no grants were disbursed. There are no other requests submitted or approved by IDB for the PPF as at 31 January 2023.

24. **Inter-American Development Bank as a delivery partner for the Readiness and Preparatory Support Programme:** In addition to its role as an AE, IDB is a delivery partner for the Readiness and Preparatory Support Programme (Readiness Programme). The Readiness Framework Agreement has been finalized and it will allow IDB to start implementing readiness activities such as the proposal for Nicaragua of USD 746,217.

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

25. With regard to concentration risk, there are no risk flags. While there are no risk tolerance levels approved by the Board, the Secretariat monitors concentration levels by a single AE, which is 6.4 per cent for IDB as of 31 January 2023. The portfolio concentration risk by a single funding proposal is within the tolerance level approved by the Board.

26. Regarding the IDB first-level due diligence of funding proposals reviewed, there were no environmental and social safeguards (ESS), indigenous peoples and gender issues identified that needed to be addressed by the AE. No significant ESS, indigenous peoples and gender issues have been identified in APR reviews of the funded activities under implementation.

27. Specifically with regard to the integrity risk related to GCF's AML/CFT Policy and the Policy on Prohibited Practices, the Secretariat is not aware of any relevant risk flags pertaining to engagement with the AE during the current accreditation term. Furthermore, the Secretariat consulted with the Independent Integrity Unit (IIU) regarding any reports of prohibited practices within its knowledge; the IIU confirmed that it had not received any reports of integrity violations and therefore did not have any reservations with this re-accreditation proposal being presented to the Board for consideration.

2.3 Accredited entity-level reporting on continuing to meet GCF accreditation standards

28. In line with its AMA, IDB is not required to submit an annual self-assessment report. In accordance with AMA clause 5.02(b)(iv), IDB submitted its midterm accreditation review report covering calendar years 2018 to 2020 in a timely manner following the template provided by the Secretariat. The midterm review requested the AE to report any changes that may have taken place since its original accreditation in the areas related to meeting the GCF accreditation requirements.

29. As detailed in document GCF/B.30/03/Add.02, the AP and Secretariat reviewed the midterm review report covering calendar years 2018 to 2020. Regarding fiduciary standards, the AE reported enhancements since its accreditation, including the approval of an AML/CFT framework and the introduction of "misappropriation" as a defined prohibited practice, and is in the process of updating all relevant policies and procedures accordingly. Regarding ESS standards, the AE also reported positive changes since its accreditation, including the approval of a new environmental and social policy framework (ESPF) in 2020 that has adopted 10 E&S standards, of which the first 8 are similar to the GCF interim ESS standards 1–8. The AE reported the adoption of a stand-alone standard on gender equality with provisions for people of all genders in the ESPF, along with a new Gender Action Plan for 2020–2021. The AP and the Secretariat reviewed the report and concluded that the AE continues to meet the relevant GCF accreditation standards and obligations as an AE as per its AMA with GCF in the context of its accreditation scope.

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

30. In line with AMA clause 15.02(c)(ii), the AE has reported annually from 2018 to 2021 on various types of capacity-building support it has provided to GCF direct access entities (DAEs), as well as potential subnational, national and regional entities, for accreditation. The capacity-building initiatives included enhancing entities' understanding of GCF policies, project cycle-related modalities and investment criteria required in the design and development of project proposals, as well as sharing lessons learned in executing external funds resources such as GCF, GEF, the Climate Investment Funds (CIF) and the Forest Carbon Partnership Facility. This support was delivered through the following inputs: consultancy, training, workshops and the development of support materials or tools.

31. In 2020, IDB organized a series of webinars with sub-national, national and regional entities and GCF DAEs to go through the types of projects supported by GCF.

32. IDB indicated in its re-accreditation application received on 12 July 2022 its intention to keep working with national development banks (NDBs) in the LAC region. These banks play a crucial role in promoting the effective implementation of sectoral mitigation programmes and channelling some GCF funds towards private sector-led, low-carbon projects and programmes. Through the support provided by IDB via knowledge materials, technical studies and guidance notes NDBs have been able to:

- (a) Strengthen their capacity to adopt ESS;
- (b) Design green financing lines;
- (c) Reinforce their capacities in the design and implementation of measurement, reporting and verification system;
- (d) Share knowledge and best practices;
- (e) Develop a physical climate risk materiality matrix; and
- (f) Establish green recovery investments and actions, etc.

33. IDB intends to continue supporting national implementing entities towards full country ownership of climate change projects and programmes. The IDB Group has provided technical assistance to over 40 NDBs, crowding-in around 400 commercial banks and 27 capital market operations and leveraging more than USD 3 billion in IDB resources. It was estimated that of this amount, USD 450 million was used to finance climate change projects and programmes across different countries.

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

34. As per the Strategic Plan for the GCF 2020–2023,⁵ the re-accreditation process⁶ and the monitoring and accountability framework,⁷ the Secretariat and the AP are requested to provide an assessment of the extent to which the overall portfolio of activities of the AE, beyond those funded by GCF, has evolved during the accreditation period in order to advance the goal of GCF to promote the paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development.

⁵ Decision B.27/06 and annex VI thereto.

⁶ Decision B.24/13 and annex XXVI thereto.

⁷ Decision B.11/10 and annex I thereto.

35. In 2021, IDB published its Climate Change Action Plan 2021–2025, which describes the IDB Group’s progress since 2016 to support the LAC region’s need for low-carbon and climate-resilient development finance and its plan to raise climate ambitions continuously in the region. As part of this action plan, the AE commits to:

- (a) Integrate Paris Agreement alignment in IDB operations and procedures, by implementing the Joint MDB Methodological approach in all new operations from January 2023 onward with a firm grounding on each country’s commitments under the Paris Agreement;
- (b) Development of approaches to Paris Alignment that respond to IDB member countries’ NDCs priorities and circumstances;
- (c) Internal and external knowledge and capacity-building;
- (d) Improvements in its incentive structures to increase financial flows towards projects that make active contributions to climate and environmental objectives;
- (e) Movement toward a more ambitious climate target of setting a goal to provide USD 24 billion for climate and green finance in the next four years, subject to country demand;
- (f) Expanded use of innovative solutions, tools, and financing structures; and
- (g) Sustained action to promote the Paris Alignment of internal activities at IDB Group.

36. The AP reviewed the following information provided by the AE with regard to guiding questions established in document GCF/B.28/11/Add.02 titled “Methodology for establishing a baseline of greenhouse gas emissions and climate resilience for the portfolio of accredited entities”:

- (a) **Guiding question 1:** Has the entity established policies or commitments in the short, medium, or long-term regarding investment in climate projects?
 - (i) Aligning new operations with the Paris Agreement is one of the proposals the IDB Group included in the New Value Proposition for the Inter-American Development Bank and the Inter-American Investment Corporation (Resolutions AG-7/22 and CII/AG-3/22).⁸ It is also one of the actions contemplated in the “IDB Group Climate Change Action Plan 2021–2025”⁹ (GN-2848-9, Section III.A.2);
 - (ii) In support for these, IDB’s Paris Agreement Alignment Implementation Approach (PAIA) presents the principles, methodology and technical guidance that the IDB Group will apply when assessing the alignment of operations with the mitigation and adaptation goals under the Paris Agreement. The PAIA is based on a technical framework¹⁰ developed jointly by multilateral development banks (MDBs), whose criteria assess whether finance can be considered as not undermining countries’ transition to net zero and climate-resilient development pathways in line with the Paris Agreement. Therefore, this PAIA is the bespoke application of the MDB framework to operations at the IDB Group, given its mandate and existing operational procedures;
 - (iii) The IDB Group expects to implement the PAIA on all operations that have not reached eligibility as of 1 January 2023, following the indicative timeline included in its internal document on Climate Action (CA-604 (paragraph 4.9))

⁸ See <https://www.iadb.org/en/news/idb-and-idb-invest-boards-mandate-historic-reforms-idb-invest-capital-increase-proposal>.

⁹ Available at: <https://publications.iadb.org/en/inter-american-development-bank-group-climate-change-action-plan-2021-2025>.

¹⁰ Available at: <https://www.eib.org/attachments/documents/cop26-mdb-paris-alignment-note-en.pdf>.

and the public announcement by the IDB Group in its Climate Action Position Paper for the twenty-sixth session of the Conference of the Parties (COP),¹¹ where it stated its ambition to align all new operations to the objectives of the Paris Agreement by 2023. The scope of application covers all investment loans, policy-based lending, guarantees, equity, investment grants with an approved amount greater than USD 3 million, and long-term corporate finance. Consistent with practice at other MDBs, the PAIA does not cover technical assistance or short-term financial instruments. The PAIA was discussed in a Joint Committee of the IDB Policy and Evaluation Committee and Inter-American Investment Corporation Committee of the Board of Executive Directors in Q4, of 2022 and is expected to be approved by IDB management in Q1 of 2023;

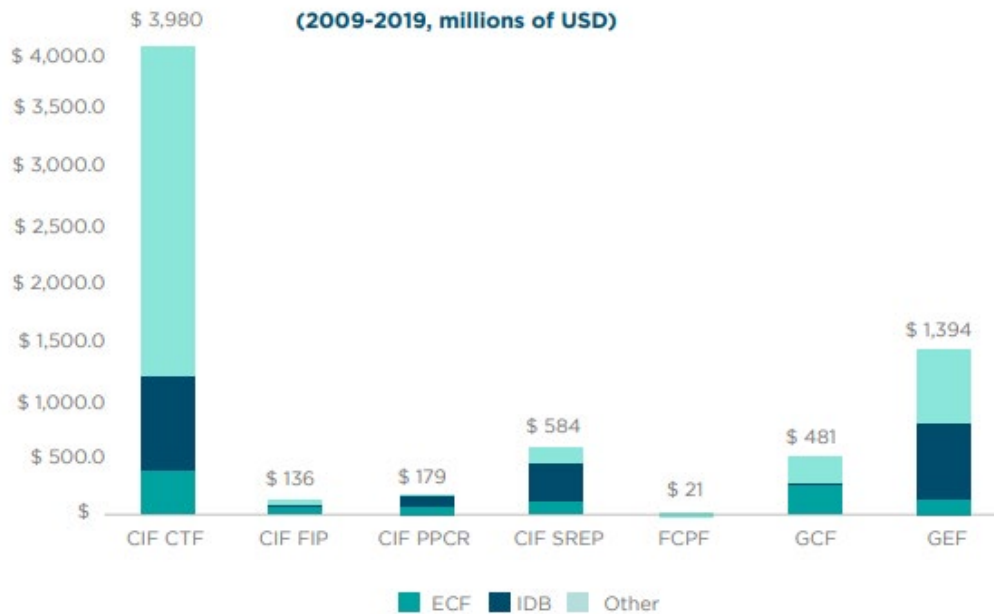
- (iv) According to the 2021 Joint Report on Multilateral Development Banks' Climate Finance,¹² IDB climate finance consisted of USD 4.5 billion through IDB and USD 23 million through IDB Lab, an innovative laboratory for developmental finance and expertise of IDB; and
 - (v) The AP finds the IDB's policies and commitments as reflected in Climate Change Action Plan and PAIA in the short, medium, and long-term regarding investment in climate projects are in line with the 2024–2027 Strategic Plan;
- (b) **Guiding question 2:** Does the entity receive resources from third parties for the financing of climate projects?
- (i) Strategic partnerships have been forged by the IDB with external sources of finance that are also looking to invest in low-carbon and climate-resilient development. Doing this has contributed to IDB's objective of mobilizing additional resources for climate action while also strengthening its position as a leading partner in accelerating climate innovation in many fields. From climate-smart technologies and resilient infrastructure to institutional reform and financial mechanisms, IDB's use of external sources of finance is helping countries in the LAC region advance toward meeting their international climate change commitments;
 - (ii) In the report titled Analysis of External Climate Finance Access and Implementation,¹³ IDB provides a series of insights and lessons learned in the preparation and implementation of projects with climate finance from four external sources (see figure 1): CIF, the Forest Carbon Partnership Facility, GCF and GEF. It includes a systematic revision of their design and their progress on delivery, an assessment of broader impacts (scale-up, replication, and contributions to transformational change/paradigm shift), and a set of recommendations to optimize the access and use of these funds in future rounds of climate investment; and

¹¹ Available at: <https://publications.iadb.org/en/idb-group-and-climate-action-position-paper-cop26>.

¹² Available at: https://www.eib.org/attachments/lucalli/mdbs_joint_report_2021_en.pdf.

¹³ Available at: <https://publications.iadb.org/en/analysis-external-climate-finance-access-and-implementation-cif-fcpf-gcf-and-gef-projects>.

Figure 1: Finance data on Inter-American Development Bank projects and programmes with external climate finance completed or under implementation (2009-2019)



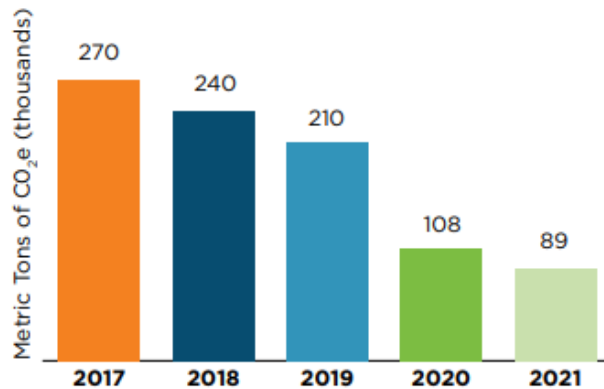
(iii) The AP finds that IDB has and continues to actively engage with various international agencies to mobilize resources from third parties for the financing of climate projects;

(c) **Guiding question 3:** Does the accredited entity (AE) calculate and reduce its greenhouse gas (GHG) emissions at the corporate level?

(i) The ESPF commits IDB to calculating gross (or absolute) emissions from IDB-financed projects that may generate significant amounts of GHG emissions. The IDB works with its member countries and clients to incorporate zero-emission technologies into project designs and minimize emissions where such technologies are not yet viable. For selected projects, IDB also calculates net (or relative to a business-as-usual scenario) GHG emissions. These estimates improve IDB's ability to identify possible transition risks and understand how a project can contribute to a country's decarbonization effort;

(ii) To quantify both gross emissions and net emission reductions, IDB follows the guidelines set out in the International Financial Institution Framework for a Harmonized Approach to Greenhouse Gas Accounting. The IDB Environmental and Social Solutions Unit, Climate Change Division and project teams apply a common set of tools to collect relevant project data and calculate GHG emissions. IDB continuously improves its tools and processes as it learns from its projects and interacts with other MDBs and stakeholders;

Figure 2: Chart on Inter-American Development Bank gross greenhouse gas emissions 2017–2021



- (iii) In 2021, gross GHG emissions were reported for 23 greenfield and expansion projects, which generated an estimated 88,900 metric tonnes of carbon dioxide equivalent (tCO₂eq) (see figure 2). Since 2022, IDB started to use the gross GHG emissions data to more thoroughly assess the climate risks associated with projects and identify suitable risk-mitigation measures;
- (iv) **IDB's scope 1 emissions:** At a corporate level, the IDB compiles a comprehensive GHG inventory based on its institutional activities. The IDB's corporate inventory includes three offices based in Washington, D.C., and one data centre in Virginia (United States of America). In addition, IDB calculates GHG emissions from its 26 country offices in LAC. Data is collected at least annually to identify the factors affecting the IDB's footprint and identify any data irregularities. Gross scope 1 GHG emissions in 2021 were 1,667 tCO₂eq compared to 807 t CO₂eq in 2020; 1,167 tCO₂eq in 2019; 1,109 tCO₂eq in 2018; 1,334 tCO₂eq in 2017; and 1,587 tCO₂eq in 2016. The IDB tracks the primary GHGs recognized under the Kyoto Protocol that are pertinent to its activities. The following gases have been included: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), and hydrofluorocarbons (HFCs);
- (v) The scope 1 GHG emissions calculation is based on the methodology of the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard¹⁴ developed by the World Resource Institute (WRI) and the World Business Council for Sustainable Development (WBCSD);
- (vi) **IDB's scope 2 emissions:** At a corporate level for the IDB Group, gross scope 2 location-based GHG emissions were 6,727 tCO₂eq in 2021, compared to 6,328 tCO₂eq in 2020; 9,638 tCO₂eq in 2019; 10,090 tCO₂eq in 2018; 9,935 tCO₂eq in 2017; and 10,431 tCO₂eq in 2016. The IDB's scope 2 market-based emissions in 2021 were 5,669 - tCO₂eq, compared to 1,173 tCO₂eq in 2020. Scope 2 market-based emissions reflect the acquisition of renewable energy power (20 per cent) through a utility contract agreement for the IDB Headquarters offices. In December 2021, the IDB Group Headquarters offices in Washington, D.C., started purchasing 100 per cent renewable energy through its new green power agreement with a local utility company;

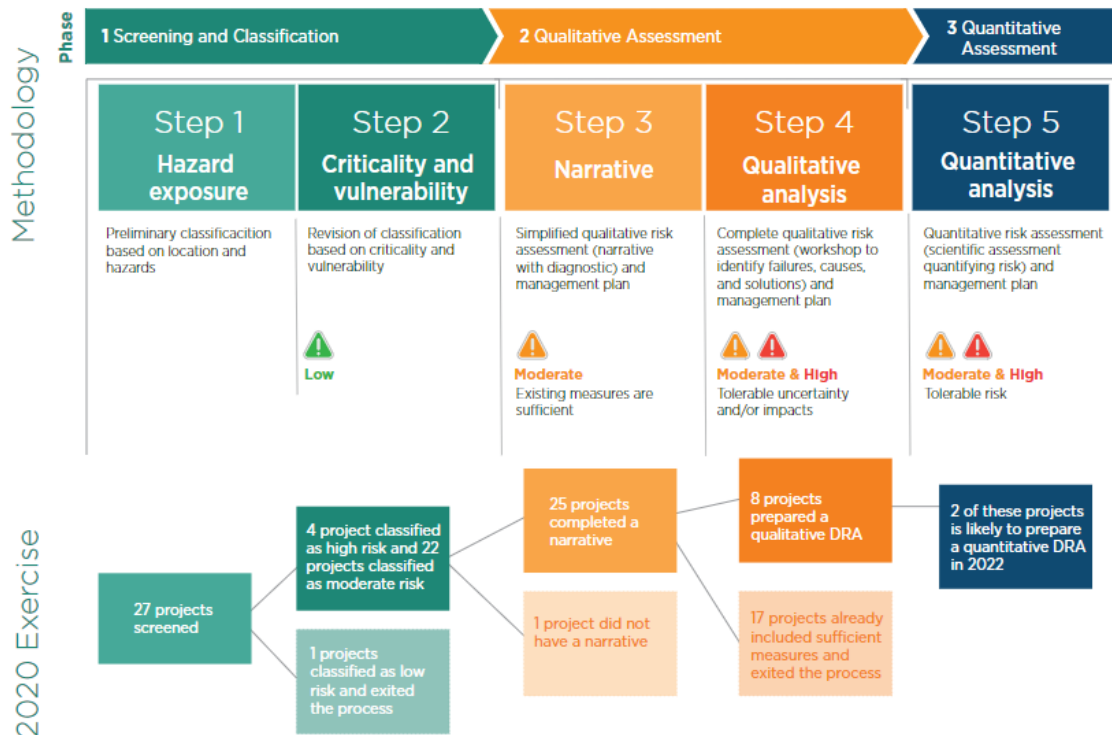
¹⁴ See at: <https://ghgprotocol.org/corporate-standard>.

- (vii) The IDB tracks the primary GHGs recognized under the Kyoto Protocol and that are pertinent to its activities. The following gases have been included: CO₂, CH₄ and N₂O;
 - (viii) Scope 2 GHG emissions calculations are based on the methodology of the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard developed by WRI and WBCSD. More specific information on the methodology and the source of emission factors and global warming potential can be found in IDB's Inventory Management Plan;
 - (ix) The global pandemic in 2020 and 2021 drastically changed the nature of IDB's GHG emissions. For most of that time, IDB Group employees worldwide operated under a mandatory telework scenario, and all business travel was suspended; and¹⁵
 - (x) The AP finds the IDB's corporate level GHG emissions calculation methodologies and reporting to be adequate;
- (d) **Guiding question 4:** Does the AE evaluate the climate risks of its portfolio?
- (i) The IDB is committed to assessing disaster and climate change risk and identifying opportunities for resilience and adaptation measures in the projects it finances. The IDB's Disaster and Climate Change Risk Assessment methodology¹⁶ takes a phased approach that allocates resources commensurate with project risk. The methodology is organized around five steps: (1) classify hazard exposure; (2) revise classification based on criticality and vulnerability; (3) conduct a simplified qualitative analysis (narrative); (4) conduct a qualitative analysis; and (5) conduct a quantitative analysis, grouped into three phases (see figure 3);
 - (ii) The methodology is applied to loans and investment grants classified as category A or B under the IDB's ESPF. The IDB has committed to reporting annually on projects with considerable disaster and climate change risk that applied risk analysis to identify resilience actions in line with its Corporate Results Framework. The IDB's target by 2023 is for 100 per cent of high- and moderate- risk projects (in that A and B universe) to have completed step 3 of the Disaster and Climate Change Risk Assessment methodology. In 2021, 96 per cent of the projects required to do so completed step 3. Of the three category A projects approved in 2021, two were classified as high risk and one as moderate risk. Of the 24 category B projects approved, two were classified as high risk, 21 as moderate risk, and 1 as low risk for disaster and climate change; and

¹⁵ Find more information on IDB Sustainability Report 2021, available at: <https://publications.iadb.org/en/inter-american-development-bank-sustainability-report-2021>.

¹⁶ See at: <https://publications.iadb.org/en/disaster-and-climate-change-risk-assessment-methodology-idb-projects-technical-reference-document>.

Figure 3: Application of the Disaster and Climate Change Risk Assessment methodology



(iii) The AP finds the IDB’s climate risk screening methodology to be rational to support its climate finance decision;

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

(i) The IDB works in the following sectors: agriculture and rural development, water and sanitation, urban development and housing, education, energy, financial markets, industry, social investment, environment and natural disasters, private firms and small and medium-sized enterprise development, regional integration, reform/modernization of the state, health, science and technology, trade, transport, and sustainable tourism;

(ii) Investment in coal, upstream oil and gas are part of the exclusion list of the new ESPF,¹⁷ approved in September 2020 by the IDB Board of Directors (see appendix I of the ESPF). In any case, IDB has not financed upstream oil or gas in decades. Downstream oil and gas are not a material portion of current lending. Between 2010 and 2021, only six of IDB’s approved energy projects included oil and gas downstream components, representing 4.1 per cent of a total of USD 10.2 billion in lending for energy and 0.3 per cent in total lending (all sectors). For future lending, IDB anticipates the portion to be even less. In 2022, for example, the portion is zero;

(iii) In 2022, IDB adopted internal guidance to orient personnel in designing investment operations and policy-based loans for sustainable energy. These guidelines delineate the required analysis for considering downstream oil and gas projects. Criteria to be analysed include the project’s alignment with the objectives of the Paris Agreement, which entails compatibility with the country’s

¹⁷ Available at: <https://www.iadb.org/en/mpas>.

nationally determined contributions and long-term strategies, and an analysis of the risk of stranded assets; and

Table 2: Summary of the overall investment portfolio of the Inter-American Development Bank

Data	2017	2018	2019	2020	2021	Total
Inter-American Development Bank annual investment (USD million) = overall portfolio	11,774	14,233	12,102	14,322	15,078	67,509
1. Climate-related projects						
Total climate finance (USD million) including	3,088	4,177	3,610	1,969	4,464	17,308
Mitigation finance (USD million)	2,279	2,995	2,048	1,174	2,483	10,979
Mitigation finance % of portfolio	19.4%	21.0%	16.9%	8.2%	16.5%	16.3%
Adaptation finance (USD million)	809	1,182	1,562	795	1,981	6,329
Adaptation finance % of portfolio	7%	8%	13%	6%	13%	9.4%
2. Non-climate-related projects and operations						
Non-climate-related finance (USD million)	8,686	10,056	8,492	12,353	10,614	50,201
Non-climate-related finance (% of portfolio)	73.8%	70.7%	70.2%	86.3%	70.4%	74.4%

(iv) The AP finds that the AE does not invest in fossil fuels-related projects/programmes, and its climate-related investments show an increasing trend over this period;

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

(i) The IDB's climate-mitigation finance portfolio (USD 2.4 billion in 2021) refers to efforts to reduce or capture GHG emissions to lessen the risks of climate change. IDB's mitigation finance is primarily associated with renewable energy, energy efficiency, urban mobility, mass transportation, forestry, and green buildings. Please refer to table 2 above (summary of IDB's overall investment portfolio); and

(ii) The AP finds IDB's investments in mitigation programmes to be robust; and

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

(i) The IDB's climate-adaptation finance (USD 1.3 billion in 2021) refers to the resources that finance the change processes aimed at lowering the current and expected risks or vulnerability posed by climate change. Such finance is identified in projects that explicitly define a context of climate vulnerability, intend to reduce such vulnerability, and allocate resources to specific vulnerability-reduction tasks. Adaptation finance in 2021 focused mainly on

disaster risk management and preparedness (primarily through contingent credit lines for natural disasters), resilient infrastructure, and coastal zone and water supply management;

- (ii) In 2021, the IDB provided additional climate finance through a few projects that benefit mitigation and adaptation simultaneously. Dual-benefit climate finance accounted for USD 782 million in 2021. Please refer to table 2 above (summary of IDB's overall investment portfolio);
- (iii) The AP finds the AE's investments in adaptation programmes to be robust; and
- (iv) **Overall conclusion:** The AP considers that the evidence provided by IDB for the first accreditation term demonstrates the continuous positive trend of developing climate change mitigation and adaptation and cross-cutting activities. Both the strategy and the trend of activities are aligned with the GCF mandate and objectives.

III. Stage II accreditation review assessment

37. The AE is eligible for, and applied under, the fast-track re-accreditation process as a GEF entity. Its application has been assessed by the AP during stage II (step 1) against the accreditation standards of GCF and gaps identified in decision B.08/03 and in accordance with the re-accreditation requirements to the extent applicable to accreditation (see paragraph 5 above).

38. Partnership with the GEF currently relies on a process of self-assessments by partner agencies, once per replenishment, to confirm that the agencies maintain the competence and minimum standards required by the GEF Council.

39. In 2020 the GEF Council initiated a process for an independent third-party review of compliance with GEF Minimum Fiduciary Standards in close coordination with GEF's management, corporate policy units, regional bureaux and country offices.

40. These self-assessments are undertaken by the agencies and reviewed by a third-party expert(s) independent of the GEF Secretariat, providing additional comfort to the GEF Council. As a result of this process, if an agency were to be found to be non-compliant or partially compliant with a policy standard or set of standards, it would prepare a time-bound action plan to remedy identified deficiencies and submit it to the GEF Council for approval.

41. The self-assessment covers two broad criteria: (i) project/activity processes and oversight, including project appraisal, procurement processes, monitoring, project completion and financial closure, procedures to make project results publicly available, and the evaluation function; and (ii) governance framework, including external financial audit, financial management and control frameworks, oversight of executing entities, financial disclosure/conflict of interest, code of ethics/conduct, internal audit, investigation function, hotline and whistleblower protection, and AML/CFT.

42. The independent review was completed in October 2022, and IDB was found to be fully compliant with all GEF Minimum Standards.

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

3.1 Fiduciary standards

3.1.1 Basic fiduciary standards: key administrative and financial capacities

44. IDB did not have any conditions with regard to the basic fiduciary standards on key administrative and financial capacities recommended by the AP for the first accreditation term.

45. As per paragraph 37 above, the basic fiduciary standards concerning key administrative and financial capacities are considered to have been met by way of fast-track re-accreditation.

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

46. IDB did not have any conditions with regard to the basic fiduciary standards on transparency and accountability recommended by the AP for the first accreditation term.

47. As per paragraph 37 above, the GCF basic fiduciary standards concerning transparency and accountability have been met by way of fast-track re-accreditation, with the exception of policies on prohibited practices and the protection of whistle-blowers and witnesses, the investigation function, and AML/CFT policies.

48. Regarding the policies and practices to address prohibited practices, IDB publishes an Office of Institutional Integrity and Sanctions System Report and an Ethics Report each year with statistics on reporting, training, special initiatives and analysis. The 2021 reports have been provided, which also gives a look ahead to plans for further strengthening the area in 2022 and beyond. IDB's whistleblower policy was updated in 2016. It allows for anonymous reporting and is aligned with GCF's Policy on the Protection of Whistleblowers and Witnesses.

49. Regarding the investigation function, the Office of Institutional Integrity (OII) conducts investigations of Prohibited Practices and provides prevention support to operational units, while the Sanctions Officer and the Sanctions Committee is responsible for administering sanctions procedures. On institutional integrity matters, the oversight responsibilities of IDB's Audit Committee include, among other things, oversight over the investigation function and the offices responsible for administering sanctions procedures. In consultation with the IDB President, the Audit Committee participates in the appointment or re-appointment of the Chief of the OII and the Sanctions Officer. Other responsibilities of the Audit Committee include:

- (a) Review the adequacy and effectiveness of the system for monitoring compliance with IDB policies and procedures regarding matters dealing with prohibited practices;
- (b) Review, periodically and at its discretion, with the Chief of the OII, the Sanctions Officer and the Chairperson of the Sanctions Committee, significant activities and outcomes for their respective offices with respect to matters pertaining to prohibited practices;
- (c) Review and endorse provisions to ensure that the IDB has established and maintained appropriate, efficient and consistent procedures to protect confidentiality and anonymity in the receipt, retention and treatment of complaints and allegations submitted by IDB employees or others regarding prohibited practices, including questionable accounting or auditing matters;
- (d) Review the adequacy and effectiveness of the system of internal controls over all relevant sanctions procedures consistent with the Audit Committee's mandate;
- (e) Review periodically the role and functions of the Sanctions Committee and other sanctions-related staff. If necessary, meet with appropriate officers to discuss IDB management's plan to address cases concerning prohibited practices, in line with the Audit Committee's mandate;
- (f) Meet with the Ethics Officer at least annually to obtain updates from the Ethics Officer on compliance with the Code of Ethics and Professional Conduct;
- (g) Obtain regular updates from the Legal Department regarding compliance with various legal and regulatory matters; and
- (h) Request and oversee special investigations as needed.

50. IDB is a founding member of the Joint International Financial Institution Anti-Corruption Task Force that was formed in 2006 by the leaders of the African Development Bank Group, Asian Development Bank, European Bank for Reconstruction and Development, European Investment Bank Group, International Monetary Fund, IDB Bank Group and the World Bank Group. This task force aims to continuously stay abreast of the latest measures to ensure a consistent and harmonized approach to combat corruption in the activities and operations of the member institutions. The leaders of the member institutions recognize that this unified and coordinated approach is critical to the success of the shared effort to fight corruption and prevent it from undermining the effectiveness of their work. The task force has agreed to a harmonized strategy to combat corruption as well as common definitions of 'fraudulent' and 'corrupt practices', and an approach to investigations and the sharing of information. To demonstrate its solid track record and advances in this area, IDB has provided its updated Sanctions Procedures from 2021 together with the publicly available Institutional Integrity Annual Report and the Sanctions System Annual Report for 2020 and 2021, which detail the processes and sanctions, amongst other comprehensive information, that took place during those years.

51. Regarding AML-CFT policies, the IDB's AML-CFT-KYC¹⁸ framework demonstrates the commitment to the management of the risks related to money laundering and terrorist financing in a manner aligned with international best practices. The IDB has adopted mechanisms that apply coordinated and consistent risk-management practices to carry out its commitment through:

- (a) Ensuring that each IDB business unit applies AML/CFT controls that are appropriate for the risks presented by the activities of that business unit;
- (b) Creating a process by which business units will engage the support of the OII and the Office of Risk Management to determine the appropriate AML-CFT controls for their distinct operations and corporate transactions; and
- (c) Establishing a governance structure whereby OII performs an AML-CFT compliance function, pursuant to which it will oversee the AML-CFT system, provide advice to business units regarding the management of risks and be the designated unit to which red flags are escalated when required.

52. This framework also includes details on IDB's KYC system and on the training given to staff on AML-CFT-KYC risks, systems and controls. In addition, as explained in paragraph 50 above, IDB is a member of the International Financial Institutions Anti-Corruption Task Force.

53. As per paragraph 37 above, the basic fiduciary standards on transparency and accountability are considered to have been met by way of fast-track re-accreditation. The AP also finds that the AE's policies, procedures and capacity, supported by evidence of its track record, fully meet, to the extent applicable to accreditation, the GCF Policy on Prohibited Practices,¹⁹ the GCF Policy on the Protection of Whistleblowers and Witnesses,²⁰ and the GCF AML/CFT Policy.²¹

3.1.3 Specialized fiduciary standard for project management

54. IDB did not have any conditions with regard to the specialized fiduciary standard for project management recommended by the AP for the first accreditation term.

¹⁸ KYC = know your customer.

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

²⁰ Decision B.BM 2018/21 and annex I thereto.

²¹ Decision B.18/10 and annex XIV thereto.

55. As per paragraph 37 above, the specialized fiduciary standard for project management is considered to have been met by way of fast-track re-accreditation.

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

56. IDB did not have any conditions recommended by the AP with regard to the specialized fiduciary standard for grant award and funding allocation mechanisms for the first accreditation term.

57. IDB has strong policies and procedures for awarding grants and technical assistance and a successful track record evidenced by recent examples of projects involving grant funding, some of which are in partnership with GCF. IDB's principles for awarding grants include:

- (a) Competitive allocation of resources;
- (b) Published eligibility criteria;
- (c) Public disclosure of requests for proposal and results of awards; and
- (d) Process for the evaluation and selection of proposals with selection criteria.

58. A specialized unit for grant management, the Grants and Co-financing Management Unit of the Office of Outreach and Partnerships, is responsible for coordinating all activities related to grant award procedures, allocations and monitoring. To facilitate project oversight and control, records are maintained in standardized IT systems. The IDB also generates annual reports for each of its multi-donor funds and has a specialized portal that provides donor access to ongoing information regarding funding allocation, projects and results.

59. The IDB website includes documents on all stages of a project cycle, including those involving grant funding. Details on the preparation, approval, implementation/completion and reporting are all published. These typically include project profiles, environmental documents, project documents, procurement plans, project monitoring reports, consultant's reports, and project completion reports, among other documents. Information about measuring the results and impact of projects can be found under 'Development Effectiveness' on the IDB website and in its annual Development Effectiveness Overview. Additionally, project procurement plans are found under 'Procurement'.

60. Regarding the dissemination of results, IDB has a dedicated communication team that identifies and provides dissemination opportunities for its climate work through multiple channels. These include dedicated webpages highlighting successful projects supported by IDB's climate finance partners, as well as examples capturing best practices and lessons learned. The AE has confirmed, and the AP is satisfied that IDB has the institutional-level systems, capacities and competencies regarding evaluation to implement the GCF Evaluation Policy and any standards for evaluation developed by GCF for its GCF-funded activities.

61. IDB is in the process of updating its existing Access to Information Policy to reaffirm its commitment to transparency, strengthen corporate governance and increase accountability. During this process, IDB will incorporate new disclosure standards adopted by other international financial institutions while also making information disclosure more proactive and predictable.

62. IDB has provided a recent third-party review of GEF agencies' compliance with GEF's minimum standards. This review demonstrates that IDB is in full compliance with these GEF standards. In addition, IDB has also provided several documents to indicate its good standing with regard to multilaterals. The information provided by IDB on its grant activities, extensive public disclosure, good standing with other agencies and strong track record demonstrates IDB's long and successful experience in the use of grants in line with GCF standards for grant awards.

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

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

64. IDB did not have any conditions with regard to the specialized fiduciary standard for on-lending and blending for loans, equity and guarantees recommended by the AP for the first accreditation term.

65. IDB was established in December 1959. The original agreement has been updated several times since then with the latest amendments from July 1995. IDB has a long track record and experience of on-lending and blending as evidenced by several recent loan projects and other loan-related projects. These include a USD 155 million risk-sharing facility for low-emission, climate-resilient agriculture in partnership with GCF and other sponsors, a sustainable energy facility for Eastern Caribbean countries, also in partnership with GCF, an infrastructure and sustainability project in Mexico, a facility for renewable energy projects in Colombia and a loan for the restoration of climate-resilient forests in Honduras. IDB's published investors report from 2022 demonstrates that the institutions continued to have high credit ratings with international agencies.

66. IDB's guiding principles of financial management are legality, integrity, economy, efficiency, effectiveness, and transparency. In its Financial Management Guidelines, IDB establishes the systems to ensure, among other things: (i) that funds are used for their intended purpose, under the principles of economy and efficiency; (ii) the accountability of individuals and institutions in charge of the administration of funds; (iii) the availability of reliable and timely information for decision-making purposes; and (iv) that funds under administration are subject to independent review and supervision of internal and external control entities. The procedures for IDB-financed projects include evaluation of intermediary portfolios. The Financial Supervision Handbook provides the project team with guidance about the necessary inputs to make timely decisions that adequately reflect the current circumstances of the borrower.

67. The Office of Risk Management (RMG) is in charge of managing risk within the organization, including the assessment of credit, operational and market risks. RMG is responsible for strengthening IDB's capacity to identify, measure and manage the credit risks of its loan portfolio as well as treasury activities, including derivatives. RMG also manages the exposure to market and operational risks and credit risks of the sovereign loan portfolio. It provides independent advice and periodic risk reporting to senior management, including risk management advice to IDB's Board of Executive Directors, independently from originating business units, on the financial risks faced by IDB as well as on IDB's capital adequacy, including the assessment of new financial instruments and initiatives.

68. Other responsibilities of RMG include: (i) developing and maintaining an effective risk management framework, guidelines and methodologies to manage credit, market, operational risks, and E&S risks; (ii) ensuring compliance with policies and guidelines; (iii) managing and overseeing the financial risk in the balance sheet; (iv) chairing the Asset-Liability Committee, Credit Risk Committee and Operational Risk Management Committee; and (v) overseeing a consistent implementation of the Operational Risk Management Framework, including the coordination of the activities related to the assessment of the IDB's internal control system to support management's assertion of its controls over financial reporting.

69. IDB has five units for financial management: Credit Risk Management Unit, Financial Control and Operational Risk Management Unit, Strategic Risk Management Unit, Treasury Risk Management Unit, and the Environmental and Social Risk Management Unit. In the case of the

IDB Lab, there is a service-level agreement between RMG and IDB Lab for the implementation of an integrated risk management framework, by which RMG provides support to the IDB Lab in the definition, implementation and ongoing maintenance of a risk management framework to strengthen, assess and manage, with a holistic portfolio view, IDB Lab's most significant risks.

70. IDB has comprehensive policies for providing general public access to information about its projects on its website and through other channels. The policy and the implementation guidelines are publicly available documents. The IDB has a Treasury Management System that allows the institution to manage investments for all funds under administration. It also counts with duly approved investment guidelines for these funds. The policies and systems for investment management, including in relation to portfolio management, have been provided, as well as copies of two investment portfolio management reports covering loans, equity and guarantees prepared in 2019 and 2021.

71. IDB has a long track record of successful projects in its LAC member countries. This is evidenced in IDB's annual reports and other documents, and information provided on the website. IDB has demonstrated that it can effectively provide loans, grants and combinations of both (blending). Examples of projects have been provided, including in partnership with GCF.

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

3.2 Environmental and social safeguards

73. IDB did not have any conditions with regard to the GCF interim ESS standards recommended by the AP for the first accreditation term with a maximum accreditation scope of a maximum E&S risk category A/intermediation 1.

3.2.1 Environmental and social policy

74. The IDB provided its new ESPF approved in September 2020, which supersedes the old safeguards policies and guides IDB's operations in protecting people and the environment. The ESPF came into effect in November 2021 after a one-year preparation period and sets out a systematic approach to E&S risk management that is harmonized with international best practices. It confirms AE's commitment in managing E&S risks in IDB-supported operations. The ESPF defines standards for IDB's borrowers, as well as roles responsibilities for both IDB and borrowers, for the management of E&S impacts from IDB-financed projects, which supersedes the old safeguards policies and guides IDB's operations in protecting people and the environment.

75. The ESPF contains 10 environmental and social performance standards (ESPS). IDB's ESPS 1–8 are aligned with GCF's Performance Standards (PS) 1–8. IDB's ESPS 9 is on gender equality while its ESPS 10 is on stakeholder engagement and information disclosure. The ESPF document and the guidelines for the 10 ESPS are publicly available at <https://www.iadb.org/en/mpas>.

76. In 2020, the IDB established a new Environmental and Social Risk Management Unit in the RMG. This unit provides E&S risk oversight of the IDB-financed portfolio and quality assurance services throughout the project cycle, with special attention on high and substantial risk projects.

77. Information about the E&S policy is available on the IDB website at: <https://www.iadb.org/en/news/idb-approves-new-environmental-and-social-policy-framework>.

78. The ESPF includes a stand-alone standard on indigenous peoples (ESPS 7), which is aligned with the International Finance Corporation's PS 7.

79. Like the GCF Revised E&S Policy, IDB's ESPF establishes as one of its objectives to prevent the risks of sexual and gender-based violence (SGBV) in projects, including sexual exploitation, sexual abuse and sexual harassment (SEAH), and should any SGBV incident occur, to respond promptly and in a survivor-centred and gender-sensitive manner. The AP finds that IDB has the systems and capacity to meet the GCF Revised Environmental and Social Policy, particularly as related to the provisions on SEAH.

80. IDB ensures that the IDB-led interim and final evaluation reports are in line with GCF Evaluation Policy requirements and are of a high quality by reviewing the reports, including on E&S and gender matters. The AP finds that IDB has the systems in place and capacity to meet the GCF Evaluation Policy.

81. IDB's policies and actions are fully committed to climate change issues and related investments in mitigation and adaptation (please refer to section 2.4 for further details).

82. The AP finds that the IDB's environmental and social management system, comprising the ESPF, 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 A/I-1 projects/programmes with respect to PS 1-8.

3.2.2 Identification of environmental and social risks and impacts

83. The applicant's ESPF defines the procedures to identify and assess E&S risk and impacts for both its borrowers and the applicant itself. The IDB carries out an initial screening through web-based tools (the toolkit) to determine the initial environmental and social impact category (ESIC), disaster and climate change risk classification (DCCRC) and the environmental and social risk rating (ESRR). The ESIC can have four values (A, B, C or FI), the DCCRC can have 3 values: high, moderate and low, and the ESRR can have four values: high, substantial, moderate and low. Based on the screening and the ESPF requirements, IDB carries out its own environment and social due diligence and supports the borrower in ensuring that the relevant requirements of the ESPF and its 10 ESPS are complied with (including the requirement to have an environmental and social management system commensurate to the E&S risks).

84. By June 2022, IDB has approved four operations under the new ESPF. As evidence of its track record, the IDB provided a sample of project documents where the ESIC and ESRR are discussed based on previous safeguards.

85. The AP finds that IDB'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 A/I-1 projects/programmes with respect to PS 1-8.

3.2.3 Environmental and social management programme

86. The ESPF describes IDB's institutional system to systematically manage mitigation measures and actions stemming from the E&S risk identification process. The ESPF requires borrowers to establish and maintain an environmental and social management system specifying that the project will comply with the applicable laws and regulations of the jurisdictions in which it is being undertaken, including applicable country obligations under international law, and any internationally recognized standards, certification schemes, or codes of practice to which the project adhere. The IDB's E&S guidelines provide guidance to borrowers on the requirements of the ESPS, with the overall purpose of improving project performance and E&S outcomes.

87. Each IDB project is subject to E&S due diligence or analysis and assessed in terms of compliance with IDB's E&S standards and adequacy of proposed mitigation measures. This process is documented in an environmental and social review summary, which is a document developed by the IDB, presented to the IDB Board as part of proposing a project for approval (POD), and disclosed to the public. During project implementation, implementation is supervised by IDB, an independent E&S consultant or both to assess adequacy. IDB's supervision is documented in a supervision report, which also provides a performance rating of the implementation of the agreed mitigation measures (satisfactory/partially satisfactory/partially unsatisfactory/unsatisfactory).

88. The assessment and monitoring of, and support to, the management of E&S risks and impacts (by the borrower) of IDB-financed operations is primarily carried out by the Vice Presidency for Sectors and Knowledge (VPS) through the Environmental and Social Solutions Unit (ESG) and the Environmental and Social Risk Management Unit (ESR) in the Office of Risk Management (RMG), in coordination with the operational sector departments. Other stakeholders including the Vice Presidency for Countries (VPC), the Legal Department, the Office of the Auditor, the Office of Evaluation and Oversight (OVE), and the Independent Consultation and Investigation Mechanism (MICI), have critical risk management roles in operations processing and oversight at the project, sectoral and/or portfolio level.

89. As an independent evaluation office, the OVE evaluates the performance and development effectiveness of the activities of the IDB Group. The OVE evaluations are disclosed to the public in accordance with IDB Group policies to share lessons learned with the region and the development community at large. One of the specific evaluations resulted in the preparation of the new ESPF and changes to the VPS/ESG structure (with a more country-based focus).

90. The IDB provided a sample of the environmental and social impact assessment and environmental and social management plan for E&S risk category A/I-1 and B/I-2. The AE stated that, as the new ESPF was approved in 2020 and entered into effect on 31 October 2021, there are limited projects that have been prepared under the ESPF. However, the AE cited a couple of example projects that are or have been prepared under the ESPF and several other examples prepared under the previous safeguard policies.

91. The AP finds that the IDB's E&S management programme, 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 A/I-1 projects/programmes with respect to PS 1-8.

3.2.4 **Monitoring and review**

92. As described in the ESPF, IDB monitors the implementation of all E&S requirements. Monitoring intensity and arrangements are commensurate to a project's risks and impacts and include self-reporting; independent monitoring by a third party; and direct supervision by IDB staff or consultants. The results of monitoring activities are documented in a supervision report, and the performance is rated according to a four-tier system ("unsatisfactory", "partially unsatisfactory", "partially satisfactory" and "satisfactory"). Projects which have an unsatisfactory or partially unsatisfactory performance are required to develop and implement a corrective action plan. Project performance relating to the implementation of E&S requirements are reported at least twice a year to senior management.

93. The new ESR in the RMG also monitors and reports on the E&S risks of the IDB portfolio at an aggregate level, integrates the oversight of E&S risks within the IDB's risk management framework, and provides feedback and lessons learned from portfolio risk assessments to strengthen E&S risk awareness at IDB.

94. Financial intermediaries also need to comply with the requirements of the ESPF. IDB has internal guidance on managing E&S risks in financial intermediary operations; this document provides instructions and guidance for IDB project teams on how to identify and assess E&S risks associated with the activities of financial intermediary operations, as well as the financial intermediaries' capacity and commitment to manage those risks throughout the project cycle. This document is considered a complement to the E&S review procedures and internal ESPF protocols.

95. No projects have started implementation under the ESPF. Projects under the previous safeguard policies include project monitoring reports, where E&S safeguard performance ratings and justifications is documented for projects with high and substantial E&S risks. For project-specific information, refer to the project page: <https://www.iadb.org/en/projects>.

96. The AP finds that the IDB's system of E&S-related monitoring and review, 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 A/I-1 projects/programmes with respect to PS 1-8.

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

97. IDB has an Independent Consultation and Investigation Mechanism.²² MICI provides information on avenues/channels, such as a provision on the AE's website, to receive and register external communications/complaints related to E&S matters; and internal procedures and competencies to screen, assess, and if eligible address E&S issues raised.

98. MICI is independent from project teams and IDB management and serves to address complaints from affected communities. MICI provides an impartial dispute resolution process, which aims to reach an agreement, and a fact-finding investigation to determine whether IDB has complied with its relevant applicable operational policies. MICI reports to IDB's Board of Directors and produces an annual report to inform the Board and other audiences of information related complaints and findings. The Chair of the Policy and Evaluation Committee (PEC) oversees the work that MICI does, along with the rest of the IDB Board members. The Chair of PEC changes every year in July.

99. The MICI website also includes a register of external E&S related inquiries/complaints and the process it has followed at MICI. The register reflects cases received by MICI since 2010.

100. The IDB requires its borrowers to implement an effective grievance mechanism to receive and assist with the resolution of any concerns and grievances of stakeholders that may arise in connection with the project's E&S performance. The borrower submits to IDB periodic E&S compliance reports, including information about the number and types of complaints received during the reporting period and their status (e.g. closed, on-going). Additionally, in 2021, IDB established its own E&S grievance mechanism to address grievances communicated directly to IDB, which requires all complaints to be promptly investigated. Information is available at: <https://www.iadb.org/en/projects/grievances-portal>.

101. IDB requires borrowers to undertake a process of consultation and E&S disclosure in a manner that provides opportunities to project-affected people and other relevant stakeholders, without fear of reprisal, to express their views on (i) project risks, impacts and mitigation measures; as well as (ii) access to potential opportunities and development benefits, and allows the borrower to consider and respond to them.

²² Available at: <https://www.iadb.org/en/mici/mici-independent-consultation-and-investigation-mechanism>.

102. IDB provided evidence of its track record on E&S information disclosure and consultation as well as on the integration of a grievance redress mechanism in projects/programmes financed by it.

103. The AP finds that the IDB's system of external communications, consultations, information disclosure and grievance redress mechanism, supported by evidence of its track record, fully 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 A/I-1 projects/programmes with respect to PS 1–8.

3.2.6. **Organizational capacity and competency**

104. IDB provided its organizational structure, including the placement of the E&S experts. The IDB's Environmental and Social Solutions Unit (VPS/ESG) supports projects in preparation (all category A and category B) and supervision (all category A and B projects and the high and substantial risk projects). The ESG is located directly under the VPS and therefore reports directly to VPS. The unit is comprised of about 60 people: (1) 52 specialists focusing on ensuring compliance with IDB's E&S policies with 24 E&S specialists located in the IDB Headquarters supporting mostly the preparation of operations and 28 E&S specialists located in the region supporting mostly the supervision of operations; and (2) 8 specialists in IDB Headquarters supporting other key activities with 4 resources and planning specialists; 3 specialists for training/capacity-building; and 1 specialist for innovation and systems.

105. Prior to the ESPF coming into effect, mandatory training for IDB E&S specialists was completed, including the training for the relevant personnel from the executing agencies with operations in the 2021–2022. was prepared and delivered. To help governments implement the new ESPF, IDB has prepared a series of borrower guidelines corresponding to each of the ten ESPS. The IDB has developed self-paced, free online courses for all ten ESPS, available at <https://www.iadb.org/en/mpas/learning>

106. The IDB's RMG/ESR provides E&S risk oversight of the IDB-financed portfolio and quality assurance services throughout the project cycle, with special attention paid to high and substantial risk projects. It also monitors and reports on the E&S risks of IDB's portfolio at an aggregate level, integrates the oversight of E&S risks within IDB's risk management framework, and provides feedback and lessons learned from portfolio risk assessments to strengthen E&S risk awareness at IDB.

107. The AP finds that the IDB'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 A/I-1 projects/programmes with respect to PS 1–8.

3.3 Gender

108. IDB did not have any conditions with regard to gender recommended by the AP for the first accreditation term.

109. The IDB provided its Operational Policy on Gender Equality in Development approved in November 2010 (Gender Policy). The objective of the policy is to strengthen IDB's response to the goals and commitments of its member countries to promote gender equality and the empowerment of women by applying a gender perspective systematically across its operations. The Gender Policy commits IDB to: promote efforts on gender equality in AE's projects and analytical work (i.e. gender mainstreaming); seek opportunities for investments and analytical

work that directly encourage gender equality or women's empowerment (i.e. direct investment); and avoid unintended negative consequences for gender equality in its operations (i.e. gender safeguards).

110. To ensure the successful implementation and monitoring of the Gender Policy, IDB approved the Gender Action Plan for Operations (GAP) 2014–2017 in May 2014. The GAP establishes an overarching framework for the commitments and actions that will ensure the successful implementation of the AE's Gender Policy in all three of these areas. This action plan is the third of its kind for IDB. The progress made in the first three years of implementation of the Gender Policy and its corresponding Gender Action Plan 2011–2013 was compiled in a progress report published in March 2014. The GAP was updated again in 2021.

111. IDB provided the implementation guidelines for its Gender Policy, which provide information on the AE's gender-sensitive and gender-responsive procedures, tools, guidance and checklists to implement the Gender Policy in line with the GCF Updated Gender Policy, including on the preparation/appraisal and integration of gender-relevant activities. It also includes information on IDB's internal and external monitoring and evaluation and audit procedures.

112. The IDB provided an organizational chart for its Social Sector, which includes the Gender and Diversity Unit. The IDB also provided CVs of some of its gender experts and the terms of reference for the Gender Focal Point of the Climate Change and Sustainability Division. The Gender Focal Point provides direct technical and analytical support to incorporate gender equality issues and gender-related results in operations that address climate change, giving priority to programmes supported by CIF, GCF and GEF, among other entities. In addition, IDB also provided the terms of reference for Gender and Diversity Senior Specialists of the Gender and Diversity (GDI) Division: one at the Headquarters and one located in one of the country offices. The LinkedIn CV for the Division Chief of GDI was also provided.

113. IDB provided a sample of several gender assessments/gender actions plans for projects/programmes financed by it using the GCF resources. The applicant's "Report on the implementation of the diversity action plan 2019–2021 and the update to the gender action plan 2020–2021" provides further information on the applicant's Gender Action Plans (GAPs). IDB provided information on some of its knowledge products that are accessible to the public.

114. The AP finds that IDB's Gender Policy, procedures, capacities and competencies, supported by evidence of its track record, fully meet the Updated Gender Policy and Gender Action Plan to the extent applicable to accreditation.

IV. Conclusions and recommendation

4.1 Conclusions

115. Following its assessment, the Secretariat concludes the following in relation to the application with respect to the potential to continue in the role of an AE and to support the mandate and objectives of GCF: the AE can continue to contribute to GCF in implementing its 2020–2023 Strategic Plan with respect to:

- (a) Alignment of the AE's GCF portfolio with national climate priorities and international commitments such as Sustainable Development Goals, Nationally Determined Contributions, National Adaptation Planning, and National Biodiversity Strategy and Action Planning;
- (b) Contribution to the adaptation and mitigation balance in the GCF portfolio since the AE demonstrates the capacity to implement adaptation components in its activities;

- (c) Supporting diversity in GCF results areas such as health and food and water security, ecosystem and ecosystem services, forests and land use, energy access and power generation, building, cities, industries, appliances and low-emission transport;
- (d) Enhancing private sector participation through building their capacity to address financing barriers and de-risk climate investments that crucial in channelling GCF funds toward low-carbon and climate-resilient projects and programmes;
- (e) Diversification in the use of financial instruments to enhance co-financing and private financing, particularly with equity, guarantees as well as loans; and
- (f) Prioritizing LDCs and SIDS on climate finance mobilization aligned with countries' programming priorities and ensuring that impacts of the AE's investments are increased by undertaking multi-size projects/programmes.

116. Following its assessment, the AP concludes the following in relation to the application with respect to the AE's ability to meet the GCF accreditation standards and GCF policies relevant for accreditation for which it is seeking re-accreditation:

- (a) The AE 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, the GCF AML/CFT Policy and the specialized fiduciary standard for project management, specialized fiduciary standard for grant award and funding allocation mechanisms, and specialized fiduciary standard for on-lending and blending for loans, equity and guarantees;
- (b) The AE meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation, the GCF interim ESS standards and the GCF Information Disclosure Policy on disclosure of E&S information in relation to the high E&S risk (category A/I-1);
- (c) The AE has demonstrated that it has a policy, procedures and competencies in order to implement its Gender Policy, which is found to be consistent with the Updated Gender Policy and Gender Action Plan to the extent applicable to accreditation, and has demonstrated that it has experience in gender considerations in the context of climate change; and
- (d) The AE has demonstrated and confirmed 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 GCF Evaluation Policy for its GCF funded activities.

4.2 Recommendation on re-accreditation

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

- (a) **Accreditation type:**

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- (i) **Maximum size of an individual project or activity within a programme:** large (including micro²³, small²⁴ and medium²⁵);
- (ii) **Fiduciary functions:**
- (1) Basic fiduciary standards;
 - (2) Specialized fiduciary standard for project management;
 - (3) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
 - (4) Specialized fiduciary standard for on-lending and/or blending for (loans, equity and guarantees); and
- (iii) **Maximum environmental and social risk category:** high risk (category A/I-1) (including lower risk (category B/I-2²⁶ and category C/I-3²⁷)); and
- (b) **Conditions:** none.
118. The AE has been informed of the recommendation for re-accreditation, including the accreditation type as identified in paragraph 117 above, and agrees to the recommendation.

²³ 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.”

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

²⁵ As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), “medium” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above USD 50 million and up to and including USD 250 million for an individual project or an activity within a programme.”

²⁶ As per the Revised Environmental and Social Policy adopted in decision B.BM-2021/18, 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.”

²⁷ 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.”