



**GREEN
CLIMATE
FUND**

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Consideration of accreditation proposals – Addendum IV Accreditation assessment of APL140

Summary

This document contains the accreditation assessment conducted by the Secretariat and the Accreditation Panel in accordance with decision B.31/06, and the recommendation by the Accreditation Panel for accreditation of applicant 140 (APL140), Bank of the Cook Islands Limited (BCI), based in the Cook Islands, for the first accreditation term.

I. Introduction

1. The Bank of the Cook Islands Limited (BCI) is a national direct access entity based in the Cook Islands. BCI has a mandate to uphold social objectives and facilitate economic development, in conformity with the priorities of national development goals made by the Government of the Cook Islands. BCI provides finance for climate change mitigation and adaptation activities in areas such as clean energy, low-emission transport, reduced emissions from infrastructure and increased resilience of vulnerable communities.

2. The applicant submitted its application for accreditation to GCF via the online accreditation system on 1 August 2021. Accreditation fees were received from the applicant on 1 December 2021, thereby launching the Stage I institutional assessment. Stage I was completed on 22 December 2023 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.

- (a) **Access modality:** direct access, national. The applicant received a national designated authority (NDA) or focal point nomination for its accreditation application from the Cook Islands;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or activity within a programme:** micro;¹
- (d) **Fiduciary functions:**²
 - (i) Basic fiduciary standards;
 - (ii) Specialized fiduciary standard for project management; and
 - (iii) Specialized fiduciary standard for on-lending and/or blending (for loans);
- (e) **Maximum environmental and social risk category:** minimal to no risk (category C/intermediation 3 (I-3));³ and
- (f) **Indicative results areas for intended projects/programmes with GCF:**
 - (i) Energy generation and access;
 - (ii) Transport;
 - (iii) Buildings, cities, industries and appliances;
 - (iv) Livelihoods of people and communities; and
 - (v) Infrastructure and built environment; as well as
 - (vi) Public, private and cross-cutting types of projects/programmes.

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

² Decision B.07/02.

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

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) Update of the Strategic Plan for the GCF 2024–2027 (decision B.36/13);
- (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) Updates to the Accreditation Framework (decision B.31/06);
- (e) Guidelines for the Operationalization of the Fit-for-purpose Accreditation Approach (decision B.08/02);
- (f) Policy on Prohibited Practices (decision B.22/19);
- (g) Anti-Money Laundering and Countering the Financing of Terrorism Policy (AML/CFT Policy) (decision B.18/10);
- (h) Policy on the Protection of Whistleblowers and Witnesses (decision B.BM-2018/21);
- (i) Environmental and Social Management System: Environmental and Social Policy (decision B.19/10);
- (j) Revised Environmental and Social Policy (decision B.BM-2021/18);
- (k) Comprehensive Information Disclosure Policy of the Fund (decision B.12/35) regarding the disclosure of environmental and social (E&S) information;
- (l) Updated Gender Policy and Gender Action Plan 2020–2023 (decision B.24/12); and
- (m) Evaluation Policy for the GCF (decision B.BM-2021/07).

2.1 Legal status, registration, permits and licences

4. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. The applicant is a domestic bank established as a State-owned enterprise pursuant to the Bank of the Cook Islands Act 2003 (and subsequent amendment Acts), in connection with the merger of the Cook Islands Development Bank and the Cook Islands Post Office Savings Bank. BCI is a private company incorporated and registered under the Companies Act 2017 (registration number C2308). BCI is a licenced bank for domestic banking business, which licence was originally issued on 31 May 2004 and reissued on 18 July 2018. The applicant has indicated that it has the legal capacity to enter into the accreditation master agreement with GCF, noting that further discussions will take place during Stage III if accredited.

2.2 Institutional presence and relevant networks

5. The applicant is headquartered in Rarotonga, the capital of the Cook Islands and the most densely populated of the 15 islands that make up the country. BCI holds branches on 9 of the other 14 islands. Of the remaining 5 islands, 3 are reserves (no community) and 2 have total populations of below 80 inhabitants each. Mandated by the Bank of the Cook Islands Act 2003, BCI functions encompass banking business, asset management and prescribed activities

outlined in the Act. BCI holds a domestic banking licence issued by the Financial Supervisory Commission.

6. The institution's banking practices are articulated in its vision, values and mission statement, which guides its mission-oriented approach and reflects its commitment to financial inclusivity. Furthermore, BCI is actively orienting its project portfolio towards a greater focus on sustainability, emphasizing environmental protection, social safeguards, gender equality and regulatory compliance in the pursuit of sustainable development objectives.

7. BCI is set to play a pivotal role in fostering environmental sustainability within the financial system, with a primary focus on enhancing collaboration with the private sector. This vision is articulated in the Cook Islands Country Programme, which emphasizes the pivotal role of private sector involvement in implementing low-carbon and climate-resilient initiatives. Such active engagement is seen as a significant contributor to GCF objectives, aligning with the nation's aspirations for sustainable growth. BCI aligns itself with the Cook Islands Country Programme, which is built on ongoing climate and development strategies in the Cook Islands, such as the National Sustainable Development Plan, Joint National Action Plan, intended nationally determined contribution, second national communication to the United Nations Framework Convention on Climate Change and other national strategies and plans.

8. BCI, as a government owned bank with strong ties with the private sector, will help to channel finance to private sector entities in the Cook Islands and develop their capacities, with support from key stakeholders such as the national designated authority, which sits within the Climate Change Cook Islands Division of the Office of the Prime Minister as well as the Ministry of Finance and Economic Management (MFEM), an existing accredited entity. This collaborative effort aims to facilitate direct access to climate finance through various financial instruments, including on-lending and blending.

9. In order to advance GCF objectives, BCI intends to utilize GCF funds strategically to catalyse transformative changes at both the national and the subnational level. BCI envisions integrating climate resilience as a cross-cutting element into its projects. The areas in which BCI aims to programme align with the Cook Islands' nationally determined contributions and national development plans, including addressing such sectors as renewable energy, climate-resilient agriculture and infrastructure, sustainable tourism and green finance.

10. In 2024 the Government of the Cook Islands is initiating a process to update its national country programme for the second replenishment period of GCF. It has confirmed that the applicant is envisioned to be a key part of Cook Islands programming for the second replenishment period of GCF going forward, while the specific pipeline has not yet been confirmed.

2.3 Track record

11. BCI manages 145 million New Zealand dollars (~USD 101.5 million) in total funds, including a lending portfolio of 101 million New Zealand dollars (~USD 70.7 million). This lending portfolio is diverse and includes commercial loans (~USD 14.7 million), investment property loans (USD 17.6 million), owner-occupied loans (~USD 28.3 million) and personal loans (~USD 7 million). BCI is also involved in various external funding projects, including on-lending and self-funded initiatives.

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

- (a) USD 8.4 million (loans) for the Business Continuity Credit Facility;
- (b) USD 0.7 million (loans) for the Renewable Energy Solar Loans project; and

(c) USD 9.9 million (loans) for the Interest Relief Programme during the coronavirus disease 2019 pandemic.

13. BCI will serve an executing entity for an upcoming Enhanced Direct Access project that MFEM is developing as the GCF accredited entity. The EDA project totalling to USD 34 million, is aimed at bolstering resilience in the Cook Islands. As the executing entity, BCI will manage a significant portion of the total project funding ensuring that the project delivers direct benefits to communities and the Cook Islands.

14. BCI has been a delivery partner for the GCF Readiness and Preparatory Support Programme (Readiness Programme) and implemented a programme titled “Scaling up green finance practices: A blueprint to break-through into a climate resilient Cook Islands as a catalyst to mobilize private sector engagement” for USD 417,232.

III. Stage II accreditation review assessment

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

16. As part of this assessment, the AP consulted the applicant’s website and third-party websites to complement the information provided in the application. The AP also conducted a site visit to BCI headquarters from 21 to 23 August 2024.

3.1 Fiduciary standards

3.1.1 Basic fiduciary standards: key administrative and financial capacities

17. BCI is wholly owned by the Bank of Cook Islands Holding Corporation, which in turn is 100 per cent State-owned through the Cook Islands Government Property Corporation by the Cook Islands Investment Corporation. The Cook Islands Investment Corporation provides oversight support and appoints the Board of Directors. BCI was established with the Bank of the Cook Islands Act 2003 and subsequent amendment acts (The Acts). The Acts defined the BCI functions and powers, oversight bodies, accountability frameworks and overall corporate-level systems. BCI is governed by its six-member Board of Directors, whose responsibilities include setting long- and short-term plans, objectives and budgets, and the monitoring and reviewing of reporting on progress on achieving objectives. There are committees for risk and audit, and credit. The Risk and Audit Committee (RAC) is responsible for risk, internal audit, ethics and reporting, while the Credit Committee oversees credit activities, ensuring adherence to the risk appetite, credit policies and regulatory requirements and is responsible for setting the credit strategy, reviewing and approving credit proposals, and ensuring the soundness of lending activities. Further internal oversight is provided by management and operational units under the Chief Executive Officer.

18. BCI is in the process of implementing its 2024–2034 strategy, which incorporates three strategic priorities. Within its growth and innovation priority is the E&S governance key performance indicator. BCI embraces sustainability and climate action, aiming to enable a pathway for the Cook Islands to become a net zero economy. Supporting this strategy is the BCI Statement of Corporate Intent 2024–2028, which further details its strategic initiatives and commitment to climate change action and key performance indicator forecasts to 2029. BCI measures its strategic performance through key performance indicators which are cascaded to its business units.

19. BCI prepares its financial statements on an accrual basis, following the New Zealand Generally Accepted Accounting Practice and applying the New Zealand equivalents to International Financial Reporting Standards for profit-oriented entities. These financial statements are audited annually by external auditors, who report to the RAC. The entity has received unqualified audit opinions; the 2022 audit opinion included an emphasis on matters related to increased credit risk during the pandemic. This has, however, been managed by BCI, leading to positive remarks from the auditors in subsequent periods. BCI does not publish its audit opinion but has provisions within its information disclosure policies to allow for public disclosure of the audit opinions for GCF projects.
20. BCI has the required resources – staff, systems, policies and procedures – for the accounting and reporting function. The BCI finance team manages the overall financial reporting and is led by the Chief Financial Officer, who also oversees corporate support, human resources, and the property and projects office. The office's activities are guided by the Financial Information System Reporting and Monitoring of Financial Controls manual (2020), with compliance reviewed during audits. The payments and disbursements process is outlined in the manual, emphasizing task segregation and adhering to the four eyes principle. To monitor financial performance, monthly management reports are prepared, comparing actual results against the budget.
21. The BCI internal audit charter outlines roles and responsibilities, principles of audit, reporting lines to the Board of Directors and the RAC, scope of work, applicable professional standards and quality assurance measures. Quality assurance is maintained through external auditor assessments and annual on-site inspections by the regulator, the Financial Services Commission (FSC). The BCI internal audit function consists of three staff members, including a Manager who reports directly to the RAC and administratively to the CEO. The internal audit team prepares annual plans, which are approved by the RAC. Implementation of these plans follows the International Standards for the Professional Practice of Internal Auditing. Recent reports provide updates on the status of work compared with audit plans. BCI has enhanced its audit procedures and plan preparation by incorporating a risk-based methodology applied to the audit universe, although these improvements have yet to be adopted by the RAC and management.
22. BCI has implemented an enterprise risk management framework (2020) based on International Organization for Standardization ISO 31000, which outlines the structure for all operational and strategic risk management activities. The framework details roles and responsibilities, the integration of the three lines of defense model, as well as compliance and monitoring activities. BCI policies and procedures manuals for various project teams, along with the Financial Information System Reporting and Monitoring of Financial Controls manual, document key controls related to fund flow, budgeting, accounting and financial reporting. Regulatory compliance is carried out by the Risk and Compliance Unit with documentation maintained in the risk software - Onspring. Additionally, BCI has initiated the adoption of the American Productivity & Quality Center methodology for process and performance improvements, led by the RAC, which involves a comprehensive review of all processes and key controls to improve organizational effectiveness and efficiency. BCI meets the Committee of Sponsoring Organizations of the Treadway Commission requirements through its various policies and procedures.
23. BCI procurement methodology and procedure guidelines are set out in a procurement policy, which is designed after the procurement policy of the Cook Islands Government (also known as the purchase and sale of goods and services policy, 2019). This alignment ensures compliance with national requirements while being tailored specifically for BCI. The policy incorporates the purpose, concepts, principles and requirements of the government procurement process, with modifications in mandatory limits and oversight committees. It also

includes guidelines for complaint management, procurement thresholds and equitable practices. Governance oversight of the BCI procurement function and performance is maintained through pre-approvals and strategic updates, as evidenced in its Board papers.

24. While BCI publishes its tenders on the government website, it however does not publish its tender awards nor has it made its procurement guidelines available to the public. BCI provided the AP with a Board statement warranting the disclosure of information in line with GCF requirements. BCI plans to incorporate into its project manuals the procedures for assessing and reviewing the procurement standards of beneficiary institutions, executing entities and project sponsors. This will include details on organizational resources to oversee and assess procurements.

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

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

26. The BCI code of conduct applies to all staff, Board of Directors and officers, emphasizing a zero tolerance policy towards theft, fraud, deliberate financial mismanagement and malpractice. Mandatory training is provided on ethics and conduct policies, including whistle-blowing, and compliance is reinforced through the signing of the code of conduct. Consultants working with BCI are also required to adhere to this code. The RAC oversees the administration of BCI ethical policies, as outlined in the RAC charter, while managerial oversight is jointly exercised by the Human Resources Unit and the Risk and Compliance Unit.

27. BCI has a conflict of interest policy (2024) that mandates financial disclosures and other forms of conflict. Prohibition of conflict of interest is also covered in the procurement policy. Administration is by way of manual declarations managed through the conflict of interest register. The policies outline the applicable sanctions for non-disclosures.

28. BCI has a set of policies that prohibit various forms of malpractice. However, these policies do not explicitly address "obstructive practice" as defined in the GCF Policy on Prohibited Practices. BCI has provided a Board-approved statement affirming its commitment to adhere to the GCF Policy on Prohibited Practices and to present updated policies incorporating all prohibited practices. BCI has strengthened its published ethical statement on its website by explicitly emphasizing zero tolerance for fraud, financial mismanagement and other forms of malpractice. Although BCI has a whistle-blowing policy, the only available channel for reporting misconduct is through an email address. Neither the policy nor the dedicated reporting channel for prohibited practices currently accommodates anonymous reporting.

29. Grievances and interpersonal misconduct at BCI are investigated by the Human Resources Unit, while all other investigations are conducted or overseen by the Risk and Compliance Unit. Investigations are tracked using Onspring, an online system that supports management and oversight reporting to the RAC. The case register is also maintained in Onspring. BCI is yet to publish its investigation guidelines and terms of reference for its investigation function.

30. BCI has demonstrated effective anti-money-laundering and countering the financing of terrorism (AML/CFT) and know your customer procedures with its 2022–2024 compliance programme. Compliance with the AML/CFT policy is overseen by the Risk and Compliance Unit. BCI employs a risk-based methodology and adheres to the requirements of FSC, its regulator, which includes consistent reporting to FSC. Customers and third parties it engages with also

undergo the mandatory checks. BCI provided the details of the AML/CFT sanctions screening process and know your customer due diligence on new customers.

31. 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. The relevant gaps are identified in paragraphs 28 and 29 above and are reflected in the corresponding conditions of accreditation in section 4.2 below.

3.1.3 Specialized fiduciary standard for project management

32. BCI has addressed elements of project management standards through its loan financing operations and collaboration with MFEM on projects. BCI project management capabilities are currently demonstrated through its Project Management Governance Framework (2019), which is further supported by its Sustainable Finance Framework (2021). This framework incorporates E&S risk categorization, grievance redress mechanisms (GRMs), independent reviews, monitoring, verification and considerations for reporting and transparency within projects. Additionally, the Bank's Credit Policy and Procedures Manual (2024) provides guidance on financing loan projects, addressing elements such as appraisal, management, oversight, risk assessment and reporting for loans and guarantees. BCI integrates technical, financial, economic and legal aspects, as well as environmental, considerations into lending projects, drawing on the expertise of external experts and the national environmental authority, during the loan appraisal process.

33. Beyond GCF readiness projects, BCI has not yet developed a funding proposal but is currently collaborating with MFEM on the development of an Enhanced Direct Access project, for which BCI is the targeted executing entity and MFEM will be the accredited entity. In this role, BCI is actively involved in preparing the proposal, which will incorporate key performance indicators with baselines and targets into the project design. Additionally, BCI plans to establish a sustainable finance unit, resource it appropriately and develop a fit-for-purpose project implementation manual to guide its operations. This is envisioned to be done in preparation for the implementation of the enhanced direct access project.

34. BCI has highlighted two projects in its track record: the Business Continuity Credit Facility 2020 and the Interest Relief Programme. Both projects were led by MFEM, with BCI handling specific components. The Business Continuity Credit Facility aimed to alleviate financial stress for individuals and businesses from July 2020 to June 2024, helping to ensure business continuity and promote new business investment to stimulate economic growth. While MFEM approved and financed the loans, BCI managed the administration of loan disbursements and repayments. The Interest Relief Programme had similar objectives but involved MFEM covering 70 per cent of the interest costs on existing debt held by individuals through grant payments to lenders on behalf of the borrowers.

35. BCI has demonstrated its capacity for fiduciary oversight through the implementation of its Credit Policy and Procedures Manual. The organization has established systems and capabilities to perform appraisals, due diligence and oversight of lending risks for its lending projects. BCI evaluates the quality of projects eligible for financing, assesses borrowers' repayment ability, internally grades the loans and produces annual review reports for each borrower. Additionally, BCI generates lending portfolio reports to evaluate asset quality and manage non-performing loans. In addition, these operations are subject to independent audits as well as risk and compliance reviews.

36. The BCI Project Management Framework outlines the processes for developing implementation plans, status reports and project closure reports. Supported by various

templates, this framework has been used to manage BCI internal projects. For its loan financing, annual reviews, which include oversight of borrowers' projects, are prepared. Additionally, following agreements with MFEM, BCI has produced reports on the progress of the funds it administers, which met the requirements of the agreement. However, the reporting did not include an assessment of expenditure against project budgets, the identification of opportunities to enhance project performance against budgets, baselines and timelines, or the publication of BCI implementation reports for financed projects in line with a GCF funding proposal. As indicated in paragraph 33 above, BCI plans to establish a sustainable finance unit with fit-for-purpose procedures and capacities to address these gaps.

37. BCI does not have a documented policy on monitoring and evaluation or a dedicated monitoring and evaluation function. There are no defined procedures for undertaking independent evaluations of GCF financed project results and no procedures for disclosure of monitoring and evaluation reports to the public. BCI has confirmed its willingness to incorporate monitoring and evaluation policies and procedures, including public disclosure of results, into its manuals that are being prepared with support from the Readiness Programme.

38. Projects at risk for financed loans are identified through ongoing monitoring, site visits and continual communication with borrowers by BCI relationship managers and credit advisors. When a risk is detected, it triggers discussions in meetings and escalation to the Credit Management Committee and the Board of Directors if necessary. After 60–90 days, the borrower's file is transferred to the Asset Management Unit, where collateral is assessed. BCI provided examples of loan projects it financed that were at risk. In addition, BCI maintains issues register, which includes a list of concerns, the individuals who raised them, the date, the person responsible for addressing each issue, priority levels, actions taken and current status.

39. The AP finds that the applicant's policies, procedures and capacity partially meet the specialized fiduciary standard for project management. The relevant gaps are identified in paragraphs 33, 36 and 37 above and are reflected by the corresponding conditions of accreditation in section 4.2 below.

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

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

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

41. BCI on-lends using funds sourced from customer deposits and from MFEM. Its Credit Policy and Procedures Manual governs loans and guarantees, comprising processes such as credit initiation, loan appraisal, account management and administration, credit review, remedial actions, credit facilities and corporate governance. The BCI accreditation application is for concessional loans, either senior or subordinated. Additional supporting documents, including credit review guidelines, due diligence policy, pricing matrix and loan processing forms, detail the BCI credit process. Its due diligence entails a review of financial information, such as cash flow forecasts, working capital information, budgets, consideration for equity where the borrower should finance at least 30 per cent of the project and credit checks with other banks. The loan approval process follows through a delegation of approval aligned with risks as well as the value of the loan requested. Two Board reports from 2022 were provided as evidence of due diligence in respect of on-lending. These reports include background to the loan proposal, compliance, security cover, loan grading, borrower creditworthiness and risks envisaged.

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42. BCI is licensed by the Financial Supervisory Commission of the Cook Islands. The license is renewed annually, the latest license runs from 1 June 2024 to 31 May 2025.
43. The lending track record of BCI includes its involvement in projects led by MFEM. Notably, and as mentioned above, BCI administered a lending project for MFEM, the Business Continuity Credit Facility, which provided USD 8.4 million from July 2020 to June 2024 to address the economic impact of the pandemic. In this project, MFEM channelled funds through BCI to the end borrowers, with the loan offered at concessional rates and credit risk borne by MFEM. Additionally, BCI collaborated with MFEM on the Interest Relief Programme, which began in September 2020. This programme administered USD 9.9 million to cover 70 per cent of interest costs on existing debts for businesses and individuals, as part of the pandemic response plan to alleviate financial stress caused by the economic downturn.
44. A letter of good standing from FSC from June 2024 has been provided as well as a confidential point-in-time credit assessment from Standard and Poor's Global for BCI's standalone credit profile as at November 2023 which supports the recommendations of this application. Further as a government-owned entity BCI further assumes the Standard & Poor's Global Ratings of the Cook Islands of "B+" long-term and "B" short-term sovereign credit ratings published as at 12 July 2024.
45. Financial resource management is addressed in the BCI manuals for credit policy and procedures and liquidity risk policy, in addition to a financial information system and financial controls procedures manual. The Board charter sets out the expectations for credit risk oversight and the analysis of the loan portfolio. The manuals establish portfolio reporting guidance for monthly Assets and Liability Committee (ALCO) and Board reporting and regulatory quarterly reporting. The Bank has maintained a capital adequacy ratio of approximately 20 per cent (for tier 1 and tier 2) which is higher than the regulatory limit of 10 per cent for tier 2 loans and 5 per cent for tier 1 loans. The provisions for doubtful debt stood at 8 per cent as at July 2024.
46. The BCI system of administering credit ensures that funds are transparently channelled to the end beneficiary. The entity closely monitors its borrowers and channels funds to end recipients, for example, directly to suppliers in the case of asset finance loans. In addition, BCI conducts site visits and annual reviews of its credits and subjects its lending operation to internal audits.
47. The treasury function is overseen by the Chief Financial Officer. Treasury manages the balance sheet of BCI, ensuring that adequate liquidity is maintained. Monthly reporting to ALCO and from there to the Board of Directors ensures that high-level financial performance measures are reported internally and monitored, and significant risks are mitigated. ALCO implements the requirements of the liquidity risk policy. The performance of BCI as at July 2024 showed a strong gross liquidity position of 45 per cent. In addition, the Risk and Compliance Unit completes quarterly risk reporting externally to the Cook Islands Investment Corporation, FSC and MFEM. Annual monitoring and reporting are further implemented through inspections by FSC and the external auditors.
48. BCI seeks to make publicly accessible, when appropriate, relevant information related to projects. BCI presented a Board statement affirming its commitment to comply with the GCF Information Disclosure Policy and disclose information related to GCF projects together with a corresponding web page where BCI will disclose information related to GCF projects.
49. The AP finds that the applicant's policies, procedures and capacity fully meet the specialized fiduciary standard for on-lending and blending for loans.

3.2 Environmental and social safeguards

3.2.1 Environmental and social policy, management and monitoring

50. BCI has applied for accreditation to implement projects or programmes in E&S risk category C/I-3. Upon reviewing the entity's policies, systems and procedures, as well as its track record, including through a site visit to the BCI headquarters, the AP has found that these demonstrated a level of environmental and social management system (ESMS) maturity that is compatible with projects/programmes up to category B/I-2. Following AP's recommendation, the entity applied to be accredited for E&S risk category B/I-2.

51. The BCI Environmental and Social Risk Policy Framework and Sustainable Finance Framework, both approved by the Board of Directors in June 2021, outline the institution's approach to managing E&S risks. These frameworks provide guidance in relation to safeguards, consistent with the International Finance Corporation (IFC) Performance Standards (PS) 1–8. Additionally, they set standards for stakeholder engagement, information disclosure for all projects and independent review for projects classified as category B or higher risk.

52. The applicant's commitment to climate change action, integrated into the BCI Sustainable Finance Framework in 2021, reflects its dedication to advancing the Cook Islands' nationally determined contribution and upholding the Cook Islands Climate Change Policy 2018–2028. In June 2024, the Board of Directors approved a 10-year Strategic Plan with ambitious targets, including enabling a pathway for the Cook Islands to become a net zero economy. In its Statement of Corporate Intent 2024, BCI recognizes that there is an increasing threat of climate change to financial resilience in the context in which it operates. Therefore, the Bank aims to increase its climate projects, building on its track record of facilitating loan facilities specifically tailored for renewable energy projects, such as solar farming, and resilient home projects.

53. Approximately 90 per cent of the Cook Islands' population identifies as Cook Islands Māori, the recognized Indigenous Peoples in the country. In line with IFC PS 7, the BCI Environmental and Social Risk Policy Framework includes a standard on Indigenous Peoples and Traditional Local Communities. This ensures that BCI finances projects that respect and preserve the culture and practices of the Cook Islands' Indigenous Peoples. BCI has proved its capacity to implement this safeguard, particularly through extensive stakeholder consultations as the executing entity for a climate-related project proposal. The AP finds that BCI has the systems and capacity to meet the requirements of IFC PS 7 on Indigenous Peoples under GCF's environmental and social safeguards (ESS) standards.

54. The commitment of BCI to preventing and addressing discrimination, harassment and sexual violence within its work environment and projects is integral to its Sustainable Finance Framework Policy. Additionally, the BCI Code of Conduct Policy and Practice Guide outlines specific procedures for preventing sexual harassment and related misconduct. The AP finds that BCI has the necessary systems and capacity to meet the sexual exploitation, abuse and harassment principles outlined in the GCF Environmental and Social Policy.

55. BCI is yet to adopt an independent evaluation policy and to build its track record in the evaluation of E&S and gender matters in its projects/programmes.

56. BCI has an interinstitutional process in place for risk assessment and management throughout its project cycle. This system is aligned with the national Environmental Impact Assessment (EIA) process, ensuring compliance with the standards of the Cook Islands. The National Environment Service is responsible for reviewing and approving all EIAs in the Cook Islands. Additionally, BCI mandates that a project secures the necessary permits or licences from the Cook Islands Ministry of Infrastructure and Ministry of Health before financing. For

category C activities, which have minimal environmental impact, an Environmental Significance Declaration is required. Category B projects require an EIA permit for medium to low impacts (containing environmental management plan, while category A projects, with significant impacts, require a full EIA report and mandatory public consultation.

57. Suitable evidence relating to the E&S risks and impact identification has been provided, including examples of projects with risk categories B and C that have been financed by the entity in the housing and tourism sectors. These were projects required to develop EIAs and environmental management plans, due to their risk classification.

58. BCI demonstrated oversight, monitoring and verification capacity as part of its credit approval and implementation processes, with evidence of site visits and responsive actions to adverse E&S impacts. Each client has a project file subject to an annual review, incorporating monitoring of E&S and client-/project-specific conditions into the loan review process. The Risk Officer, who has overall responsibility for the ESMS, reports regularly to the applicant's senior management and Board on the implementation of the system at the institutional level. However, while these practices are in place, BCI has not yet implemented an institutional management and monitoring programme fully aligned with IFC PS 1–8. For instance, indicators or a rating system for monitoring E&S risk at the institutional level is yet to be implemented. The applicant also lacks track record in project monitoring and evaluation reports against the specified E&S risks and mitigation actions, including of independent auditing at the project level.

59. BCI provided a report on the ESMS assessment conducted in 2017 by external experts on the institutional E&S management programme, whose findings were used to update the ESMS. The entity plans to perform new assessments or audits to evaluate the effectiveness of the ESMS in managing GCF-funded projects.

60. The BCI Project Management Governance Framework details internal roles for managing and financing projects, with the Project Management Flow Chart specifying phases and ESMS application. Loan Officers' roles in this system are defined in the Credit Policy and Lending Manual, with IFC PS 1–8 requirements integrated into the responsibilities of the Relationship Manager – Corporate & Business Finance. The Risk and Compliance Unit, under the Chief Risk Officer, manages all risk frameworks, including those related to E&S. The Internal Audit Unit, acting as the third line of defense, independently evaluates E&S risk, reporting directly to the Board. The applicant informed the AP that it plans to further enhance E&S capacity for GCF-funded projects, potentially through a sustainable finance or climate finance unit, and will possibly establish an E&S committee.

61. The AP finds that the applicant's ESMS, comprising the Environmental and Social Risk Policy Framework, Sustainable Finance Framework, Credit Policy and Code of Conduct, supported by evidence of its track record, partially meets the GCF Environmental and Social Policy to the extent applicable to accreditation and GCF's ESS standards for maximum E&S risk B projects/programmes with respect to IFC PS 1–8. The relevant gaps are identified in paragraphs 55 and 58 above and are reflected by the corresponding conditions of accreditation in section 4.2 below.

3.2.2 **External communications, information disclosure and grievance redress mechanism**

62. The applicant has a well-established online presence with a fully functional website and profile in relevant social networks to disseminate information about its policies, programmes and projects, as well as a digital application serving customers (particularly those living in the outer islands).

63. Regarding information disclosure, the BCI Board of Directors provided a statement on information disclosure, in line with the language and timing requirements of the GCF Information Disclosure Policy, specifically for projects/programmes in E&S risk category B/I-2. In line with the procedures of the BCI Environmental and Social Risk Policy Framework, when implementing future GCF-funded projects, the entity will combine these disclosure requirements with the existing process, which is based on the mandatory public notice adopted by the relevant governmental agencies, particularly with regard to E&S risk information disclosure.⁴

64. BCI can receive and register external communications via its website at BCI Feedback,⁵ which is the entity's GRM. The complaint management system is designed to record and monitor complaints to ensure that they are resolved within set timelines or as agreed upon with the customer. The complaints email is now directed to the Risk Manager, reporting directly to the Board of Directors, which reviews matters and oversees investigations. If customers are not satisfied, they can access FSC or the Office of the Ombudsman. Both FSC and the Ombudsman are independent agencies that help customers to resolve concerns and disputes free of charge. Currently, there is no disclosure of the FSC or Ombudsman's channels for receiving grievances or complaints on the applicant's website.

65. In the BCI Environmental and Social Risk Policy Framework, Principle 6 – Grievance Mechanism, BCI requires transparency for stakeholders on how concerns or complaints may be raised and resolved over a project's lifetime. However, most complaints logged to date pertain to commercial customer services, and none have addressed E&S risk-related concerns. BCI is currently working to establish an accessible, transparent and independent GRM, building upon its Feedback system. BCI staff have received training on GRM matters and BCI is currently drafting a GRM policy encompassing E&S and gender competencies and capacities.

66. Beyond digital channels, face-to-face meetings serve as another avenue to receive and register complaints. The BCI operational framework ensures accessibility and direct communication. The Bank operates its headquarters in Rarotonga and provides banking services in all of the outer islands, covering a broad spectrum of regions. BCI's physical presence ensures that the public in these areas have seamless channels through which to voice their concerns.

67. The Sustainable Finance Framework requires financial institutions or executing entities to establish a GRM at the activity (project) level to receive and facilitate the resolution of concerns and grievances on the E&S performance of GCF-financed activities.

68. The AP finds that the applicant's system of external communications, consultations, information disclosure and GRM partially meets the GCF Environmental and Social Policy to the extent applicable to accreditation, GCF's ESS standards and GCF Information Disclosure Policy regarding E&S information disclosure requirements for maximum E&S risk category B (I-2) projects/programmes with respect to performance standards 1–8. The track record is also insufficient. The relevant gap is identified in paragraph 65 above and is reflected by the corresponding condition of accreditation in section 4.2 below.

3.3 Gender

69. The BCI Gender Policy, adopted in June 2021, demonstrates the Bank's commitment to gender equity across all activities, aligning with the Cook Islands Gender Policy of 2018, the overarching national framework for gender equality and women's empowerment. This policy

⁴ See <https://environment.gov.ck/applications-permits/eia-permit/>.

⁵ See <https://bci.co.ck/contact/feedback/>.

was also shaped by the Te Kaveinga Nui National Sustainable Development Plan 2020–2025, particularly Goal 9, which emphasizes accelerating gender equality and empowering women, girls, youth, the elderly and people with disabilities. Additionally, the policy complies with the Convention on the Elimination of All Forms of Discrimination against Women and the Prevention of Harassment Act 2017.

70. BCI is committed to promoting gender equality across all its locations, including the headquarters and twelve branch offices in the outer islands. Currently, the total staff count stands at 97, with 76 of those being women (77 per cent). BCI has made significant strides in gender representation, with women holding key roles, including the positions of Chief Executive Officer and Board Chairperson. BCI has demonstrated its track record of promoting professional equality through its human resources policies, recruitment processes and awareness sessions.

71. Since adopting its gender policy, BCI has integrated gender considerations into its projects and operations, as evidenced by the systematic collection and analysis of gender-disaggregated data. These data allow for the tracking of gender-specific outcomes and impacts, including through quarterly reports on the loan portfolio, which detail information by age and gender. As of June 2024, investment loans were distributed as follows: 46 per cent to women, 45 per cent to men and 9 per cent to companies only, according to internal statistics. The applicant also reported that there are no significant barriers for women to provide collateral for loans, owing to the customary land tenure structure, and no significant barriers to accessing finance were noted.

72. At the institutional level, oversight of the gender policy resides with the Chief Financial Officer and their team. This responsibility is currently shouldered by a designated staff member, with human resources competencies and experience, who also oversees provisions on sexual exploitation, abuse and harassment. BCI conducts quarterly human resources reporting on gender statistics and carries out human resources planning and metrics for gender-related information, reporting this information to the Board. The applicant is building the capacity of its staff and partners in gender equality and women's empowerment. For instance, over 80 per cent of BCI staff have received training on the BCI Gender Policy. The applicant demonstrated that it has the necessary gender expertise and capacity within its team to address gender issues effectively.

73. During the site visit of the AP to BCI headquarters, the applicant presented empirical evidence of its gender mainstreaming approach, highlighting its experience in implementing a gender action plan at the project-level as well as its efforts in promoting gender-related actions, both within the applicant and across Cook Islands society.

74. The AP finds that the applicant's gender policy, procedures, capacities and competencies, supported by evidence of its track record, fully meet the Updated GCF Gender Policy to the extent applicable to accreditation.

IV. Conclusions and recommendation

4.1 Conclusions

75. Following the adoption of the updated Strategic Plan for the GCF 2024–2027, the Secretariat has been reviewing all applicants on the basis of their potential to contribute to the targeted results of the Strategic Plan. Following the assessment of BCI, the applicant is found to have the potential to support GCF in implementing its Strategic Plan for 2024–2027 with respect to:

- (a) Bringing complementary to existing GCF national and regional direct access entities for the country by including on-lending/blending of loans;
- (b) The indicative projects/programmes that the applicant intends to submit to GCF within the scope of accreditation recommended by the AP in paragraph 77 below;
- (c) Alignment of the pipeline of the above-mentioned indicative projects/programmes with country programming priorities;
- (d) Increasing the portfolio of direct access entities to GCF;
- (e) Potential contribution to the adaptation and mitigation balance in the GCF portfolio since the applicant covers results areas across both adaptation and mitigation activities;
- (f) Enhancing private sector participation by creating enabling environments; and
- (g) Diversifying the use by direct access entities of financial instruments, such as loans.

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

- (a) The applicant 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, the GCF AML/CFT Policy and the specialized fiduciary standard for project management. The gaps are related to the absence of a whistle-blowing policy and system that accommodated anonymity, publicized investigation guidelines and terms of reference, publicized guidelines for procurement, and the lack of procedures for providing procurement oversight for executing entities and procedures that define its approach for developing funding proposals, assessing project performance against baselines and targets set out in the proposals, conducting evaluations and publicly reporting on them. The relevant gaps are identified in paragraphs 24, 28, 29, 33, 36 and 37 above, and addressed by the corresponding conditions of accreditation in section 4.2 below;
- (b) The applicant meets the requirements of the GCF specialized fiduciary standard for on-lending and/or blending for loans;
- (c) The applicant has demonstrated that it has a policy, procedures and competencies in order to implement its environmental and social safeguards, which is found to be partially consistent with the GCF revised Environmental and Social Policy to the extent applicable to accreditation, GCF interim ESS standards and the GCF Information Disclosure Policy on disclosure of E&S information in relation to the medium E&S risk (Category B/I-2). The gaps relate to the applicant's limited track record on monitoring and evaluation of E&S risk mitigation and management measures of its programmes, and the lack of a GRM applicable to E&S matters. The relevant gaps are identified in paragraphs 55, 58 and 65 above, and addressed by the corresponding conditions of 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 fully consistent with the GCF Gender Policy to the extent applicable to accreditation and has demonstrated that it has experience in gender considerations in the context of climate change; and
- (e) The applicant has not demonstrated that it has institutional-level systems, capacities and competencies regarding evaluation as required by the aforementioned GCF basic and specialized fiduciary standards and ESS standards that would enable it to implement the GCF Evaluation Policy for its GCF-funded activities. The relevant gaps are

identified in paragraphs 37 and 55 above, and addressed by the corresponding condition of accreditation in section 4.2 below.

4.2 Recommendation on accreditation

77. The AP recommends, for consideration by the Board, APL140 for accreditation as follows:

(a) **Accreditation type:**

(i) **Maximum size of an individual project or programme:** micro;⁶

(ii) **Fiduciary functions:**

(1) Basic fiduciary standards;

(2) Specialized fiduciary standard for project management; and

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

(iii) **Maximum environmental and social risk category:** medium risk (Category B/I-2)⁷; and

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

(i) Conditions to be met by the applicant prior to the effectiveness of the accreditation master agreement during Stage III of the accreditation process:

(1) Delivery to GCF by the applicant of evidence, in a form and substance satisfactory to the AP, of the establishment by the applicant of an institutional GRM for GCF-financed activities, which includes a public registry of complaints;

(2) Delivery to GCF by the applicant of evidence, in a form and substance satisfactory to the AP, of an updated code of conduct and/or integrity policies which incorporates and prohibits all prohibited practices (as defined in the GCF Policy on Prohibited Practices);

(3) Delivery to GCF by the applicant of evidence, in a form and substance satisfactory to the AP, of:

- a. Approval by the applicant's Board of Directors of an updated fit-for-purpose whistle-blowing policy and/or guidelines that accommodate anonymity and establish a publicly available

⁶ As per annex III to decision B.31/06, "micro" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by GCF, of up to and including USD 10 million for an individual project or programme."

⁷ 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".

- system for staff and third parties to report wrongdoing anonymously;
- b. Publication on the applicant's website of investigation guidelines and procedures for responding to suspected wrongdoing and terms of reference for investigations into reported suspected wrongdoing;
 - c. Publication on the applicant's website of the applicant's procurement policy and/or guidelines applicable for third parties; and
- (ii) Conditions to be met by the applicant prior to the submission of the first funding proposal to the GCF Board:
- (1) Delivery to GCF by the applicant of evidence, in a form and substance satisfactory to the AP, that it has adopted a system for environmental and social monitoring;
 - (2) Delivery to GCF by the applicant of evidence, in a form and substance satisfactory to the AP, of adoption of a project management policy for GCF projects/programmes along with related procedures and manuals, which:
 - a. Include fit-for-purpose procedures for project management, procurement guidelines for overseeing the procurement activities of executing entities, and monitoring and evaluation procedures; and
 - b. Clearly define the capacities, roles and responsibilities for implementation of projects.

78. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 77 above, and agrees to the recommendation.

4.3 Remarks

79. The applicant is encouraged to develop a manual, guidelines or other document containing the roles and responsibilities of various external parties involved in policy implementation throughout the project cycle.

80. The applicant is encouraged to build its experience in implementing its Gender Policy, by adopting specific targets in relation to the currently monitored metrics.

81. The applicant is encouraged to continue to evaluate the effectiveness of the BCI environmental and social management system, particularly after it starts implementing GCF-funded projects, for instance by conducting a new internal audit or overall assessment within the next three years.

82. The applicant is encouraged to publish links to government reporting and display its policies, including the E&S and gender policies, on the BCI website.

83. As BCI moves towards larger-scale projects and activities, it is recommended that gender strategies be further strengthened within its project frameworks.
