GREEN CLIMATE FUND

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Consideration of accreditation proposals – Addendum VIII

Upgrade assessment of the Caribbean Development Bank (CDB)

Summary

This document contains the assessment conducted by the Secretariat and the Accreditation Panel in accordance with decision B.24/13, and the recommendation by the Accreditation Panel for upgrade of the accreditation scope of the Caribbean Development Bank (CDB), based in Barbados.

I. Introduction

1. The Caribbean Development Bank (CDB) is a regional direct access entity based in Barbados. CDB is a financial institution with a mandate to support social and economic development in small island developing States in the Caribbean. The main functions of CDB are to assist its borrowing member countries in optimizing the use of their resources by developing their economies and expanding production and trade, promoting private and public investment in the Caribbean region, mobilizing financial resources from both within and outside the region for development, and providing technical assistance.

2. The applicant was accredited by the Board on 13 October 2016 in decision B.14/10, paragraph (b), signed its accreditation master agreement (AMA) with GCF on 9 November 2018, which became effective on 29 November 2018, for the following parameters, as recommended by the Accreditation Panel (AP), under the fit-for-purpose approach of the GCF:

(a) **Access modality:** direct access, regional;

(b) **Track:** fast track under the Adaptation Fund (AF);

(c) **Maximum size of an individual project or activity within a programme**: small;[1]

(d) **Fiduciary functions**:[2]

   (i) Basic fiduciary standards;

   (ii) Specialized fiduciary standard for project management;

   (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and

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

(e) **Maximum environmental and social (E&S) risk category**: high risk (Category A/Intermediation 1 (I-1));[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) Forests and land use;

   (v) Livelihoods of people and communities;

   (vi) Health, food and water security;

   (vii) Infrastructure and built environment;

   (viii) Ecosystems and ecosystem services; as well as

[1] As per annex I to decision B.08/02, "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".

[2] Decision B.07/02.

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

(ix) Public, private and cross-cutting types of projects/programmes.

3. CDB submitted its application to GCF for re-accreditation as well as an application to upgrade its accreditation scope via the digital accreditation platform on 24 December 2022. Following decision B.37/18, paragraph (q), extending the accreditation term of all accredited entities by three years from the date their accreditation term lapsed or will lapse or until the date on which a revised accreditation framework is adopted by the Board, whichever is earlier, CDB has continued the application process for a standalone accreditation scope upgrade. Accreditation fees were received from the applicant in relation to the upgrade application on 4 July 2023 thereby launching the stage I institutional assessment. Stage I was completed on 5 February 2024 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. CDB has applied to be upgraded for the following parameters under the fit-for-purpose approach of GCF:

(a) **Maximum size of an individual project or programme**: medium;[4]

(b) **All other criteria for which the applicant was accredited**: no change.

II. Stage I institutional assessment and completeness check

4. The applicant is eligible for, and has applied under, the fast-track accreditation process as an AF 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:

(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) Updates to the Accreditation Framework (decision B.31/06); and

(d) Guidelines for the Operationalization of the Fit-for-purpose Accreditation Approach (decision B.08/02).

2.1 Legal status, registration, permits and licences

5. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. CDB was established and is governed by the Agreement establishing the Caribbean Development Bank which was signed on 18 October 1969 in Kingston, Jamaica, entered into force on 26 January 1970, and has been amended from time to time. The applicant is based in Barbados in accordance with the Agreement Regarding the Headquarters of the Caribbean Development Bank dated 2 June 1970, as amended. Several countries have been admitted to membership since CDB commenced operations. The applicant confirmed that there had been no change in its legal status or licenses to operate since the date of its accreditation.

2.2 Institutional presence and relevant networks

6. CDB has a total of 28 member countries, including:

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

(a) 19 regional borrowing members (BMCs): Anguilla, Antigua and Barbuda, the Bahamas, Barbados, Belize, the British Virgin Islands, the Cayman Islands, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, and the Turks and Caicos Islands;

(b) 4 regional non-borrowing members: Brazil, Colombia, Mexico, and the Bolivarian Republic of Venezuela; and

(c) 5 non-regional, non-borrowing members: Canada, China, Germany, Italy, and the United Kingdom.

7. CDB is playing a critical role in helping BMCs to navigate many of their development obstacles. CDB has a track record of delivering support across the following sectors and areas: agriculture; banking and financial services; climate resilient development; disaster prevention and preparedness; education; emergency response; energy; environmental protection; gender; general budget support; reconstruction relief and rehabilitation; transportation; water and sanitation, among others. At the strategic level, CDB is promoting a more integrated approach to development in its BMCs: it is closing infrastructure gaps, capacity deficits and the digital divide; expanding the role of the private sector; and balancing country demand with CDB's resource availability.

8. The support provided by CDB – including in partnership with GCF – is guided by CDB's Strategic Plan Update 2022–2024: Repositioning for Resilience. This Strategic Plan Update (SPU) builds on the CDB Strategic Plan 2020-2024, but includes a stronger emphasis on particular goals and areas of work to help CDB respond to the impacts of the COVID-19 pandemic and other evolving challenges in the Caribbean. The SPU includes five strategic objectives that are aligned with the 2030 Agenda for Sustainable Development: (i) building social resilience; (ii) building environmental resilience; (iii) building production resilience; (iv) building financial resilience; and (v) building institutional resilience. The SPU also defines what CDB will do to help achieve these strategic objectives, including, but not limited to, addressing countries' critical infrastructure needs and promoting an expanded role for the private sector. The SPU similarly defines four Guiding Principles that guide how CDB delivers this support: (i) pursuing value for money through additionality, impact and digital transformation; (ii) selectivity and focus while ensuring alignment with countries' needs; (iii) deepening country focus and stakeholder engagement; and (iv) delivering integrated comprehensive development solutions. CDB is also in the process of preparing a new 10-year Strategic Plan. CDB submitted to the GCF Secretariat an entity work programme that was endorsed in 2020.

9. CDB also regularly collaborates with partner organizations to mount a coordinated and coherent response to countries' needs. Common international partners include the Inter-American Development Bank and European Investment Bank (EIB), as well as United Nations entities (e.g. United Nations Development Programme, United Nations Environment Programme, Food and Agriculture Organization, United Nations Children's Fund) and bilateral partners (e.g. Deutsche Gesellschaft für Internationale Zusammenarbeit, Global Affairs Canada (GAC), and the United Kingdom Foreign and Commonwealth Development Office (FCDO)). CDB also collaborates closely with other regional partners that have been established to address critical sustainable development needs in the region, including the Organization of Eastern Caribbean States Commission, the Caribbean Community (CARICOM) Secretariat, the Caribbean Disaster Emergency Management Agency, the Caribbean Community Climate Change Centre, the Caribbean Centre for Renewable Energy and Energy Efficiency, the Caribbean Electric Utility Services Corporation, among others.

2.3 Track record

10. CDB has already achieved considerable success in supporting countries to scale up climate action. CDB was able to mobilize and channel approximately USD 347.4 million of its own resources as climate finance to its BMCs for climate action between 2017 and 2023. This was achieved in part through initiatives such as the Climate Action Line of Credit (CALC I) with total financing of USD 217 million, out of which EIB financed USD 65 million. Building on the success of CALC I, the EIB subsequently agreed to a follow-on initiative with the CDB: the CALC II, with EIB committing to provide up to USD 110 million in total financing, out which USD 52.7 million has already been committed to finance projects with a total investment cost of over USD 140 million. CDB has also partnered with bilateral donors to channel support to countries for climate action in support of countries' nationally determined contributions. For example, through a partnership between CDB and FCDO, the United Kingdom Caribbean Infrastructure Partnership Fund (UKCIF) is helping countries to build more resilient infrastructure. Through UKCIF, the UK has provided almost GBP 350 million in grant financing to support infrastructure projects in the Caribbean. CDB has blended these funds with other grant and loan resources to finance 15 projects with a total cost of over USD 900 million. In 2016, the Government of Canada approved the CDB-managed Canadian Support to the Energy Sector in the Caribbean (CSES-C) initiative. The Government of Canada subsequently partnered with CDB in 2020 to assist BMCs' climate change efforts through a new CAD 20 million Canada-CARICOM Climate Adaptation Fund. Building on the successful implementation of these initiatives, in 2024 the Government of Canada approved the CDB-managed Supporting Resilient Green Energy in the Caribbean programme, through which CDB will blend about USD 39 million in concessional loan financing from GAC with other grant and loan resources to finance sustainable energy capital projects that CDB estimates will have a total investment cost of over USD 150 million. As an AF implementing entity, CDB has a USD 10 million project approved and under implementation, "Building resilience for adaptation to climate change and climate vulnerabilities in agriculture in Saint Lucia".

11. CDB does not yet have a project proposal approved by the GCF but has six proposals in the pipeline, of which four are public sector proposals and two are private sector proposals. The total requested GCF financing is USD 154.6 million. CDB has also confirmed that it expects to significantly increase the scope and size of at least one of these programme proposals if the accreditation upgrade is approved by the GCF Board.

12. As a readiness delivery partner for the GCF Readiness and Preparatory Support Programme, CDB has seven proposals approved in the aggregate amount of USD 3.8 million.

III. Stage II accreditation review assessment

13. The applicant is eligible for, and has applied under, the fast-track accreditation process as an AF 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 requirements in the GCF policies and standards identified in paragraph 4 above to the extent applicable to accreditation.

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

3.1 Fiduciary standards

3.1.1. Specialized fiduciary standard for project management

15. CDB did not have any conditions regarding the specialized fiduciary standard on project management recommended by the AP for the original accreditation application. The applicant has applied for an upgrade in accreditation scope to a maximum size category of "medium".

16. The applicant has demonstrated a strong track record in managing projects of USD 100 million and above in total size. Based on shared comprehensive (i) appraisal reports of projects in different sectors, (ii) implementation and supervision documents, and (iii) monitoring, evaluation, and closing reports, it has proven its organizational and skills capacity, its planning and analysis capability to initiate and manage medium-sized projects. It has demonstrated effective financial management, financial control, and risk management of projects, mobilizing teams with the right skill mix of staff and competencies, engaging stakeholders, and proper portfolio monitoring. Examples of projects include those with the Government of Saint Vincent and the Grenadines to finance the modernization of the port of Kingstown in Saint Vincent (total project cost USD 185 million); the Linden to Mabura Hill Road Upgrade Project in Guyana (total project cost USD 190 million); and the Power Project - Electricity System Upgrade and Expansion in Suriname, with a CDB loan amount of USD 65 million. CDB shared several implementation and project management reports and supervision reports, such as the one on the Basic Education Project (second loan).

17. The applicant has applied for an upgrade in accreditation scope to a maximum size category of "medium" and provided examples of recent programmes within this category.

18. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the specialized fiduciary standard for project management for a maximum size category of "medium".

3.1.2. Specialized fiduciary standard for grant award and funding allocation mechanisms

19. CDB fulfilled a condition with regard to the specialized fiduciary standard for grant award and funding allocation mechanisms recommended by the AP for the original accreditation application.[5]

20. CDB provides TA and investment grants to support its borrowing member countries (BMCs), with established criteria behind the appropriate level of concessionality to make required activities viable. The CDB approach aligns with the principles of GCF, regarding transparent eligibility criteria and evaluation process, a decision-making process and procedures, and public access to information on beneficiaries and results. The documents shared on supervision and closing reports on grant programmes demonstrate the depth and scope of its analysis and findings. The analyses cover the relevance of TA objectives, the effectiveness of mechanisms financed and their significance to beneficiaries, the impact on beneficiaries, their participation, skills development, a review of maintenance and sustainability provisions of the grants, and the mainstreaming of gender equality. The shared reports reveal the depth of analysis, assessment of TA provided by CDB, and recommendations for future designs. The objective of CDB is to systematize key findings, lessons learned and recommendations to best structure interventions ex ante and how they function during execution, as well as recording the ongoing challenges and follow-up. Reports related to the most recent cycle of the CDB Special Development Fund (SDF 10), through which CDB has USD 132 million in grant financing to allocate (and has committed USD 74.1 million to date), were shared with the AP.

[5] Refer to document GCF/B.40/03/Add.01.

21. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the specialized fiduciary standard for grant award and/or funding allocation mechanisms for a maximum size category of "medium".

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

22. CDB did not have any conditions with regard to the specialized fiduciary standard on on-lending and/or blending for loans and equity recommended by the AP for the original accreditation application.

23. CDB has a strong track record of implementing large externally financed programmes, through which CDB blends those resources with its own to finance projects in its borrowing countries. The financial products are loans, and at times grants, for investment purposes. An example is the United Kingdom Caribbean Infrastructure Partnership Fund (UKCIF), which CDB has implemented since 2015. Through UKCIF, the United Kingdom has provided about GBP 350 million to support infrastructure projects. CDB has blended these funds with other resources to finance 15 projects with a total cost of over USD 900 million. CDB's progress and track record are captured in the UKCIF Annual Reviews, carried out by independent consultants, and publicly available on the UK Foreign and Commonwealth Development Office website.[6] The most recent Annual Review of March 2024[7] also covers this initiative, with a solid Overall Output Score of 'A' for 2023, and strong Output Scores every year since the start of the programme.

24. Other examples include projects with the EIB for the CALC I and the follow-on CALC II. The repeat funding with EIB is a testament to the satisfactory review of this programme. Through the CALC I, CDB has financed ten climate change-focused projects using a blend of EIB resources (over USD 65 million), CDB co-financing and other resources. Altogether, the total investment cost of CALC-supported capital projects is over USD 217 million. Building on the successful implementation of the CALC, EIB approved a follow-up line of credit in 2017 (CALC II) for up to USD 110 million (EUR 100 million) in EIB financing. Further reflecting EIB's satisfaction with CDB management of CALC and CALC II, the two organizations are now also negotiating a new EUR 100 million Water Management and Clean Oceans Framework Loan that is expected to be finalized and approved by October 2024. Other examples of blended finance are for projects with funding from the Government of Canada for the Supporting Resilient Green Energy in the Caribbean programme. CDB has also implemented the Agence Française de Développement/European Union Caribbean Infrastructure Facility since 2016.

25. CDB also has a strong track record of financing and supervising the implementation of projects with financial intermediaries, mainly with development finance institutions in the BMCs. The CDB Operational Policies and Procedures Manual extensively covers the specific criteria and metrics CDB uses to determine whether a development finance institution is eligible for such support. The partner banks are subject to the rigorous CDB due diligence including: (1) financial soundness as reflected in capital adequacy, high asset quality, sufficient liquidity and good profitability; (2) appropriate credit and risk management policies, operating systems and procedures; (3) compliance with prudential regulations; (4) acceptable corporate and financial governance and management practices including, among other things, transparent financial disclosure policies; (5) appropriate strategic planning capacity; (6) autonomy in lending and pricing decisions, especially if the intermediary is state-owned; and (7) adequate policies, systems, and procedures to assess and monitor the economic, social and

[6] Available at: https://devtracker.fcdo.gov.uk/programme/GB-1-205157/documents.

[7] Available at: https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fiati.fcdo.gov.uk%2Fiati_documents%2FD0005125.odt&wdOrigin=BROWSELINK.

environmental impact of subprojects. As evidence that CDB applies these criteria and standards, the appraisal report for the Third Agricultural and Industrial Line of Credit with Development Finance Limited (DFL) in Trinidad and Tobago, which was shared with the Panel, covers a detailed assessment of DFL operations and financial performance. A shared project supervision report showed the monitoring of key financial metrics and the broader progress in implementing the line of credit.

26. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the specialized fiduciary standard for on-lending and/or blending for loans and equity for a maximum size category of "medium".

IV. Conclusions and recommendation

4.1 Conclusions

27. Following the adoption of the Strategic Plan for the Green Climate Fund 2024–2027, the Secretariat has been reviewing all applicants based on their potential to contribute to the targeted results of the Strategic Plan. Following the assessment of CDB, the applicant is found to have the potential to support GCF in implementing its Strategic Plan for 2024–2027 with respect to:

(a) Alignment of the pipeline of project concept notes that the applicant has submitted to GCF with the respective country programming priorities;

(b) Mobilizing climate finance at scale since the applicant is being recommended for an upgrade to the size category "medium"; and

(c) Addressing interests of particularly vulnerable groups.

28. The AP also concludes, following its assessment of the application against GCF standards in accordance with the accreditation requirements identified in paragraph 4 above, and noting that the applicant has applied under the fast track accreditation process:

(a) The applicant meets the requirements of the GCF specialized fiduciary standard for project management, specialized fiduciary standard for grant award and/or funding allocation mechanisms, and specialized fiduciary standard for on-lending and/or blending for loans and equity with respect to a maximum category size of "medium".

4.2 Recommendation on accreditation

29. The AP recommends, for consideration by the Board, CDB for an upgrade in its accreditation type, as originally accredited in decision B.14/10, paragraph (b) as follows:

(a) **Accreditation type**:

- (i) **Maximum size of an individual project or programme**: medium;
- (ii) **All other criteria for which the applicant was accredited**: no change; and
- (iii) **Additional conditions**: none

30. The applicant has been informed of the recommendation for the accreditation scope upgrade and agrees to the recommendation.

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