



**GREEN  
CLIMATE  
FUND**

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# Consideration of accreditation proposals and activities – Addendum III

## Accreditation assessment of APL165

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### **Summary**

This document contains the accreditation assessment conducted by the Secretariat and the Accreditation Panel in accordance with decision B.31/06 and the transitional arrangements in respect of the revised accreditation framework adopted in decision B.42/13 paragraph (m) and set out in annex VI to that decision, and the recommendation by the Accreditation Panel for accreditation of applicant 165 (APL165), Municipal Development and Lending Fund (MDLF), based in the State of Palestine.

## I. Introduction

1. The Municipal Development and Lending Fund (MDLF) is a semi-governmental entity with a mission to accelerate the State of Palestine's drive toward self-sustained, decentralized, prosperous and creditworthy local government. The main objective of the MDLF is to encourage the flow of financial resources from the Palestinian National Authority<sup>1</sup> and various donors to the Palestinian local government units and other local public entities to improve the delivery of local infrastructure and municipal services, to promote economic development, and improve municipal efficiency and accountability.

2. The applicant submitted its application for accreditation to GCF via the Digital Accreditation Platform on 13 February 2025. Accreditation fees were received from the applicant on 18 April 2025, thereby launching the stage I institutional assessment. Stage I was completed on 31 July 2025, and the applicant progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the GCF fit-for-purpose approach.<sup>2</sup>

- (a) **Access modality:** direct access, national. The applicant received a national designated authority or focal point nomination for its accreditation application from the State of Palestine;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or programme:** medium;<sup>3</sup>
- (d) **Fiduciary functions:**<sup>4</sup>
  - (i) Basic fiduciary standards;
  - (ii) Specialized fiduciary standard for project management; and
  - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms;
- (e) **Maximum environmental and social risk category:** high risk (category A/intermediation 1 (I-1));<sup>5</sup> and
- (f) Indicative results areas for intended projects/programmes with GCF:
  - (i) Energy generation and access;
  - (ii) Livelihoods of people and communities; and
  - (iii) Infrastructure and built environment; as well as
  - (iv) Public types of projects/programmes.

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<sup>1</sup> Also, or widely known as the Palestinian Authority.

<sup>2</sup> Refer to section 4.2 for the scope of accreditation recommended by the Accreditation Panel.

<sup>3</sup> As per annex III to decision B.31/06, "medium" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by GCF, of above USD 50 million and up to and including USD 250 million for an individual project or programme".

<sup>4</sup> Decision B.07/02.

<sup>5</sup> As per the revised Environmental and social policy adopted in decision B.BM-2021/18, category A is defined as "activities with potential significant adverse environmental and/or social risks and impacts that, individually or cumulatively, 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, financial exposure to activities with potential significant adverse environmental and social risks and impacts that, individually or cumulatively, are diverse, irreversible, or unprecedented".

## II. Stage I institutional assessment

3. The applicant applied and was assessed by the Secretariat during stage I under the normal track accreditation process in accordance with the GCF policies and standards to the extent applicable to accreditation below:

- (a) Strategic Plan for the Green Climate Fund: 2024–2027 (decision B.36/13);
- (b) Updates to the accreditation framework (decision B.31/06); and
- (c) Guidelines for the Operationalization of the Fit-for-purpose Accreditation Approach (decision B.08/02).

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

4. The applicant provided documents on its establishment and licences to operate, where relevant, as part of the application. MDLF was initially established by Ministerial Council Decision No (09/36/32) in 2005 by the Palestinian National Authority, as amended, including by Ministerial Council Decision No (12/13/05) for 2007. The applicant was further established and is currently regulated by Decree Law number (25) for the year 2016 regarding the Municipalities Development and Lending Fund.

5. The applicant has indicated and provided evidence that it has independent legal personality and legal capacity to enter into legal arrangements directly with GCF. In accordance with the transitional arrangements in respect of the revised accreditation framework adopted in decision B.42/13 paragraph (m) and set out in annex VI to that decision, if approved, the applicant's accreditation will be deemed to be complete on the date that GCF issues a confirmation/certificate evidencing the applicant's accreditation.

### 2.2 Institutional presence and relevant networks

6. The applicant is headquartered in the West Bank, State of Palestine, and has a total 54 staff members, including 43 in its headquarters, 6 in Gaza and 5 operating remotely, as of 31 January 2026.

7. MDLF works with many partners and can leverage the following networks: Central Government, Agence française de développement, Swedish International Development Cooperation Agency, Danish Government, World Bank, German Development Bank, Deutsche Gesellschaft für Internationale Zusammenarbeit, Belgian Government, European Union, Swiss Agency for Development and Cooperation, and International Cooperation Agency of the Association of Netherlands Municipalities.

8. Through its strategic plan 2022–2026, MDLF is contributing to the achievement of Sustainable Development Goals 11 (Sustainable cities and communities) and 13 (Climate action) by taking urgent actions to provide inclusive and sustainable services to local government units in the State of Palestine, in collaboration with its development partners. The plan is aligned with the state's development, updated Strategic Plan for the GCF 2024–2027, Palestinian national adaptation plan and the Palestinian Environmental Quality Authority's cross-sectoral environmental strategy.

9. The MDLF strategic plan 2022–2026 is helping local government units to fully integrate climate and development, and to promote climate adaptation and mitigation within their municipal strategic development and investment plans.

10. The applicant will continue supporting the institutional development for local government units towards fiscal stability over the longer term. MDLF will pursue innovative

approaches to lead local development and implement innovative and pioneering initiatives for the benefit of citizens and in particular vulnerable communities. Gender mainstreaming, and social and environmental safeguards will be maintained as cross-cutting issues within MDLF interventions.

11. The applicant has also outlined its intention to programme with GCF in the areas of solid waste, water, energy, flood management, wastewater treatment, and reuse.

## 2.3 Track record

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

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

- (a) USD 218.7 million (grants) for the Municipal Development Program Phase Three (2018–2023);
- (b) USD 182 million (grants) for the Municipal Development Program Phase Four (2023–2026); and
- (c) USD 40.7 million (grants) for the Area C Development Program in the West Bank – nine phases.

## III. Stage II accreditation review assessment

14. The applicant applied under the normal track accreditation process. Its application has been assessed by the Accreditation Panel (AP) during stage II (step 1) against requirements in accordance with the following GCF policies and standards to the extent applicable to accreditation:

- (a) GCF policies and standards identified in paragraph 3 above;
- (b) Policy on Prohibited Practices (decision B.22/19);
- (c) Anti-Money-Laundering and Countering the Financing of Terrorism Policy (AML/CFT Policy) (decision B.18/10);
- (d) Policy on the Protection of Whistleblowers and Witnesses (decision B.BM-2018/21);
- (e) Comprehensive Information Disclosure Policy of the Fund (decision B.12/35) regarding the disclosure of environmental and social (E&S) information;
- (f) Updated Gender Policy and Gender Action Plan 2020–2023 (decision B.24/12);
- (g) Revised Environmental and Social Policy (decision B.BM-2021/18); and
- (h) Evaluation Policy (decision B.BM 2021/07).

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

## 3.1 Fiduciary standards

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

16. MDLF is a semi-governmental institution created and regulated by the Palestinian National Authority in 2005. The Board of Directors (BoD) is chaired by the Minister of Local

Government, with membership from other line ministries, two local government units (LGUs), the Engineers Association and one civil society organization. Oversight bodies as set out in the Board Procedures Manual, include an audit committee (also referred to as the finance and audit committee), a technical committee and an internal audit function. The organizational structure comprises departments for strategic planning, operations, finance and administration and human resources with staffing is split across a main office in the West Bank (average 43 staff) and a Gaza office (currently six staff based in Gaza and five remote). An up-to-date organization chart was provided with job descriptions of key personnel showing clear responsibilities and indicating the segregation of duties.

17. Strategic objectives and key performance indicators (KPIs) are set and tracked by the MDLF Strategic Planning Department, which includes a Monitoring and Evaluation Specialist and Officer. MDLF prepares annual departmental and programme workplans aligned with its institutional strategy and budget cycle, and applies a results-based monitoring system, issuing semi-annual and annual progress reports to development partners. Examples of strategic plans, departmental plans and KPI tracking tools were provided.

18. The financial management policies and processes of MDLF are set out in its financial manual, and it uses Olive Tree as its accounting software for programme accounting and an Oracle-based system for financial reporting. The MDLF Finance Department is comprised of professionally qualified staff implementing internal control and approval procedures, including system access, segregation of responsibilities and defined authorization levels. MDLF, as an entity subject to the regulations of the Palestinian Monetary Authority (PMA), is required to follow International Financial Reporting Standards (IFRS) and its annual financial statements are accordingly prepared with reference to IFRS. In this regard, the applicant's 2023/2024 statements include a statement of financial position, statement of activities and changes in net assets, statement of cash flows and explanatory notes. While MDLF's auditors, in the 2024 audited financial statements that are publicly available<sup>6</sup>, note the significant events in relation to the war in Gaza and the impact on the applicant's programmes, and adjustments to priorities and activities, their audit opinion is not modified.

19. The applicant's audit committee's roles and responsibilities are summarized in the BoD procedures manual and outlined in a duties paper. The committee comprises a minimum of three members, including representatives from the Ministry of Finance and the PMA and its duties include reviewing the internal audit plan before approval by the Chairman of the Board, and reviewing and evaluating the fund's internal control procedures. The AP noted that while the full board takes note of matters concerning internal control oversight and the Board Chair directly engages with the internal auditor, the applicant's audit committee has not functioned as per its stated duties. It has been operating with less than three meeting participants and not actively reviewing internal controls or the work of the internal audit function. The applicant is in the process of ensuring that the committee operates with its mandated composition to ensure adequate expertise and independent oversight, and reporting of matters to the full board.

20. The internal audit function of MDLF generally follows the International Professional Practices Framework of the Institute of Internal Auditors. An internal audit charter, risk-based internal audit plans and an example of an internal audit report along with evidence of the tracking of significant findings were shared. Internal audits have in recent years covered governance, procurement, finance, strategic planning, administration and information technology, with samples of reports, management responses and follow-up on previous findings provided.

21. The applicant's qualified Internal Audit Manager is currently the function's sole staff member and reports functionally to the BoD and administratively to the Director General. The

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<sup>6</sup> See <https://www.mdlf.org.ps/en/cmspage/AllProjects>.

manager's qualifications and curriculum vitae were shared. The applicant noted that periodic internal quality self-assessments are constrained by a single-person internal audit function and compensating controls include annual individual performance appraisals of the internal Audit Manager by the BoD Chair, monitoring against the approved plan and external auditors' high-level reviews (with clean management letters historically). Regarding assessment of the internal audit function of MDLF, the applicant recently commissioned an external quality assessment by an independent firm and is engaging its audit committee in relation to the proposed management action plan in the final report, which includes recommendations related to operationalising its Audit Committee, oversight of internal audit planning and updating its audit charter and manual, quality assurance.

22. MDLF's audit committee appoints external auditors under competitive procurement procedures shared with the AP and audits are conducted per International Standards on Auditing. Recent auditor letters to management featured no significant findings, while recent audited financial statements have been without qualifications as elaborated on in paragraph 18 above.

23. The applicant's control environment, largely determined by the geopolitical and funding context that it currently operates in, is defined through policies and manuals covering governance, finance, administration and human resources, grant management, procurement, internal auditing and information technology. The control framework aligns with the Committee of Sponsoring Organizations of the Treadway Commission Internal Control – Integrated Framework, incorporating defined governance, documented procedures, risk assessment processes, information flows, and multilayered monitoring. A three-lines-of-defence model<sup>7</sup> is evident in the work of the finance team operations and programmes teams, internal audit and external audit. Risk management is embedded institutionally with fiduciary and contextual risks addressed through departmental annual plans, finance and operations procedures, and internal audit oversight, rather than a dedicated risk management unit. Regarding enterprise-wide risk identification and management, assessments are facilitated by the Internal Audit Manager and categorized, summarized, agreed and tracked by management in a risk profile report that scores and synthesizes risk for management action. MDLF is experienced in crisis-responsive programming, and its operational manuals and programme guidelines incorporate risk mitigation matrices, appropriate delegated decision-making authority, contingency budgeting funding to cover recurrent expenditure and essential service-delivery of municipalities, all delivered with remote-enabled systems.

24. The MDLF procurement manual, developed drawing from broad experience in particular with World Bank project implementation, is aligned with Palestinian National Authority Public Procurement Law in particular components regarding local market and competitive procurement. The manual covers the procurement of goods, works, consulting and non-consulting services at MDLF and LGU levels, and is adapted where applicable to align with donor requirements. The applicant demonstrated transparent advertising of competitive procurement opportunities, in line with its detailed procedures on its website<sup>8</sup> and on the single procurement portal of the Palestinian High Council for Public Procurement Policies<sup>9</sup>. In addition, newspapers and United Nations and development sector portals such as dgMarket are used to optimize procurement competition. Moreover, the applicant's procurement procedures contain prescriptive procedures for making and handling procurement complaints.

25. Regarding oversight of procurement undertaken by executing entities, the applicant's procurement policies and procedures (manual) are cascaded to the Palestinian LGUs that

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<sup>7</sup> This model is a way of organizing risk management so that: (1) operational teams own and manage risks in their day-to-day work, (2) specialist functions like risk, compliance and finance oversee, guide and challenge them, and (3) internal audit provides independent assurance to the governing body that risks are being properly managed.

<sup>8</sup> See <https://www.mdlf.org.ps/en/cmspage/page?pageId=1349>.

<sup>9</sup> See <https://www.shiraa.gov.ps/en-us/ProcurementList>.

procure under MDLF managed projects. The manual's development has been informed by projects implemented/administered by MDLF, a cross section of international donors can therefore be readily applied to GCF-funded activities. Procurement activities come under the oversight of the Palestinian High Council for Public Procurement Policies and the State Audit and Administrative Control Bureau. In addition, implementation completion reports from May 2022 and March 2023, including end-to-end ex-post procurement documentation samples on the applicant's World Bank-funded projects (described in paragraph 35 below) were provided and confirmed fiduciary (financial management and procurement compliance).

26. The AP finds that the applicant's policies, procedures and capacity supported by its track record partially meet the basic fiduciary standards on key administrative and financial capacities. The relevant gap is identified in paragraph 21 and reflected by the corresponding condition for accreditation in section 4.2.

### 3.1.2 Basic fiduciary standards: transparency and accountability

27. MDLF has adopted a code of professional ethics (also known as its code of ethics or code of conduct), applicable to BoD members, staff, consultants and volunteers, which is supported by provisions in the human resources manual. The code of conduct outlines expected standards of behaviour, integrity obligations and disciplinary consequences in case of breaches. Evidence of compliance was provided through signed forms from staff and consultants, demonstrating affirmation of staff compliance signed off by management. MDLF has embedded conflict-of-interest disclosures in high-risk activities, such as procurement evaluations where conflict-of-interest declarations are required and maintained in records. A process is also in place for disclosures at BoD and committee meetings. In addition, a central register for disclosures would further strengthen policy compliance monitoring.

28. As the applicant's primary integrity instrument, its code of conduct aligns substantially with the GCF Policy on prohibited practices. It explicitly prohibits fraud, corruption, abuse and obstruction, and includes enforcement measures. Alignment with international standards is evident, though the code does not explicitly reference coercive or collusive practices, which could be added to future revisions. While MDLF has not historically recorded cases of prohibited practices, it has institutional capacity to investigate and protect whistle-blowers or witnesses should such cases arise. This latent capacity demonstrates readiness, but proactive preparation such as case simulations or scenario training with the GCF Independent Integrity Unit could further build assurance.

29. MDLF has multiple complaint and reporting channels,<sup>10</sup> including an online form,<sup>11</sup> a dedicated email address, hotline number displayed at project sites and complaint boxes. In addition, the applicant has a complaints' handling manual and provides staff with training. The principal online channel provides for the possibility of anonymous reporting in line with GCF expectations.

30. Regarding the applicant's investigation function, an independent investigation committee is appointed by the Director General for each case, with the option to use the skills of the Internal Auditor. According to policy, the findings are reported to the BoD chair, thus ensuring independence. Cases may also be escalated to national institutions such as the Palestinian Anti-Corruption Commission. A summary of investigation procedures is available on the MDLF website juxtaposed with information on reporting channels. While MDLF has not historically recorded cases of prohibited practices, it has institutional capacity to investigate and protect whistle-blowers or witnesses should such cases arise. This latent capacity

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<sup>10</sup> See <https://www.mdif.org.ps/en/CmsPage/Page?pageId=1337>.

<sup>11</sup> See <https://www.mdif.org.ps/en/Home/Complain>.

demonstrates readiness, but proactive preparation such as case simulations or scenario training with the GCF Independent Integrity Unit could further build assurance.

31. The applicant described mainstreamed training and communication on integrity policies and procedures as part of induction and periodic sessions. However, no evidence or materials were shared. Maintaining up-to-date training resources and records of delivery to staff and counterparties would improve assurance of ongoing implementation and support the applicant's culture of zero tolerance.

32. Regarding AML/CFT, the PMA recently reinforced its commitment to aligning with the Financial Action Task Force<sup>12</sup> standards through its regional group, adopting a national AML/CFT strategy and advancing its mutual evaluation process. This context serves as an important backdrop for MDLF in terms of strengthening the enabling environment and confidence in the applicant's financial integrity.

33. MDLF recently hard-coded its policy, procedures and controls related to AML/CFT in a standalone policy, that is also annexed to its financial manual. The policy articulates a risk-based approach, customer/donor due diligence, sanctions screening (the United Nations, European Union (EU) and Office of Foreign Assets Control), transaction monitoring, suspicious transaction reporting, record-keeping, training and board oversight. In practice, due diligence at the payment stage has been carried out by the applicant's PMA-approved bankers, which is reasonable and consistent with practices for non-bank entities. Regarding due diligence on staff, contractors and beneficiary organizations, checks including those on full legal identity and beneficial ownership, with verification against independent sources and sanctions/Politically Exposed Persons lists are performed. The applicant provided an example of a contractor's bank clearance document as an illustration of this third-party vetting process. While its new policy articulates its plans to embed responsibility for due diligence at the institutional level to mitigate against overreliance on its bankers and MDLF is in the process of implementing the policy and building an internal track record, that incorporates specific procedures from its procurement manual. An internal audit of the MDLF AML/CFT control environment is scheduled for 2026. MDLF, with the technical support of the PMA recently conducted AML/CFT training for its staff.

34. The AP finds that the applicant's policies, procedures and capacity, supported by its track record 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 gap is identified in paragraph 33 and reflected by the corresponding condition for accreditation in section 4.2.

### 3.1.3 Specialized fiduciary standard for project management

35. MDLF has a strong track record as both implementer and fund manager, most prominently through the Municipal Development Programme (MDP) which has channelled over EUR 500 million to date, with phases 3 and 4 all exceeding EUR 150 million in funding, now in its fourth phase, which commenced in 2023 and ends in 2027. The MDP targets all 163 municipalities across the West Bank and Gaza with funding from the European Union, World Bank, Kreditanstalt für Wiederaufbau, Deutsche Gesellschaft für Internationale Zusammenarbeit, Danish International Development Agency, Belgian Development Agency, Agence Française de Développement, Swiss Agency for Development and Cooperation, in addition to the contribution from the Palestinian National Authority. This experience demonstrates the capacity of MDLF to manage large-scale, multi-donor programmes under complex operating conditions. MDLF has established end-to-end project cycle systems, with

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<sup>12</sup> The Financial Action Task Force is the global money-laundering and terrorist financing watchdog. It sets international standards that aim to prevent these illegal activities and the harm they cause to society.

manuals, tools and templates covering proposal design and appraisal, baseline assessments, results frameworks and monitoring and close-out. Subproject screening integrates technical, social, environmental and financial feasibility criteria. Detailed operational and technical manuals, for example for MDP phase III and the fund's Integrated Solid Waste Management Project set out project-specific procedures and this experience in developing and following detailed project procedure can be applied to GCF-funded activities. Institutional oversight is supported by annual departmental workplans and portfolio monitoring.

36. The applicant manages projects directly, with responsibility for procurement, financial management, monitoring and closure. Monitoring and reporting requirements include semi-annual progress and financial reports, complemented by annual progress reviews. Donor review missions, technical audits and aid-memoires provide external verification of delivery. MDLF's Oracle-based accounting system enables expenditure tracking across funds, municipalities, and components with multi-currency reporting. MDLF applies structured risk mitigation frameworks and demonstrates adaptability in volatile contexts. Monitoring reports and project proposals shows active risk revision processes, while specific protocols indicate the applicant's experience with project disruptions and resulting reconfiguration such as from stop-work or demolition orders, particularly in Area C of the West Bank. This continuous, contextual approach underscores its institutional capacity to manage fiduciary and operational risks.

37. The MDLF monitoring and evaluation results-based management manual forms the foundation of project monitoring, independent evaluation; while project-specific arrangements are set out in project-specific technical manuals. Project monitoring is embedded in the applicant's organizational structure with specialists in strategic planning, namely local technical consultants supervising works and safeguards; the finance department monitoring disbursements and capacity-building staff managing performance-based grant metrics. The applicant's information technology/management information systems function supports data collection. Examples of independent evaluation reports incorporating findings, recommendations and lessons learned were shared.

38. End-of-project procedures include deliverable verification, financial closure, audit and systematic archiving through the applicant's management information system. Lessons learned are captured and fed back into programming, while project results, audits and independently commissioned evaluations are made publicly available through reports and the MDLF website. Completed projects, including major MDP phases, have closed with positive evaluations, demonstrating accountability and transparency.

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

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

40. MDLF has developed and operationalized a structured mechanism for the transparent and equitable allocation of grants and subgrants, best evidenced in successive phases of the MDP which represents the applicant's most significant experience in managing grant allocation at scale, functioning as a national-level financing vehicle for municipal development.

41. Under the MDP, MDLF applies a formula-based allocation approach that integrates population size, socioeconomic indicators, project needs and institutional performance. Municipalities are first assessed against pre-agreed KPIs, covering financial management, governance, service delivery and community engagement. Based on their composite score, municipalities are ranked and their eligibility for larger or smaller tranches of financing is determined accordingly. The allocation methodology has been refined across phases to improve fairness, incentivise good governance, and ensure that vulnerable or weaker municipalities are not excluded from funding opportunities. Evidence of these practices includes letters to

municipalities announcing the KPI assessment process, detailed scoring sheets, notifications of rankings and subsequent allocation letters communicating the funding envelope available.

42. To ensure transparency and accountability, the allocation procedures are codified in the applicant's project operational manual and grant allocation guidelines. These require advance publication of eligibility criteria, scoring mechanisms and weighting. Municipalities are formally notified in writing and through workshops about the assessment cycle, scoring results and implications for funding access. Donors to the MDLF are closely involved in project management processes and provide review and clearance for allocations and projects and conduct post-reviews and spot checks. Technical audits and beneficiary impact assessments are also applied on a sample basis to verify use of funds. The applicant has the capacity to take full accountability for implementation as per GCF programme modalities.

43. While bulk of allocations under the MDP are formula-based, MDLF also manages competitive windows for municipalities to propose additional subprojects subject to appraisal against technical, E&S criteria. These are evaluated by dedicated committees, with documented conflict-of-interest sign-offs and external observers in some cases. This dual system – formula allocations for core municipal support, combined with competitive calls for added initiatives – demonstrates flexibility and responsiveness to diverse community needs. The applicant continually strengthens its funding modalities and is well-positioned to allocated GCF funds.

44. Information on the applicant's projects is published on its website<sup>13</sup> as are examples of documentation for competitive calls, municipal ranking lists<sup>14</sup> and project manuals. MDLF recently adopted an information disclosure policy that mandates the disclosure of general beneficiary information, project data and results, positioning it to transparently and consistently disclose key project data and other information required by GCF fiduciary and environmental and social safeguards (ESS) standards, including future GCF-funded activities.

45. Regarding the applicant's good standing with other multilateral and bilateral donors, MDLF has extensive experience in partnering international donors as demonstrated through documentation supplied for on-site technical supervision missions, project evaluations and financial audits of project expenditures, conducted by independent audit firms under International Standards on Auditing. Moreover, reports on projects funded by Enabel, Agence française de développement, the Danish Refugee Council confirmed compliance with grant terms, verified outputs against approved plans, and identified any corrective actions required.

46. The AP finds that the applicant's policies, procedures and capacity, supported by its track record, fully meet the specialized fiduciary standard for grant award and/or funding allocation mechanisms.

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

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

## 3.2 Environmental and social safeguards

### 3.2.1 **Environmental and social policy, management and monitoring**

48. The applicant's environmental and social policy (ESP) was approved in January 2026 and establishes the entity's institutional commitment to managing E&S risks in accordance with internationally recognized principles. While MDLF has long implemented E&S screening and monitoring procedures through World Bank-approved operations manuals at programme level,

<sup>13</sup> See <https://www.mdlf.org.ps/en/cmspage/page?pagelid=1343>.

<sup>14</sup> See <https://www.mdlf.org.ps/en/CmsPage/Page?pagelid=1505>.

the ESP represents the first step toward consolidating these practices into a single, institution-wide environmental and social management system (ESMS) applicable across all financing sources, and marks a transition from donor-driven safeguards to an integrated institutional system. The ESP adopts a risk-based approach to E&S management, the application of the mitigation hierarchy, stakeholder engagement, grievance redress, cumulative risks and consideration of vulnerable groups across MDLF-supported activities. The policy aligns with the national legal and institutional framework governing E&S management in the State of Palestine. The policy also aligns its requirements with the International Finance Corporation's Performance Standards (PS 1–8) and relevant elements of the World Bank Environmental and Social Framework.

49. The applicant articulates its commitment to addressing climate change through its ESP, which integrates climate mitigation and adaptation considerations as core considerations in institutional decision-making and project implementation. While climate risk and greenhouse gas screening requirements are articulated in the ESP, these elements are still in the process of being operationalized at project level. The applicant supports mitigation and adaptation through investments in municipal infrastructure, including energy efficiency, solid waste management, drainage and climate-resilient municipal facilities designed to withstand increasing climate variability and extreme weather events. While the applicant has not yet classified its portfolio in terms of climate, non-climate and carbon-intensive activities, its current operations are predominantly non-carbon-intensive and are focused on public infrastructure and services at the municipal level.

50. In the context within which the applicant operates, PS7 may apply in limited cases. The applicant's ESP anticipates this by explicitly treating vulnerable groups and Indigenous Peoples as a thematic risk area, including the mention to Bedouin communities as potentially relevant. Since 2015, MDLF has been implementing development projects in Area C of the West Bank, where it targets highly vulnerable Palestinian communities living under severe land-use, planning and service-access constraints. These projects are designed to respond to structural fragility through the provision of basic infrastructure, services and community-resilience measures. Within this context, MDLF has conducted multiple consultation workshops and focus groups as part of social and environmental screening, risk identification and the design of mitigation measures, with documented evidence of engagement in Arabic and at the community level. For higher-risk projects, MDLF applies inclusive stakeholder engagement processes and formal stakeholder engagement plans, supported by project-level grievance mechanisms with attention to vulnerable groups. While none of the applicant's projects to date have formally triggered PS7 requirements under the GCF ESS, specifically the need for free, prior and informed consent, the applicant demonstrates practical experience engaging vulnerable communities in fragile and politically constrained settings. The AP therefore finds that MDLF meets the requirements of PS7 under the GCF ESS standards.

51. Commitments to prevent and address sexual exploitation, abuse and harassment (SEAH) are embedded in the applicant's ESP, which establishes a zero-tolerance approach as a core ethical principle. SEAH is treated as a cross-cutting social risk within the ESMS and is addressed through mandatory codes of professional conduct applicable to board members, staff, consultants, volunteers, executing entities and contractors, supported by disciplinary measures. MDLF has also established specific operational procedures to manage SEAH-related cases within its labour management procedures adopted under its social and environmental framework, including a dedicated grievance mechanism with confidential reporting channels and case-handling procedures. These procedures are operational and publicly disclosed. The AP finds that MDLF has the necessary systems and capacity to meet the sexual exploitation, abuse and harassment principles outlined in the GCF Environmental and social policy.

52. MDLF does not maintain a stand-alone evaluation policy but does have a set of monitoring, supervision, reporting and assurance provisions embedded in its ESP and ESMS. The applicant also demonstrated its experience with third-party monitoring and audits, as well

as post-implementation reviews. The AP finds that the applicant demonstrates sufficient capacity to meet the requirements of the GCF Evaluation policy.

53. The ESMS illustrates a method for screening projects according to PS 1–8, which encompasses categorization, stakeholder engagement and project life cycle management. Projects are classified into categories A, B and C, in accordance with GCF standards. Furthermore, MDLF requires intermediaries to maintain proportional E&S risk management systems, apply its exclusion list, comply with applicable regulations and standards, and report on E&S performance. MDLF has demonstrated practical experience in managing elevated E&S risks, including the design and implementation of project-specific mitigation measures for higher-risk infrastructure activities. This includes, inter alia, a complex project involving a slaughterhouse in the Jericho area and multiple subprojects, where MDLF applied labour protection measures, land acquisition and compensation frameworks and inclusive stakeholder engagement processes. In addition, the applicant’s long-standing role in the implementation of a World Bank category A operation has provided sustained exposure to the preparation, implementation and monitoring of comprehensive E&S instruments, albeit under external safeguard oversight. Taken together, this experience indicates that MDLF has developed institutional capacity relevant to category A project management, including familiarity with complex risk profiles, mitigation hierarchies, and supervision requirements. However, the ESMS remains in transition toward full operationalization across the applicant’s portfolio. Further, the AP identified that the applicant would need to ensure consistent application of future category A screening, internal approval authority for high-risk E&S instruments, and consolidated portfolio-level oversight.

54. The ESMS includes robust provisions for project-level monitoring, assurance, adaptive management and institutional learning, and explicitly commits MDLF to continuous improvement based on portfolio experience. The applicant has also demonstrated its experience applying monitoring requirements at the project level, including periodic progress reports and supervision missions under World Bank’s Municipal Development Program (MDP-4), focusing on water, sanitation, urban development and energy. However, while these elements are substantively present, the ESMS has not yet formalized a consolidated, periodic process for assessing overall ESMS effectiveness across the portfolio or systematically documenting lessons learned at institutional level.

55. Oversight of the ESMS is executed by the MDLF Technical Department, which comprises of the Technical Manager, Technical Supervision and Area Engineers, Environmental Expert and Social Expert. These roles are formally reflected in the ESP and supporting operational manuals, and are embedded within the applicant’s broader project development and supervision structures. The AP notes positively the presence of qualified personnel and experience with donor-led training on ESS, stakeholder management and PS1-8. Their function is supported by project-based consultants engaged under specific donor-financed programmes, which operate under the supervision and quality assurance of the MDLF Safeguards Team. This resourcing model requires further consolidation for higher-risk operations.

56. The AP finds that the applicant’s environmental and social management system, comprising the ESP, supported by evidence of its track record, partially meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation and GCF interim ESS standards for maximum E&S risk category A/I-1 projects/programmes with respect to PS 1–8. The relevant gaps are identified in paragraphs 53, 54 and 55 and are reflected by the corresponding conditions for accreditation in section 4.2.

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

57. The applicant operates a system for external communication, public consultation, information disclosure, and grievance redress for E&S matters across the project cycle. These

arrangements function at both the institutional and project levels and are applied through standardized procedures set out in approved E&S instruments and manuals.

58. At the institutional level, the applicant maintains its centralized grievance redress mechanism (GRM), which is governed by an approved grievance redress manual. Project-level E&S documents published on the MDLF website refer to the availability of the GRM and provide information on how stakeholders can raise concerns about project impacts or risks. Grievances may be submitted directly to the applicant or escalated from executing entities, including anonymous complaints. While the GRM is operational, public disclosure of procedures, timelines, escalation pathways and accountability arrangements remains limited. In practice, GRM implementation is managed by social specialists within the Technical Department, meaning the mechanism is not institutionally independent from project implementation and supervision functions.

59. MDLF demonstrates a documented track record of operating the GRM in practice. Complaints received at the municipal level or directly by MDLF are systematically logged, screened, tracked, and resolved within defined time frames. A consolidated grievance log covering recent projects has been maintained and reviewed, showing how 28 concerns related to E&S were addressed, escalated when necessary, and closed in the past three years. MDLF uses this information to identify systemic issues, strengthen supervision, and inform updates to E&S procedures. However, grievance statistics and tracking are not publicly disclosed through a registry.

60. At the project level, MDLF requires each executing entity to establish and operate a project-specific GRM as a precondition of funding approval. MDLF assesses the adequacy of these mechanisms during appraisal, confirms the appointment of grievance focal points, verifies public disclosure of grievance channels, and reviews the availability of complaint forms, hotlines and physical complaint boxes. MDLF reinforces these requirements through training and orientation activities for executing entities, and regular field supervision conducted by MDLF social specialists and technical staff. In terms of track record, the World Bank-supported project, MDP4, demonstrated that a public process exists for complaint recording and that communities are provided with information and guidance on how to raise issues related to project activities.

61. Communication with stakeholders begins during programme appraisal and continues through implementation and closure. MDLF facilitates consultations during the preparation of E&S management frameworks, stakeholder engagement plans and related instruments, ensuring that affected communities receive clear information on project risks, mitigation measures, grievance options and monitoring arrangements. During implementation, MDLF communicates E&S requirements to municipalities, contractors and consultants through bidding documents, induction meetings, site supervision and formal correspondence. Public disclosure of E&S documents occurs at both national and local levels, including municipal noticeboards, websites and social media platforms. The applicant has provided a signed commitment letter confirming alignment with the GCF Information disclosure policy, including disclosure requirements for categories A and B.

62. The AP finds that the applicant's system of external communications, consultations, information disclosure and GRM, supported by evidence of its track record, partially meets the GCF revised Environmental and social policy to the extent applicable to accreditation, GCF interim ESS standards and the 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. The relevant gaps are identified in paragraphs 58 and 59 and are reflected by the corresponding conditions for accreditation in section 4.2.

### 3.3 Gender

63. The applicant demonstrates an institutional commitment to gender equality and women's empowerment through a cross-cutting approach embedded in its ESP and operationalized across its programmes. This commitment is consistent with the Government of Palestine's state-wide gender policies and strategies, including the national strategy for gender equality from 2011 and commitments led by the Ministry of Women's Affairs. The applicant's approach to gender mainstreaming in municipal finance and local service delivery is further aligned with the State of Palestine's international obligations under the Convention on the Elimination of All Forms of Discrimination against Women, to which the State of Palestine is a Party.

64. MDLF acts as the implementing agency of the Ministry of Local Government in terms of its policies and national strategies, including gender, youth, and social accountability frameworks, and it translates these commitments into programme and project-level requirements for municipalities. The ESP integrates principles of non-discrimination, equal opportunity, inclusion of vulnerable groups and prevention of SEAH, requiring that gender considerations be addressed throughout project identification, design, implementation and supervision.

65. This commitment is reflected in established programme practices that promote women's participation and equitable access to benefits. The ESP requires the integration of gender considerations and the collection of sex-disaggregated data where relevant, and mandates that municipal strategic development planning processes supported by MDLF apply minimum participation thresholds for women, set at no less than 30 per cent for planning processes and committees. The ESP further requires the inclusion of women and other marginalized groups in stakeholder consultations, and promotes the identification and prioritization of investments that respond to their specific needs and priorities.

66. MDLF further reinforces these processes and participation procedures through guidance and capacity-building initiatives, including the social inclusion and citizenship package and social accountability tools, which aim to institutionalize inclusive, gender-responsive planning and service delivery within local authorities. Programme-level GRMs include channels for gender-based violence/SEAH-related complaints and confidentiality provisions, which align in principle with gender-sensitive stakeholder engagement and accountability requirements.

67. At the institutional level, MDLF articulates internal commitments to equal opportunity and to a workplace free from discrimination, harassment and sexual harassment. Gender-related responsibilities are held within the Strategic Planning Department and Technical Department. Gender-related responsibilities are led by an in-house Social Specialist, who oversees gender mainstreaming, social risk management and stakeholder engagement across MDLF-supported programmes. This function is supported by six programme-based social consultants engaged under specific donor-financed operations, providing additional implementation capacity where required. MDLF staff and programme-based social consultants have benefited from donor-led and programme-specific training on environmental and social safeguards, stakeholder engagement, gender inclusion and grievance handling. This has supported consistent application of gender-responsive approaches across MDLF-supported operations.

68. The applicant describes a track record of programme-level practices intended to support women's participation, including vulnerability assessments, women-focused consultation mechanisms, social accountability initiatives and training efforts reaching women participants over time. As an example, the applicant's social inclusion and citizenship package includes an assessment of gender inclusion across municipal functions and the project implementation cycle. The AP notes that this reflects operational experience incorporating gender considerations through municipal processes, and familiarity with donor requirements where gender and inclusion expectations are embedded in programme frameworks. Grievance

mechanisms and complaints guidance are also in place, including channels for gender-based violence/SEAH and protections related to confidentiality.

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

## IV. Conclusions and recommendation

### 4.1 Conclusions

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

- (a) Increasing the portfolio of direct access entities to GCF, particularly as the applicant is the first such entity from the State of Palestine and that it works in the West Bank and Gaza, fragile and conflict-affected areas;
- (b) The indicative projects/programmes that the applicant intends to submit to GCF within the scope of accreditation recommended by the AP in paragraph 72 below;
- (c) Alignment of said indicative pipeline with country programming priorities;
- (d) Potential contribution to the adaptation and mitigation balance in the GCF portfolio since the applicant is capable of programming in mitigation, adaptation and cross-cutting activities, and of supporting diversity in GCF result areas such as energy access, livelihoods and infrastructure;
- (e) Mobilizing climate finance at scale since the applicant is being recommended for accreditation in the medium-sized category; and
- (f) Addressing the interests of particularly vulnerable groups.

71. Following its assessment, the AP concludes the following in relation to the application with respect to the applicant's ability to meet the GCF accreditation standards identified in paragraph 14 above:

- (a) The applicant partially meets the requirements of the GCF basic fiduciary standards, and to the extent applicable to accreditation, the GCF Policy on the Protection of Whistleblowers and Witnesses, the GCF Policy on Prohibited Practices, and the GCF AML/CFT Policy. The gaps relate to operationalizing the applicant's audit committee terms of reference, completing actions related to external quality assessment of the applicants' internal audit function, operationalization of the applicants AML/CFT policy and policies and procedures with respect to provisions on public information disclosure. The gaps are identified in paragraphs 21 and 33 above, and are addressed by the corresponding conditions for accreditation in section 4.2 below;
- (b) The applicant meets the GCF specialized fiduciary standard for project management and the specialized fiduciary standard for grant award and/or funding allocation mechanisms;
- (c) The applicant partially meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation, GCF interim ESS standards and the GCF Information disclosure policy on disclosure of E&S information in relation to the maximum E&S risk category A/I-1. The gaps relate to the limited implementation of the newly adopted ESP, lack of overall assessment of ESMS, and lack of an independent and predictable GRM. The gaps are identified in paragraphs 53, 54, 55, 58 and 59 above, and are addressed by the corresponding condition for accreditation in section 4.2 below;

- (d) The applicant has demonstrated that it has a policy, procedures and competencies in order to implement its gender policy, which is found to be consistent with the GCF updated Gender Policy to the extent applicable to accreditation, and has demonstrated that it has experience in gender consideration in the context of climate change; and
- (e) The applicant has demonstrated that it has institutional-level systems, capacities and competencies regarding evaluation as required by the aforementioned GCF basic and specialized fiduciary standards and interim ESS standards that would enable it to implement the GCF Evaluation Policy for its GCF-funded activities.

## 4.2 Recommendation on accreditation

72. The AP recommends, for consideration by the Board, APL165 for accreditation as follows:

- (a) **Accreditation type:**
  - (i) **Maximum size of an individual project or programme:** medium;
  - (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
  - (iii) **Maximum environmental and social risk category:** high risk (category A/I-1)
- (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) Condition to be met by the applicant prior to the issuance by GCF of a certificate/confirmation of accreditation under the transitional arrangements adopted in paragraph (m) of decision B.42/13 (in connection with the revised accreditation framework adopted in paragraph (a) of decision B.42/13):
    - (1) Delivery to GCF by the applicant of evidence, in a form and substance satisfactory to the AP, of its operational grievance redress mechanism, including the provision of a public registry of complaints;
  - (ii) Conditions to be met by the applicant prior to the submission of the first funding proposal to the Board:
    - (1) Delivery to GCF by the applicant, in a form and substance satisfactory to the AP, of a progress report from the applicant's Board (or audit committee) on the approved action plan from the external quality assessment of the applicants' internal audit function; and
    - (2) Delivery to GCF by the applicant of evidence, in a form and substance satisfactory to the AP, of a review by the applicant's internal auditor of the operationalization of the applicant's AML/CFT policy, procedures and controls that includes a review of (i) the applicant's due diligence on contractors, vendors and subgrantees, including beneficial ownership screening; and (ii) internal processes and procedures evidencing reduced reliance on the applicant's banking partners;

- (iii) Condition to be met by the applicant prior to the submission of the first funding proposal with E&S risk category A/I-1 to the Board:
  - (1) Delivery to GCF by the applicant, in a form and substance satisfactory to the AP, of evidence of an environmental and social management framework describing the applicant's project-specific approach to E&S risk and impact categorization, mitigation and management, as well as E&S monitoring and reporting; and
- (iv) Conditions to be met by the applicant prior to the first disbursement by GCF for the first approved project/programme to be undertaken by the applicant:
  - (1) Delivery to GCF by the applicant, in a form and substance satisfactory to the AP, of:
    - a. A final report of an independent ESMS effectiveness review prepared by a qualified independent third party which shall have assessed the implementation of the applicant's ESMS and which report should include examples of the application of the ESMS and provide lessons learned; and
    - b. Evidence of the development and implementation of a targeted capacity-building plan for the applicant's environmental and social safeguards staff on the applicant's environmental and social policy, including training on risk management and independent supervision of high-risk projects.

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

### 4.3 Remarks

74. The applicant is in the process of ensuring that its Finance and Audit Committee is composed of a minimum of three members and operating as per its stipulated duties including reporting matters to the BoD and assessing the performance of its internal audit function.

75. The applicant is encouraged to incorporate reference to coercive and collusive practices in its definitions of prohibited conduct in its Code of Professional Ethics.

76. The applicant is encouraged to enter a memorandum of understanding with the GCF Independent Integrity Unit for further support in areas such as operationalizing its regulations on prohibited practices and associated policies and procedures, and collaboration on investigative activities, should the need arise.

77. The applicant is encouraged to maintain a registry of staff and counterparty training in its policies and a register of conflicts of interest disclosures.

78. The applicant is encouraged to publish on its website, all core policies applicable to associated parties, such as for procurement.

79. The applicant is encouraged to revise its Board Procedures Manual to align it with current policies and practices as applicable.

80. The applicant is encouraged to continue to institutionally strengthen its Technical Department, as MDLF scales its activities and applies its ESMS beyond donor-driven programme contexts.

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