

**CONSULTANCY SERVICES FOR ADDRESSING THE DEVELOPMENT FINANCE
CORPORATION OF BELIZE'S ACCREDITATION GAPS**

TERMS OF REFERENCE

1. BACKGROUND

1.1 The country of Belize is highly exposed and vulnerable to climate change and natural hazards. Among small states, Belize ranks 3rd at risk for natural disasters, and 5th at risk from climate change. It already faces hurricanes, flooding, sea-level rise, coastal erosion, coral bleaching, and droughts, with impacts likely to intensify based on climate change projections. Belize's annual average loss from wind-related events and floods averages just under USD123 million (mn), or 7 percent (%) of Gross Domestic Product (International Monetary Fund [IMF], 2018). Of that USD123 mn, roughly USD88 mn is the estimated replacement value associated with direct, physical damage. Most of the northern half and much of the southern third of the country, plus the entire coastal area and all the islands, are flat and low-lying. Large sections of the coastline have an elevation of less than one meters to several kilometres inland. The primary impact of climate change is expected to be large-scale inundation from sea-level rise and from more severe storm surges. Belize's major infrastructure such as public buildings, health, commercial, and transportation facilities are located on or near the coast which makes them extremely susceptible to sea-level rise.

1.2 Belize's national climate change policy and planning documents highlight the country's commitment to making its territory and people resilient to climate variability and change. The country also remains keen on contributing to global efforts to keep mean temperature increase below two Degrees Celsius. The Nationally Determined Contribution (NDC) highlights Belize's efforts to source 75% of its energy needs from renewable energy by 2030. This is mainly to be achieved by implementing hydropower, solar, wind, and biomass energy resources. In addition, the country intends to reduce the use of fossil fuels by 15% by improving efficiency in the transport sector. The NDC also emphasises the country's intention to improve its carbon capture and storage capacities via improved and sustainable forest management, reduction of fuel wood consumption by 27% to 66% and protection and restoration of mangrove forests. Targets set out in the NDC are complemented by the government's National Climate Change Policy, Strategy and Action Plan (NCCPSAP), the National Adaptation Strategy (Agriculture sector) and the Low Carbon Development Roadmap (LCDR). These policy instruments are supported by the Growth and Sustainable Development Strategy (GSDS) which is Belize's medium-term development plan. The GSDS recognises the importance of achieving sustainable development in a changing climate and is aligned with the NDC, NCCPSAP and LCDR.

1.3 In an effort to ensure Belize's ambitious climate change agenda, the country is promoting the engagement of the private sector in climate finance, in part, through an ongoing CDB supported Readiness project "Strengthening Belize Private Sector Access to Climate Finance (BZE-RS-004)". Additional private engagement will likely lead to an increase in requests for GCF financial support within Belize, especially tailored to micro, small, and medium-sized enterprises (MSMEs). One of the keys to mobilise climate funding at scale, is to leverage the unique position of national development and financial institutions (DFIs) that sit at the nexus of entrepreneurship and capital for the creation of economic and social goods and services. Building DFIs capacity to access and deploy climate funds from various sources, in particular the Green Climate Fund (GCF) can facilitate climate smart investments and delivery of gender-responsive climate finance directly into local economies.

1.4 To address the scaling up of climate funding in the country, Belize's National Designated Authority (NDA), Ministry of Finance, Economic Development and Investment, has nominated the Development Finance Corporation (DFC) for GCF accreditation as a Direct Access Entity (DAE). DFC

is Belize's development bank. Its purpose is to expand and strengthen the economy of the country by providing funding on an economically sustainable and environmentally acceptable basis, for individuals or groups of individuals, seeking financing for specifically approved purposes, on reasonable terms and conditions. DFC is wholly owned by the Government of Belize under the responsibility of the Ministry of Finance, Economic Development, and Investment.

1.5 DFC has been the beneficiary of several GCF readiness grants related to accreditation, notably in 2018, through the Caribbean Community Climate Change Centre (CCCCC), in "Building Capacity for Direct Access to Climate Finance (BLZ-RS-002)", and in 2019, by a GCF funded "Gap Assessment" undertaken by PricewaterhouseCoopers (PwC). The latter provided the groundwork for a third readiness package for the DFC, with support from CDB "Belize Development Finance Corporation Capacity Strengthening for Accreditation to the Green Climate Fund (BLZ-RS-005)" whose aim is to close the accreditation gaps identified by PwC.

1.6 The accreditation gaps identified by PwC and outlined in the activities of BLZ-RS-005 include improving items related to the GCF's basic fiduciary standards and environmental and social safeguards for accreditation. GCF's accreditation framework require entities to demonstrate compliance with standards through institutional capacities, policies, and track record, according to the type of accreditation they are seeking. DFC is seeking to become accredited to on-lend/blend projects in medium size, with and environmental and social risk of category B.

2. OBJECTIVE

2.1 The overall objective of the consultancy is to ensure DFC's accreditation application can withstand the rigor of the GCF's Secretariat and the Accreditation Panel, through supporting the bank to submit the most complete application. The consultancy will achieve this objective by reviewing the supporting documentation identified by PwC and other documents, suggesting modifications to the DFC's policy framework, deliver manuals, and undertake capacity building exercises to demonstrate compliance with GCF's accreditation standards.

3. SCOPE OF SERVICES

3.1 The Consultancy firm will be required to undertake the following tasks and activities:

- (a) Review the Gap Assessment and Action Plan prepared by PwC, the supporting evidence prepared in that assignment, and determine the DFC's current compliance with the GCF's accreditation standards.
- (b) Prepare a document that outlines a strategy for addressing the gaps, including which policies and internal documentation require modification with special attention to the updating of the following:
 - (i) Internal Audit Framework.
 - (ii) Investment Policy and Asset and Liability Management.
 - (iii) Procurement framework, including guidelines and selection committees.
 - (iv) Policies related to external stakeholder engagement and communication inclusive of an operational Grievance Redress Mechanism (GRM).
 - (v) Environmental and Social Safeguards Management System (ESMS).

- (c) Propose and develop the required documents detailed below, in coordination with DFC's focal points and the Project Coordinator, to ensure the Corporation's policy framework is following the GCF's accreditation standards. Ensuring the following:
 - (i) Internal buy-in of the proposed policy modifications.
 - (ii) Support internal areas and DFC Focal Point through the process of attaining approval for upgraded policies and systems that adhere to GCF's Accreditation Standards.
 - (iii) Provide presentations and support materials to facilitate DFC's approval of upgraded policies and systems.
- (d) Provide adequate training and develop training materials that will allow the DFC to successfully operate under the upgraded policy framework.
- (e) Support the DFC, in coordination with the Focal Point, to organise the supporting documentation to be submitted in the GCF's Digital Accreditation Platform (DAP) and remain available, post-consultancy, to advise the DFC during the consultation period of the Secretariat and the Accreditation Panel review (for a period of 6-8 months).
- (f) Advise the DFC on the accreditation fees, if any, they are to disburse to the GCF prior to the commencement of the Secretariat's completeness assessment; inclusive of payment process and requirements.
- (g) Advise the NDA, DFC and CDB, if during the implementation period of the Consultancy, the GCF Board approves changes to the accreditation framework and how it may affect the DFC's accreditation. Where possible, modify the complete Accreditation Submission package to meet required changes

Specific Scope of Works

3.2 Internal Audit Framework

- (a) Review the DFC's current internal audit function, including the interface with the Board Audit Committee to identify any gaps and areas for improvement.
- (b) Develop an Internal Audit Manual (consistent with International Standards for the Professional Practice of Internal Auditing Standards) setting out guidelines for the execution of financial or operational audits, including guidelines for procurement auditing, giving particular significance to risk-based auditing approaches in line with international best practice.
- (c) Development of a quality assurance and improvement programme to continuously evaluate and improve the Internal Audit function.
- (d) Review the size and structure of the internal audit unit and Board Audit Committee and prepare recommendations for the unit that will support the DFC's effort for GCF accreditation.
- (e) Provide guidance on identifying and defining issues and risk areas, developing criteria, reviewing, and analysing evidence of audit assignments, developing recommendations for improvement in controls and establishing protocols for the effective review, approval

implementation and monitoring of audit recommendations at the Management and Audit Committee levels.

- (f) Train staff on new audit policies, process of carrying out audit planning and coordination of tasks and processes of the audit functions in line with the new Internal Audit Manual.

3.3 Investment Policy and Asset and Liability Management

(a) *Investment Management Policy*

- (i) Review any existing investment protocols currently in use by the DFC to identify gaps and opportunities for improvement of the investment function.
- (ii) Develop Investment Management Policies and Procedures relevant to DFC to guide its investment decisions.
- (iii) Define the roles and responsibilities of all relevant parties and assign such accordingly.
- (iv) Establish for all relevant parties a clear understanding of the investment goals, parameters and objectives with respect to the assets under management.
- (v) Establish a basis for evaluating investment results.
- (vi) Establish a relevant investment time horizon for which the assets will be managed.
- (vii) Develop core responsibilities for DFC's Board of Directors, Finance and Audit Committees, and Investment Advisor(s) and Manager(s).

(b) *Assets and Liability Management Framework and Asset and Liability Committee (ALCO)*

- (i) Develop policies for adequate Asset and Liability Management with specific focus on an optimal structure for DFC's Balance Sheet and capital structure, capital adequacy, liquidity policy, pricing, risk diversification, and performance indicators including to ROI, ROE, ROA, DSCR, Interest Coverage and other applicable indicators.
- (ii) Provide guidance on the appointment and composition of the members of the ALCO, and its interface with Senior Management with related functional responsibilities and how meetings of the Committee should be conducted including reporting requirements.
- (iii) Document the roles and responsibilities of the ALCO and relevant Senior Management taking into consideration issues related to balance sheet planning, risk parameters, capital adequacy, asset and liability management, investment policy, liquidity management, financial management, funding requirements and pricing strategy based on the average cost of funds and any other areas identified by the consultancy firm.

- (iv) Recommend the appropriate training and professional development programme(s) for ALCO members, Senior Management and Treasury personnel to ensure the requisite skills are in place to manage the function, monitor and control risk.

3.4 Procurement framework, including guidelines and selection committees

- (a) Review current procurement guidelines in use by the corporation to identify gaps and opportunities for improvement of the procurement function.
- (b) Development of a Procurement Policy to be included in DFC revised Accounting Manual that captures the following:
 - (i) Roles and Responsibilities of Board of Directors (BOD) and Executive Management and other relevant personnel;
 - (ii) Authorisation Limits;
 - (iii) Types of Procurement;
 - (iv) Conflict of Interest;
 - (v) Evaluation Process;
 - (vi) Oversight of Procurement Functions; and
 - (vii) Control/oversight of Procurement undertaken by Executing Entities.
- (c) Develop Procurement Procedures and Guidelines that incorporate the following:
 - (i) Summary of Procurement type and methods;
 - (ii) Procurement Planning by types and methods, including guidelines for direct material and services procurement that may not require an open tender process;
 - (iii) Bid evaluation based on different criteria;
 - (iv) Draft Statement of Works and Terms of References;
 - (v) Reporting and archiving procurement activities;
 - (vi) Contract management including types of contracts and their termination requirements, and documentation of contract variations;
 - (vii) Time considerations on complaints management; and
 - (viii) Publishing of awards.
- (d) Ensure that procurement guidelines are aligned with international best practices taking into consideration the procurement procedures of International Financial Institutions such as the World Bank/International Finance Corporation (IFC), Caribbean Development Bank (CDB), Inter-American Development Bank (IDB), and European Investment Bank (EIB).
- (e) Interface with the experts undertaking the development of an Internal Audit Manual (as set out at 3.2 (b) above, that set guidelines for the execution of financial and operational audits, along with guidelines for internal audit reports on procurement.
- (f) Conduct detailed training on the new procurement policy and guidelines for DFC management and staff, which will include preparation of training materials, a training completion report and a post training assessment.

3.5 Policies related to external stakeholder engagement and communication

- (a) Development of a Stakeholder Engagement and Communications Policy for the DFC and document procedures for its internal and external communications function, including the use of all relevant media applicable to the operations of the DFC.
- (b) Develop procedures for publishing information about the beneficiaries and results at the project/programme level for GCF funded projects and programmes - giving due consideration to customer confidentiality obligations and within the applicable national laws.
- (c) Develop a Grievance Redress Mechanism (GRM) within the Stakeholder Engagement Policy with procedures for addressing customer complaints/ grievances relating to the corporation and its projects in an efficient, transparent and timely manner.
- (d) Develop a register of client inquiries/complaints and the corporation's responses deriving therefrom.
- (e) Interface directly with the consultant(s) developing the Environment and Social Management System for the DFC to ensure that the Communications Policy to be developed is consistent with the objects of the ESMS.
- (f) Conduct a training session for DFC management and staff in the use and application of the Communications Policy, inclusive of a training report and both pre and post training evaluation and assessment activities.

3.6 Environmental and Social Management System (ESMS)

- (a) Conduct extensive stakeholder engagements including indigenous populations and ensure gender equity in the development of the ESMS
- (b) Develop and provide a formal institutional Environmental and Social (E&S) policy that:
 - (i) Includes an overarching statement of the E&S objectives and principles guiding the institution.
 - (ii) States the E&S standards of the institution which must adhere to the laws of Belize and Belize's obligations under international law.
 - (iii) Indicates who within the institution will ensure conformance with the policy and be responsible for its execution.
 - (iv) Is consistent with the IFC Environmental and Social Performance Standards 1 to 8; and other GCF applicable standards.
 - (v) Is endorsed by management and is communicated within the organisation.
- (c) Design and document an institutional E&S risk and impacts identification and assessment procedure that is consistent with GCF's Performance Standards and is applied to all of DFC's projects/programmes, and which specifies the responsibilities for implementation. Include an E&S risk categorisation framework (e.g., A – high risk, B – medium risk, C –

low risk) in the new institutional E&S risks and impacts identification and assessment procedure. Apply same retrospectively to a sample of existing DFC financed projects and document the results of such evaluation with appropriate recommendations correct existing gaps, and to guide future interventions.

- (d) Build on current practices to meet the requirements established by the Belize Department of Environment so that the procedures that are developed meet national legal requirements and are in line with good international practice.
- (e) Provide documented guidance and procedures for managing mitigation measures and actions stemming from an E&S risk identification process, including a structured risk monitoring plan, that meets the requirements established by Belize's Department of Environment and that is in line with national legal requirements and international best practice.
- (f) Develop and provide policies and practices relating to Internal Audit (conducted by external experts) on institutional E&S risk management programme effectiveness.
- (g) Prepare and provide an organogram (complete with reporting lines) and job descriptions of responsibilities of key E&S personnel in the DFC along with the curriculum vitae (CVs) of persons currently responsible for these roles.
- (h) Develop an institutional system dedicated to the monitoring of mitigation and performance improvement measures and a document containing the internal processes, along with clearly defined roles/responsibilities and timelines, to support a monitoring system that tracks and ensures completion of mitigation and performance improvement measures.
- (i) Develop and conduct a training programme in the use of the new E&S System for DFC management and staff, inclusive of a training report, and both pre and post training evaluation and assessment activities.

4. DELIVERABLES

4.1 The Consultant firm will be required to submit, in a timely manner, the following:

- (a) An Inception Report with Detailed Work Plan submitted to CDB within two (2) weeks after executing the contract in electronic format.
- (b) An interim report (within six weeks from contract execution) that outlines the Consultancy Firm's assessment of DFC's status for accreditation application relative to the gaps identified by PwC and propose a strategy and detailed plan to ensure the application can withstand the rigor of the GCF's Secretariat and Accreditation Panel (AP) review.
- (c) Propose the necessary documentation within four (4) months of the execution of the contract to ensure the application addresses the gaps identified by PwC. The deliverables will be in form of final drafts accepted by the CDB and DFC, and should at least include following:
 - (i) Establishment and operationalisation of an Asset and Liability Committee.

- (ii) Development and operationalization of a formal Investment Management Policy.
- (iii) An Internal Audit Manual or Policy, that provides guidelines for financial and operational audits, internal audit reports, and procurement audits.
- (iv) A Procurement Policy and Procurement Procedures and Guidelines that allows the DFC to undertake procurement processes efficiently, economically, fairly, and transparently, along with publishing of results and grievance mechanisms.
- (v) A communication policy or similar document that will allow the DFC to provide stakeholders with a channel for voicing grievances, a register of complaints, and public disclosure of information related to the Bank's beneficiaries and GCF funded projects and programmes.
- (vi) An Environmental and Social (E&S) System that will allow the DFC to effectively assess any environmental and social risks during its lending cycle that its aligned with the national climate change and sustainability commitments; develop an E&S management system that will allow the bank to identify, evaluate, categorise, and manage potential risks and impacts of its lending operations and address the IFC's performance standards; provide manuals, forms, and sectorial guidelines that will allow the DFC's personnel to effectively assess and monitor E&S risks and impacts; develop an E&S monitoring and evaluation framework that will allow the DFC to progressively gauge the efficiency and effectiveness of the E&S management system; provide DFC with job descriptions and task assignments of personnel involved in E&S assessment and monitoring.

4.2 Provide a series of documented training exercises (complete with all relevant training assessments) within seven (7) months to ensure that each modified policy instruments and new approved documentation is thoroughly instituted throughout DFC's management and staff, with special attention to the following:

- (a) Internal Audit framework
- (b) Investment Policy and Asset and Liability Management
- (c) Procurement Framework
- (d) Policies related to external stakeholder engagement and communication
- (e) Environmental and Social Safeguards

4.3 A final report, within nine (9) months, in the form of an Action Plan to detail the next steps DFC will need to address during the post-submission, including potential recommendations for future readiness support, capacity strengthening, and other activities related to engagement with the GCF. The report must also detail DFC's level of experience, track record and applicability.

5. QUALIFICATIONS AND EXPERIENCE

5.1 The Consultancy firm will provide a set of persons having appropriate professional and academic qualifications to undertake the assignment, and will be evaluated based on the following:

- (a) A Team Leader with previous experience in accreditation of climate funds, with preference in GCF accreditation, at least six (6) years of experience working in development finance institutions and thorough knowledge of financing of developing initiatives.

- (b) A sectoral specialist with knowledge of internal financial controls, financial risk management, corporate governance, and/or internal audits, with at least six (6) years of experience working with financial institutions.
- (c) A sectoral specialist in Procurement, with preference of having applied knowledge in public procurement processes in multilateral development institutions, at least four (4) years of experience.
- (d) A specialist with a background in stakeholder engagement mechanisms and information disclosure, with preferred experience in managing grievances.
- (e) A sectorial expert in application of IFC performance standards at an institutional level, with prior experience in improving environmental and social management systems.
- (f) A specialised firm or set of proposed consultants with field knowledge on the application of environmental and social safeguards¹ and thorough understanding of the E&S appraisal, categorisation, management, and monitoring process. Demonstrated experience in the development and implementation of ESMS Frameworks for DFIs in Small Island Developing States and in particular the CARICOM and/or Central American region. Particularly, the REOI will be evaluated on the proposed E&S team under the following:
 - (i) A seasoned E&S expert with over 10 years of experience in drafting E&S policies, (inclusive of indigenous, gender considerations).
 - (ii) An E&S expert with field experience, especially work in the Caribbean and/or Central America, in identifying, categorizing, and appraising E&S risks and impacts.
 - (iii) An E&S expert with experience in implementing environmental and social action plans, with preference to those with experience in the financial services industry.
 - (iv) One team member must be based in Belize and possess working knowledge of the Belizean private sector.

5.2 Special Consideration for E&S work:

- (a) Firm or set of proposed consultants with required expertise may be sub-contacted.
- (b) The Consultant Team may propose a work structure that may include other experts and specialists to support the engagement with the DFC and preparation of the documents.

6. DURATION

6.1 The Consultancy is to be implemented over a period of ten (10) months.

¹ Or other internationally accepted E&S standards accepted by the GCF