

**GREEN
CLIMATE
FUND**

Meeting of the Board
12 – 14 November 2019
Songdo, Incheon, Republic of Korea
Provisional agenda item 17

GCF/B.24/06

25 October 2019

Matters related to the accreditation framework

Summary

In decision B.22/16, the Board decided to streamline the accreditation process in order to accelerate the review and consideration of entities applying for accreditation. In decision B.23/11, paragraph (c), the Board agreed to the principle of the project-specific assessment approach, as contained in section VII in annex II to document GCF/B.23/05, that combines assessments undertaken during the existing accreditation and proposal approval processes in a fit-for-purpose manner. In paragraph (d) of the same decision, the Board decided to defer its consideration of the updated accreditation framework and the implementation arrangements and budget for the project-specific assessment approach until its twenty-fourth meeting. This document presents the re-accreditation process for accredited entities and the project-specific assessment approach for the Board's consideration.

Table of Contents

I.	General mandate	1
II.	Recommended action by the Board	1
III.	Linkages with decisions and other documents	2
IV.	Draft decision	3
V.	Re-accreditation process for accredited entities	4
VI.	Project-specific accreditation approach	5
VII.	Letter to Co-Chairs of the Board	5
	Annex I: Draft decision of the Board	6
	Annex II: Re-accreditation process for accredited entities	7
	Annex III: Pilot framework for the GCF project-specific assessment approach	14
	Annex IV: Letter from the Chair of the Accreditation Committee to the Co-Chairs of the Board	24

I. General mandate

1. In decision B.07/02, paragraph (a), the Board adopted the initial guiding framework for the GCF accreditation process. In decision B.18/04, paragraph (a), the Board decided to commence the review of the accreditation framework. In paragraph (b) of the same decision, the Board requested the Secretariat to present a proposal for the revision of the accreditation framework that includes other modalities for institutions to work with GCF, as early as the nineteenth meeting of the Board.
2. In decision B.19/13, paragraph (e), the Board requested the Secretariat to further develop the project-specific assessment approach (PSAA), taking into account the views of Board members and as part of the proposals from the full review of the accreditation framework, for the Board's consideration at its twentieth meeting (see annex II). The Secretariat prepared document GCF/B.20/17 titled "Accreditation framework review, including the project specific framework approach" and document GCF/B.21/08 titled "Accreditation framework review" for the Board's consideration at its twentieth and twenty-first meetings, respectively; however, the relevant agenda items were not discussed at these meetings. The Secretariat prepared document GCF/B.22/14 on the accreditation framework review, which was presented to the Board at its twenty-second meeting.
3. In decision B.22/16, the Board decided to streamline the accreditation process in order to accelerate the review and consideration of entities applying for accreditation. In the same decision, the Board requested the Accreditation Committee, with the support of the Secretariat, to consult with the Board and alternate members, accredited entities (AEs) and national designated authorities (NDAs) and focal points on matters related to the review of the accreditation framework as contained in annexes XI and XII to that decision, and present an updated accreditation framework for consideration and adoption by the Board at its twenty-third meeting.
4. Taking into account feedback received from the Board, AEs and NDAs/focal points, the Accreditation Committee presented its proposal for the updated accreditation framework (document GCF/B.23/05) for the Board's consideration at its twenty-third meeting. In decision B.23/11, paragraph (c), the Board agreed to the principle of the PSAA, as contained in section VII in annex II to document GCF/B.23/05, that combines assessments undertaken during the existing accreditation and proposal approval processes in a fit-for-purpose manner. In paragraph (d) of the same decision, the Board decided to defer its consideration of the updated accreditation framework and the implementation arrangements and budget for the PSAA until its twenty-fourth meeting.
5. Taking into account decision B.23/11, paragraph (d), as well as comments received during consultations with AEs with effective accreditation master agreements (AMAs)¹ held from 9 to 27 September 2019, this document presents the re-accreditation process for AEs and the PSAA for the Board's consideration.

II. Recommended action by the Board

6. It is recommended that the Board:
 - (a) Take note of the information presented in document GCF/B.24/06 titled "Matters related to the accreditation framework"; and
 - (b) Adopt the draft decision contained in annex I.

¹ Clause 32.04 "Changes to Policies and Procedures" of the template AMA considered by the Board in decision B.12/31.

III. Linkages with decisions and other documents

7. This document has actual or potential linkages with the following items:
- (a) “Guiding framework and procedures for accrediting national, regional and international implementing entities and intermediaries, including the Fund’s fiduciary principles and standards and environmental and social safeguards” (decision B.07/02);
 - (b) “Guidelines for the operationalization of the fit-for-purpose accreditation approach” (decision B.08/02);
 - (c) “Policy on the Protection of Whistleblowers and Witnesses” (decision B.BM-2018/21);
 - (d) “General Principles on Prohibited Practices” (Exhibit A of the AMA template considered in decision B.12/31);
 - (e) “Policy on Prohibited Practices” (decision B.22/19);
 - (f) “Anti-Money Laundering and Countering the Financing of Terrorism Policy” (decision B.18/10);
 - (g) “Standards for the Implementation of the Anti-Money Laundering and Countering the Financing of Terrorism Policy” (decision B.23/15);²
 - (h) “Environmental and social management system: Environmental and Social Policy” (decision B.19/10);
 - (i) “Gender policy and action plan” (decision B.09/11);
 - (j) “Updated Gender Policy and Action Plan” (GCF/B.24/XX);³
 - (k) “Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment” (decision B.23/16);⁴
 - (l) “Assessment, including gap analysis, of institutions accredited by other relevant funds” (decision B.08/03);
 - (m) “Identification of relevant potential international private sector best-practice fiduciary principles and standards and environmental and social safeguards” (decision B.08/05);
 - (n) “Country programming, readiness and preparatory support” (decision B.13/32);
 - (o) “Application documents for submissions of applications for accreditation” (decision B.08/06);
 - (p) “Policy on fees for accreditation of the Fund” (decision B.08/04);
 - (q) “Comprehensive information disclosure policy of the Fund” (decision B.12/35);
 - (r) “Consideration of accreditation proposals” (decisions B.09/07, B.10/06, B.12/30, B.14/09, B.14/10, B.14/11, B.15/09, B.17/13, B.18/05, B.21/16 and B.22/09);
 - (s) “Legal and formal arrangements with accredited entities” (decision B.09/08);

² Decision B.23/15, paragraph (b), requests the Accreditation Committee, in consultation with the Head of the Independent Integrity Unit, to consider the best way to integrate the Standards for the Implementation of the Anti-Money Laundering and Countering the Financing of Terrorism Policy in the interim fiduciary standards and present to the Board a proposal for its consideration in 2019 as a matter of urgency. A proposal on integration has yet to be presented to the Board for its consideration.

³ To be considered by the Board at its twenty-fourth meeting.

⁴ Decision B.23/16, paragraph (b), requests the Accreditation Committee, in consultation with the Head of the Independent Integrity Unit, to consider the best way to update and amend, as appropriate, the requirements placed on accredited entities in the relevant standards, safeguards and policies of GCF so as to integrate the obligations set out in the policy. A proposal on the update or amendment has yet to be presented to the Board for its consideration.

- (t) “Accreditation master agreements” (decision B.12/31);
- (u) “Investment framework” (decision B.07/06);
- (v) “Initial results management framework of the Fund” (decisions B.07/04 and B.08/07);
- (w) “Use of other financial instruments” (decision B.08/12);
- (x) “GCF risk management framework” (decisions B.17/11, B.19/04 and B.23/14);
- (y) “Interim policy on fees for accredited entities” (annex II to decision B.11/10);
- (z) “Policy on fees” (annex VIII to decision B.19/09);
- (aa) “Additional modalities that further enhance direct access: Terms of reference for a pilot phase” (decision B.10/04);
- (bb) “Private Sector Facility: working with local private entities, including small and medium-sized enterprises” (decision B.09/09);
- (cc) “Private Sector Facility: potential approaches to mobilizing funding at scale” (decision B.09/09);
- (dd) “Recommendations for further accrediting national, regional and private sector entities (progress report)” (document GCF/B.10/Inf.12);
- (ee) “Policy matters related to the approval of funding proposals: Simplified approval process for certain small-scale activities” (decision B.18/06);
- (ff) “Initial monitoring and accountability framework for accredited entities” (decision B.11/10);
- (gg) “Strategic plan for the Green Climate Fund” (decision B.12/20);
- (hh) “Strategy on accreditation” (decisions B.13/19 and B.14/08);
- (ii) “Matters related to the accreditation framework and policy gaps: Co-Chairs’ proposal” (decision B.18/04);
- (jj) “Further development of the accreditation framework” (decision B.19/13);
- (kk) “Accreditation framework review, including the project specific framework approach” (document GCF/B.20/17);
- (ll) “Review of the accreditation framework” (decision B.22/16);
- (mm) “Updated accreditation framework” (document GCF/B.23/05); and
- (nn) “Strategy to increase funding proposals from direct access entities” (documents GCF/B.20/04 and GCF/B.20/04/Add.01).

IV. Draft decision

8. Given that this document focuses on the re-accreditation process and the PSAA, the Accreditation Committee discussed whether to include a request for the Independent Evaluation Unit to undertake a review of the following items, and to present a report with recommendations to the Board for its consideration no later than the twenty-fifth meeting of the Board:

- (a) The current portfolio of AEs and the extent to which it contributes to maximizing the impact of GCF and to delivering on the GCF mandate and objectives; and

- (b) Recommendation on the optimal mix of AEs that offer recipient countries optimal coverage in terms of access modality, type, geography, thematic areas/sectors and financial instruments.
9. An Accreditation Committee member wished to include this request in the draft decision, whereas another member indicated that this was not related to the re-accreditation process or PSAA. This document includes paragraphs 8(a–b) above in the draft decision text contained in annex I for the Board’s consideration.

V. Re-accreditation process for accredited entities

10. In decision B.23/11, paragraph (a), the Board decided that the accreditation process as defined in annex I to decision B.07/02 is considered complete when the AMA becomes effective in Stage III of the accreditation process, and that such date of effectiveness shall serve as the start of the accreditation term for all entities accredited to GCF, including those accredited prior to the date of this decision. With some AMAs having become effective as early as March 2016, the re-accreditation consideration by the Board would have to take place no later than March 2021 in order to prevent any gaps in accreditation status from the initial five-year accreditation period to the next (see the table below).

11. Annex II presents the re-accreditation process for AEs. If it is adopted by the Board, the Secretariat and the Accreditation Panel would take the necessary steps to operationalize it, including the preparatory work such as the development of re-accreditation application forms and updating the information technology systems on which applications would be processed. Once the underlying systems are in place, the re-accreditation process can be launched: AEs will prepare their re-accreditation applications, following which the Secretariat and the Accreditation Panel will conduct the relevant reviews to inform the recommendation to the Board. The Secretariat estimates that once the Board has approved the re-accreditation process, approximately one year would be needed to set up the initial systems and to start operationalizing the process resulting in recommendations to the Board. The time needed for setting up the relevant re-accreditation forms, guidance and systems based on a re-accreditation process is estimated to be six to nine months. Once set up and after receiving submissions from AEs, the time for review by the Secretariat and the Accreditation Panel is estimated to be between three and six months.

Number of accredited entities to seek and be considered for re-accreditation in various years, on the basis of the dates of accreditation master agreement effectiveness (as at 30 September 2019)

Number of AEs with effective AMAs	Date to begin re-accreditation process ^a	Re-accreditation consideration by the Board ^b
0	2019/early 2020	2020
8	2020/early 2021	2021
16	2021/early 2022	2022
14	2022/early 2023	2023
14	2023/early 2024	2024
To be determined upon AMA effectiveness. A total of 36 AMAs are under negotiation or are executed and pending AMA effectiveness	2024 and beyond	2025 and beyond

Abbreviations: AE = accredited entity, AMA = accreditation master agreement.

^a This date is assuming that the Board approves a re-accreditation process and sufficient time is available to finalize preparatory work, including the development of re-accreditation application forms and updates to the online accreditation system to receive such applications.

^b This date reflects the latest time frame for Board consideration in order to prevent any gaps in accreditation status from the initial five-year accreditation period to the next.

VI. Project-specific accreditation approach

12. In decision B.23/11, paragraph (c), the Board agreed to the principle of the PSAA, as contained in section VII in annex II to document GCF/B.23/05, that combines assessments undertaken during the existing accreditation and proposal approval processes in a fit-for-purpose manner. In response to paragraph (d) of the same decision, the Accreditation Committee has consulted with and received endorsement from the Budget Committee on the implementation arrangements and corresponding budget for the PSAA.

13. Annex III contains the proposed PSAA.

14. The Accreditation Committee maintains the recommendation to exclude category A/intermediation 1 projects/programmes from the PSAA, as it was contained in document GCF/B.23/05.

15. The Accreditation Committee discussed whether to include both entities not yet accredited to GCF and AEs that submit or have submitted funding proposals in relation to the PSAA that go beyond their existing accreditation scope. There being no consensus, the Accreditation Committee did not include in the scope of entities eligible to apply for the PSAA those AEs that submit or have submitted funding proposals in relation to the PSAA that go beyond their existing accreditation scope.

16. An Accreditation Committee member proposed that the PSAA should be eligible for any funding proposal, whereas another member indicated that the principle of the PSAA in decision B.23/11, paragraph (c), referred to applicability to three requests for proposals and the simplified approvals process. The Accreditation Committee has included in the PSAA the eligibility of any funding proposal, which is contained in annex III for the Board's consideration.

VII. Letter to Co-Chairs of the Board

17. Annex IV contains a letter from Mr. Richard Muyungi, Chair of the Accreditation Committee, addressed to the Co-Chairs informing them that the Accreditation Committee has approved this document and the Chair endorses its transmission to the Board.

Annex I: Draft decision of the Board

The Board, having considered document GCF/B.24/06 titled “Matters related to the accreditation framework”:

- (a) Requests the Independent Evaluation Unit to undertake a review of the following items and to present a report with recommendations to the Board for its consideration no later than the twenty-fifth meeting of the Board:
 - (i) The current portfolio of accredited entities and the extent to which it contributes to maximizing the impact of GCF and to delivering on the GCF mandate and objectives; and
 - (ii) A recommendation on the optimal mix of accredited entities that offer recipient countries optimal coverage in terms of access modality, type, geography, thematic areas/sectors and financial instruments;
- (b) Reaffirms the urgent need to develop a strategic approach to accreditation, to be included in the 2020–2023 Strategic Plan;
- (c) Adopts the re-accreditation process set out in annex II;
- (d) Recalls decision B.23/11, paragraph (c), wherein the Board agreed to the principle of the project-specific assessment approach, as contained in section VII in annex II to document GCF/B.23/05, that combines assessments undertaken during the existing accreditation and proposal approval process in a fit-for-purpose manner;
- (e) Decides, pursuant to decision B.23/11, to implement, on a pilot basis, a project-specific assessment approach that combines assessments undertaken during the existing accreditation and proposal approval processes in a fit-for-purpose manner, in accordance with the parameters set out in annex III;
- (f) Also decides that entities with funding proposals approved within the scope of the project-specific assessment approach set out in paragraph (e) above shall be deemed accredited for the purposes of such approved funding proposal only;
- (g) Requests the Secretariat to implement the approach referred to in paragraph (e) above starting no later than 1 June 2020, with the objective of submitting funding proposals that are within the scope of the project-specific assessment approach for the Board’s consideration as early as possible;
- (h) Approves, pursuant to paragraph (g) above, a budget of up to USD 600,000 under the administrative budget of the Secretariat for 2020 to cover the costs of the assessments of funding proposals submitted under the project-specific assessment approach and their related legal arrangements;
- (i) Requests the Secretariat to report to the Board on an annual basis on the operationalization and implementation of the approach referred to in paragraph (e) above; and
- (j) Decides that the Project Preparation Facility will support project and programme preparation requests from entities referred to in the project-specific assessment approach detailed in paragraph (e) above in addition to those entities already identified in decision B.13/21, paragraph (b), and that the provisions of decision B.13/21 shall apply mutatis mutandis to such entities.

Annex II: Re-accreditation process for accredited entities

1. In decision B.07/02, paragraph (a), the Board adopted the initial guiding framework for the GCF accreditation process. The accreditation term for an accredited entity (AE) is five years.¹ The accreditation term begins upon completion of the three-stage institutional accreditation process; that is, when the signed accreditation master agreement (AMA) entered into between GCF and an AE becomes effective.²
2. The GCF initial monitoring and accountability framework³ identifies the monitoring and reporting requirements applicable to AEs at both the institutional and the project/programme levels. At the institutional level, AEs are required to report during the term of their accreditation on their continued compliance with the standards for GCF accreditation, which includes annual self-assessments conducted by the AE and a midterm accreditation review conducted by GCF.
3. An AE will need to seek re-accreditation to GCF in order to maintain its status as an AE or its status as an AE will lapse at the end of its accreditation term. A risk-based approach will apply to the re-accreditation of AEs at the end of their accreditation term. In the six months prior to the end of the accreditation period, the AE may submit an application either for re-accreditation in the same categories as before, or for accreditation in higher categories (i.e. upgrade).

I. Standards for re-accreditation

4. The general objective of the initial guiding framework for the GCF accreditation process⁴ is to enable a coherent integration of the GCF fiduciary principles and standards, environmental and social safeguards (ESS) standards and Gender Policy⁵ with the GCF accreditation process and its related operational systems and procedures, including the organizational structure and governance system dedicated to supporting it.
5. The following standards, which are assessed as a part of the accreditation process, will be assessed under the re-accreditation process.

1.1 Fiduciary principles and standards

6. The GCF fiduciary principles and standards distinguish between basic fiduciary criteria, which are applicable to all applicants, and specialized fiduciary criteria, which will reflect the institutional capacities necessary to deliver against the GCF objectives and in accordance with the scope of responsibilities entrusted to the AE. The specialized fiduciary standards include those for project management, grant award and/or funding allocation mechanisms and on-lending and/or blending (for loans, equity and/or guarantees).
7. The GCF fiduciary principles and standards to be applied in the re-accreditation assessment include:
 - (a) Initial fiduciary principles and standards (decision B.07/02);
 - (b) Policy on the Protection of Whistleblowers and Witnesses (decision B.BM-2018/21);

¹ Decision B.11/10, annex I, paragraph 6, states, "The accreditation of an entity to the GCF is valid for a fixed term of five years or less, depending on the terms of accreditation, in accordance with decision B.10/07."

² Decision B.23/11, paragraph (a).

³ Decision B.11/10, paragraph (a).

⁴ Decision B.07/02.

⁵ Decision B.09/11.

- (c) Anti-Money Laundering and Countering the Financing of Terrorism Policy (decision B.18/10);
- (d) Standards for the Implementation of the Anti-Money Laundering and Countering the Financing of Terrorism Policy (decision B.23/15);⁶
- (e) Policy on Prohibited Practices (decision B.22/19);⁷ and
- (f) Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment (decision B.23/16).⁸

1.2 Environmental and social safeguards

8. The GCF Environmental and Social Policy,⁹ the ESS standards,¹⁰ the Information Disclosure Policy¹¹ regarding requirements to disclose environmental and social (E&S) information for category A/intermediation 1 and category B/intermediation 2 projects/programmes, and the Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment¹² will be applied in the re-accreditation assessment.

9. The GCF ESS standards contain the requirements that, in cases where there may be environmental and/or social risks and impacts, AEs must ensure that the executing entities they oversee and manage comply with the GCF ESS standards in relation to projects and programmes supported financially by GCF.

10. The GCF ESS standards comprise eight standards with the first one (performance standard 1: assessment and management of E&S risks and impacts) applying to all AEs seeking to become re-accredited.

11. Performance standard 1 establishes the importance of:

- (a) Integrated assessment to identify the E&S impacts, risks and opportunities of funding proposals;
- (b) Effective community engagement through the disclosure of project-related information and consultation with local communities on matters that directly affect them; and

⁶ Decision B.23/15, paragraph (b), requests the Accreditation Committee, in consultation with the Head of the Independent Integrity Unit, to consider the best way to integrate the Anti-Money Laundering and Countering the Financing of Terrorism Policy in the interim fiduciary standards and present to the Board a proposal for its consideration in 2019 as a matter of urgency. A proposal on integration has yet to be presented to the Board for its consideration. After adoption by the Board of the revised initial fiduciary standards, the accreditation process may be amended to reflect them.

⁷ The Policy on Prohibited Practices adopted in decision B.22/19 replaces the General Policy on Prohibited Practices adopted by the Board in decision B.12/31, paragraph (h).

⁸ Decision B.23/16, paragraph (b), requests the Accreditation Committee, in consultation with the Head of the Independent Integrity Unit, to consider the best ways to update and amend, as appropriate, the requirements placed on Accredited Entities in the relevant standards, safeguards and policies of GCF so as to integrate the obligations set out in the policy. A proposal on the update or amendment has yet to be presented to the Board for its consideration. After adoption by the Board of either the revised initial fiduciary standards, ESS standards or Gender Policy, the accreditation process may be amended to reflect them.

⁹ Decision B.19/10.

¹⁰ Decision B.07/02.

¹¹ Decision B.12/35.

¹² Decision B.23/16, paragraph (b), requests the Accreditation Committee, in consultation with the Head of the Independent Integrity Unit, to consider the best way to update and amend, as appropriate, the requirements placed on Accredited Entities in the relevant standards, safeguards and policies of GCF so as to integrate the obligations set out in the policy. A proposal on the update or amendment has yet to be presented to the Board for its consideration. After adoption by the Board of either the revised initial fiduciary standards, ESS standards or Gender Policy, the accreditation process may be amended to reflect them.

- (c) AE management of E&S performance throughout the life of the funded project or programme.
12. Performance standards 2–8 establish objectives and requirements to avoid and minimize and, where residual impacts remain, compensate/offset the risks and impacts to workers, affected communities and the environment. While all relevant E&S risks and potential impacts should be considered as part of the assessment, performance standards 2–8 describe potential E&S risks and impacts that require particular attention.
13. Performance standards 2–8 will be utilized in a modular way as needed. Where environmental or social risks and impacts are identified, the AE is required to manage them in accordance with the GCF ESS standards through the relevant executing entity or entities that the AE oversees and manages.

1.3 Gender

14. The ability of the AE to meet the principles contained in the Gender Policy will be assessed during the re-accreditation process. AEs will be required to have policies, procedures and competencies in place with which to implement the Gender Policy. At the project/programme level, the AE will be responsible for implementing the Gender Policy as it relates to the GCF-approved project/programme through in-country project identification and implementation, as well as for results reporting. The application of the GCF guidelines on the initial socioeconomic and gender assessments and GCF ESS standards as they relate to the project/programme is mandatory.
15. In addition, applicants and AEs must apply the principles contained in the Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment.¹³

II. Approach to the re-accreditation and process

16. The approach to and scope of re-accreditation, applying the fit-for-purpose approach to accreditation, and pursuant to the initial guiding framework for the GCF accreditation process, includes:
- (a) Process: the accreditation process, consisting of three main stages, as contained in section V of annex I to decision B.07/02. For AEs that are accredited under the direct access modality, the nomination from the national designated authority or focal point will remain valid for the re-accreditation process;
- (b) Standards for re-accreditation assessment: the standards for GCF accreditation in section I above. Any new or amended standards as contained in section I above adopted by the Board during the five-year accreditation period of an AE will be assessed no earlier than the re-accreditation review of the AE;
- (c) Timing to apply for re-accreditation: six months prior to the end of the accreditation period;

¹³ Decision B.23/16, paragraph (b), requests the Accreditation Committee, in consultation with the Head of the Independent Integrity Unit, to consider the best ways to update and amend, as appropriate, the requirements placed on Accredited Entities in the relevant standards, safeguards and policies of GCF so as to integrate the obligations set out in the policy. A proposal on the update or amendment has yet to be presented to the Board for its consideration. After adoption by the Board of either the revised initial fiduciary standards, ESS standards or Gender Policy, the accreditation process may be amended to reflect them.

- (d) Fees for re-accreditation: no fees for re-accreditation shall be charged if the AE is seeking re-accreditation for the same scope of accreditation it was originally accredited for (e.g. the same size category, fiduciary criteria and E&S risk category). In cases where the AE is applying for an upgrade in its accreditation scope, the AE shall pay fees for the upgraded scope of accreditation minus the fees already paid for the existing accreditation scope, in line with the policy on fees for accreditation of GCF;¹⁴
- (e) Scope of review:
- (i) Reports relating to the performance of the AE over the previous five years, including reports on the GCF-funded activities;¹⁵
 - (ii) Risk flags incurred by the projects, AE or country over the previous five years;¹⁶
 - (iii) Report on participatory monitoring and review submitted by the national designated authority or focal point, if available, related to the GCF-funded projects/programmes undertaken by the AE within the country;¹⁷
 - (iv) For international access entities, reports on their support to direct access entities to strengthen capacities of, or otherwise support, potential subnational, national and regional entities to meet, at the earliest opportunity, the accreditation requirements of GCF in order to enhance country ownership;¹⁸ and
 - (v) The Secretariat and Accreditation Panel's assessment of the extent to which the overall portfolio of activities of the AE beyond those funded by GCF has evolved during the accreditation period, in order to advance the goal of GCF to promote the paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development;¹⁹
- (f) Reviewers: the Secretariat and the Accreditation Panel, in accordance with the process identified in the accreditation framework;
- (g) Output: recommendation to re-accredit or not to re-accredit by the Secretariat and the Accreditation Panel. The scope of accreditation recommended by the Accreditation Panel may be:
- (i) No change (same accreditation categories the AE was originally accredited for);
 - (ii) Upgrade (new accreditation categories compared with those the AE was originally accredited for); or
 - (iii) Downgrade (lower accreditation category than the AE was originally accredited for); and
- (h) Decision-making: the Board will decide whether an entity is to be re-accredited and for which criteria, based on the assessment conducted by the Secretariat and the Accreditation Panel.²⁰

¹⁴ Decision B.08/04.

¹⁵ Decision B.11/10.

¹⁶ Decision B.11/10.

¹⁷ Decision B.11/10, particularly annex I, paragraph 15.

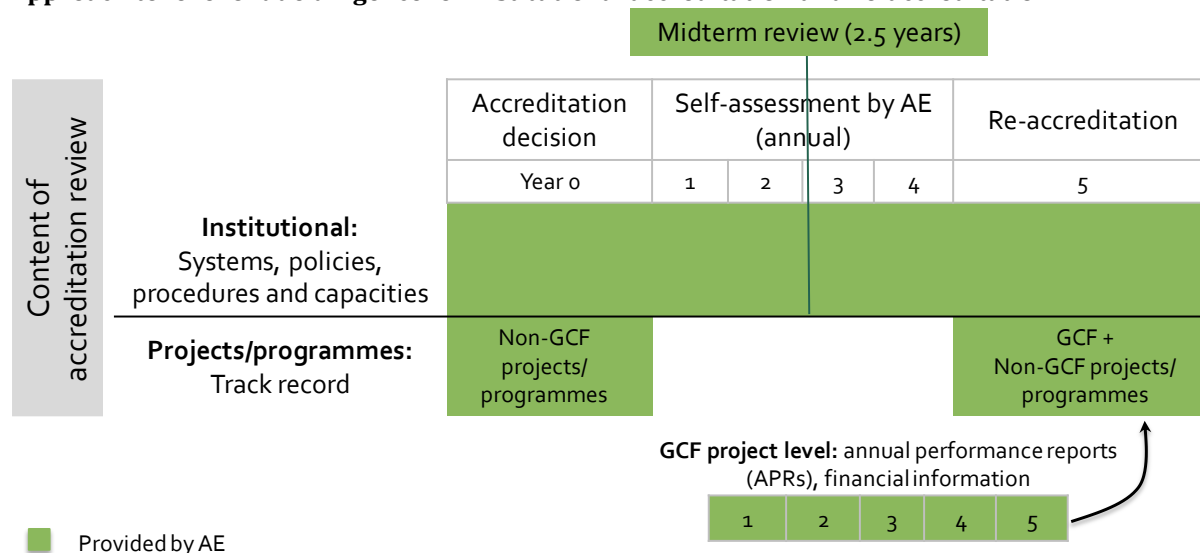
¹⁸ In decision B.10/06, paragraph (i), the Board decided that "all international entities, as an important consideration of their accreditation application, shall indicate how they intend to strengthen capacities of, or otherwise support, potential subnational, national and regional entities to meet, at the earliest opportunity, the accreditation requirements of the Fund in order to enhance country ownership and that they report annually on these actions".

¹⁹ Paragraph 35 of the GCF monitoring and accountability framework.

²⁰ Decision B.10/07, paragraph (c).

17. The following principles will be applied in the re-accreditation process (see the figure below):
- (a) The extent of assessment related to institutional capacities is ordered from the highest level of assessment to the least, as follows:²¹
 - (i) Accreditation;
 - (ii) Re-accreditation;
 - (iii) Midterm review by GCF;²² and
 - (iv) Annual self-assessments by AEs;²³
 - (b) Any assessment of institutional compliance with GCF accreditation requirements following the initial accreditation assessment (e.g. annual self-assessments, midterm accreditation review and re-accreditation) should focus on the changes in the institutional systems, policies, procedures and capacities that impact the ability of the AE to undertake its role and responsibilities as an AE and meet its obligations as per the AMA;
 - (c) The re-accreditation process and midterm accreditation review should build upon the institutional compliance assessments previously reported by the AEs and conducted by GCF in order to minimize overlap in the periodic reviews and reduce the burden for both AEs and GCF in the re-accreditation process; and
 - (d) For applications for re-accreditation for the same accreditation scope as the initial accreditation, taking into account paragraph 16(b) above, only new track records during the accreditation term should be subject to review. For re-accreditation applications that include an application for a new accreditation scope, the accreditation assessment of the new accreditation scope will be treated as an upgrade application and be assessed in its entirety (i.e. not only focusing on changes, because the new scope has never been assessed).

Approach to level of due diligence for institutional accreditation and re-accreditation



Abbreviation: AE = accredited entity.

18. The indicative approach to paragraph 16 above is as follows:

²¹ Unless otherwise agreed in effective AMAs.

²² Decision B.11/10.

²³ Decision B.11/10.

- (a) Year 1: the AE provides its annual self-assessment using the GCF annual self-assessment template covering the period from year 0 to year 1, indicating whether there have been any changes in institutional systems, policies, procedures and capacities that impact its ability to undertake the role and responsibilities of an AE and obligations as per its AMA with GCF. If there are no changes, the AE would report this. If there are changes, further information should be provided by the AE in order for GCF to assess whether such changes impact its status as an AE;
- (b) Year 2: the same as (a) above, but focusing on changes during the period from year 1 to year 2;
- (c) Midterm review at approximately 2.5 years: GCF conducts its review on the basis of information already provided by the AE in the year 1 and year 2 self-assessments, and any changes since year 2 reported by the AE in the GCF midterm review template;
- (d) Year 3: the same as (a) and (b) above, but focusing on changes during the period from year 2 (or midterm review) to year 3;
- (e) Year 4: the same as (d) above, but focusing on changes during the period from year 3 to year 4; and
- (f) Year 5 (six months prior to the end of the fifth year): the AE applies for re-accreditation focusing on changes during the period from year 4 to year 5.

19. In cases where the annual self-assessment is not required but the midterm review and re-accreditation are, at the time of the midterm review of these AEs, any changes in the institutional systems, policies, procedures and capacities of the AE that impact its ability to undertake the role and responsibilities of an AE and obligations as per its AMA with GCF for the period between year 0 and year 2.5 would be assessed. At the time of re-accreditation, such changes for the period between year 2.5 and year 5 would be assessed.

III. Upgrades in accreditation scope

20. The accreditation of additional institutional capacities (e.g. upgrade in accreditation scope) can be done at any time and as soon as the AE considers itself ready to pursue such an upgrade in its accreditation. The accreditation process for the upgrade will then focus only on the new capacities to be reviewed and not on all the other capacities already accredited.

21. The table below outlines indicative approaches for different scenarios regarding the status quo or changes in the accreditation scope (see also para. 16(d) above):

Indicative approach to re-accreditation scenarios concerning changes in accreditation scope

Compared with initial accreditation	Case A: no change to accreditation scope	Case B: change in accreditation scope	Case C: change in original accreditation and accreditation scope ^a
	<ul style="list-style-type: none"> Original = PM Re-accreditation = PM 	<ul style="list-style-type: none"> Original = PM Re-accreditation = PM and GA 	<ul style="list-style-type: none"> Original = PM Re-accreditation = PM and GA
Initial accreditation			
Accreditation criteria	Same	Change	Change
1. Systems, policies, procedures and capacities	Same	<ul style="list-style-type: none"> Same for PM New for GA 	<ul style="list-style-type: none"> Change in PM New for GA

Compared with initial accreditation	Case A: no change to accreditation scope <ul style="list-style-type: none"> Original = PM Re-accreditation = PM 	Case B: change in accreditation scope <ul style="list-style-type: none"> Original = PM Re-accreditation = PM and GA 	Case C: change in original accreditation and accreditation scope ^a <ul style="list-style-type: none"> Original = PM Re-accreditation = PM and GA
2. Track record	Change (GCF + non-GCF (in the absence of GCF) projects/programmes)	Change (GCF + non-GCF (in the absence of GCF) projects/programmes)	Change (GCF + non-GCF (in the absence of GCF) projects/programmes)
Re-accreditation			
Scope of the re-accreditation assessment	Focus on new track record (GCF + non-GCF (in the absence of GCF) projects/programmes), including project performance reviews and risk flag reporting	<ul style="list-style-type: none"> For the same criteria (PM), focus on new track record (GCF + non-GCF (in the absence of GCF) projects/programmes), including project performance reviews and risk flag reporting For new criteria (GA), check (1) systems, policies, procedures and capacities and (2) track record (e.g. new accreditation application for GA, treated as an upgrade) 	<ul style="list-style-type: none"> For the same criteria (PM), focus on change compared with the original in (1) systems, policies, procedures and capacities and (2) new track record (GCF + non-GCF (in the absence of GCF) projects/programmes), including project performance reviews and risk flag reporting For new criteria (GA), check (1) systems, policies, procedures and capacities and (2) track record (e.g. new accreditation application for GA, treated as an upgrade)
Additional items to be assessed during re-accreditation	<ul style="list-style-type: none"> IAE intent to support DAEs Extent to which the AE's overall portfolio of activities beyond those funded by GCF has evolved in the direction of GCF goals 	<ul style="list-style-type: none"> IAE intent to support DAEs Extent to which the AE's overall portfolio of activities beyond those funded by GCF has evolved in the direction of GCF goals 	<ul style="list-style-type: none"> IAE intent to support DAEs Extent to which the AE's overall portfolio of activities beyond those funded by GCF has evolved in the direction of GCF goals

Abbreviations: DAE = direct access entity, GA = specialized fiduciary standard for grant award and/or funding allocation mechanisms, IAE = international access entity, PM = specialized fiduciary standard for project management.

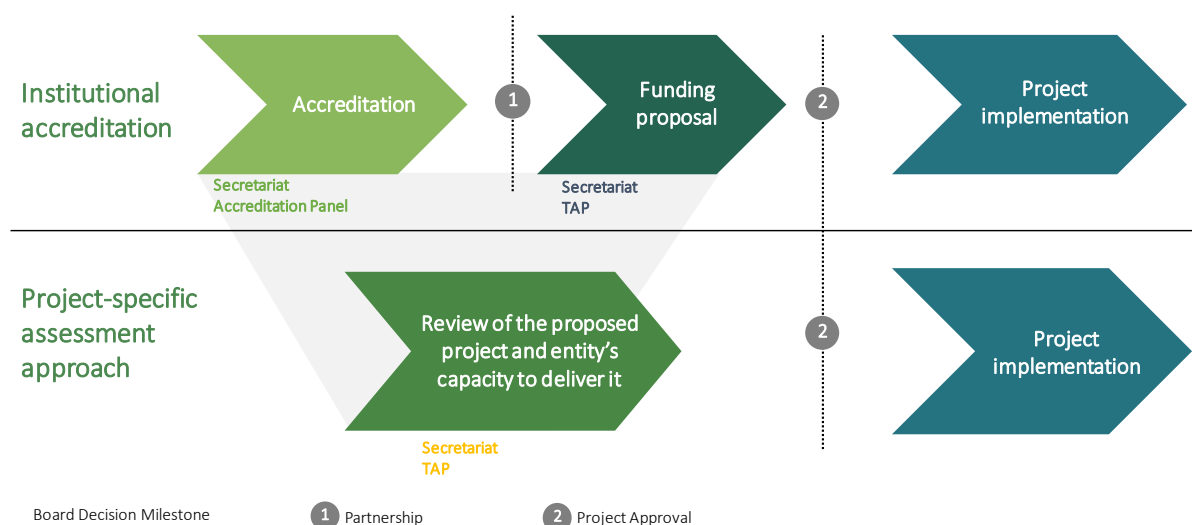
^a Accreditation scope as in: maximum financing size category; environmental and social safeguards risk category; geographic scope (national/regional).

Annex III: Pilot framework for the GCF project-specific assessment approach

I. General objective

1. The general objective of this pilot framework is to enable a coherent integration of the GCF fiduciary principles and standards, environmental and social safeguards (ESS) standards and Gender Policy with the project-specific assessment approach (PSAA) as an accreditation approach, and its related operational systems and procedures, including the organizational structure and governance system dedicated to supporting it.
2. The initial guiding framework for the GCF accreditation process contained in annex I to decision B.07/02 focuses on assessing an organization's institutional systems, policies and procedures in place that meet the GCF standards for accreditation related to fiduciary, ESS and gender requirements, and the track record in applying such systems, policies and procedures, resulting in an accreditation type comprising (a) a maximum project or programme activity size category, (b) fiduciary functions and (c) a maximum environmental and social (E&S) risk level within which an accredited entity (AE) can undertake projects/programmes with GCF funding.
3. Institutional accreditation allows GCF to build a network of long-term partners not only through the delivery of projects, but also by building institutions. In institutional accreditation, GCF assesses institution-wide fiduciary, E&S and gender-related systems, policies, procedures, capacities and track record of the entity at its institutional level against the standards for GCF accreditation. AEs, once accredited, can submit funding proposals within the scope of their accreditation, and engage with GCF on multiple projects.
4. The PSAA is a complementary approach to institutional accreditation that allows GCF to target specific projects/programmes. It focuses on assessing whether the entity can undertake the proposed project/programme in line with the standards for GCF accreditation (see figure 1).

Figure 1: Overview of accreditation approaches: institutional accreditation and the project-specific assessment approach



Abbreviation: TAP = independent Technical Advisory Panel.

5. Depending on the envisaged engagement with GCF, entities may apply under the institutional accreditation (portfolio) and the PSAA (targeted project/programme) sequentially or in parallel. Entities may be encouraged to seek institutional accreditation after undergoing the PSAA should they have the potential to be a long-term partner and show interest in aligning

their institutional systems to the standards of GCF accreditation. The institutional capacity checks related to delivery of the targeted project/programme under the PSAA would be used to inform the institutional accreditation process, noting that the broader institution-wide systems and capacities for a potential portfolio of projects/programmes will be assessed in institutional accreditation.

6. The PSAA is consistent with the initial guiding framework for the GCF accreditation process. However, it focuses on the organization's ability to implement the proposed project/programme presented to GCF rather than a hypothetical set of projects/programmes that the entity may bring forward in the future. In doing so, this pilot framework aims to provide a more fit-for-purpose approach to accreditation in relation to the intended programming. Additionally, it aims to broaden access to GCF for entities for whom the institution-wide approach in accreditation does not as readily respond to the nature and number of projects they intend to develop with GCF support, and the higher transaction costs associated with the process.

7. Unless otherwise specifically modified herein, all other relevant GCF policies apply as usual to this PSAA pilot framework.

II. Applicability

8. The PSAA applies to any funding proposal submitted by entities not yet accredited to GCF, in particular direct access entities.

9. Entities submitting such funding proposals may be entities not yet accredited to GCF that submit or have submitted funding proposals.

10. Each entity will be capped at a maximum of one approved funding proposal under this pilot approach.

11. Funding proposals submitted under the PSAA may include only those that are in either category C/intermediation 3 or category B/intermediation 2.¹

12. The Secretariat shall take appropriate measures to encourage and provide support to direct access entities to submit projects or programmes under this approach.

III. Standards

13. The following GCF standards apply to the PSAA, which will form part of the review of the proposed project/programme. The focus of the assessment will be on the entity's ability to meet GCF standards in implementing the proposed project/programme – not on the institution-wide systems, policies and procedures or general track record as are assessed in the institutional accreditation process.² The entity will be assessed against these standards in a manner that is fit-for-purpose in the context of the proposed project/programme:

(a) GCF fiduciary principles and standards include:

(i) Initial fiduciary principles and standards;³

(ii) Policy on the Protection of Whistleblowers and Witnesses;⁴

¹ Refer to the GCF Environmental and Social Policy contained in decision B.19/06.

² Decision B.07/02, paragraph (a).

³ Decision B.07/02.

⁴ Decision B.BM-2018/21.

- (iii) Anti-Money Laundering and Countering the Financing of Terrorism Policy;⁵
 - (iv) Standards for the Implementation of the GCF Anti-Money Laundering and Countering the Financing of Terrorism Policy;⁶
 - (v) Policy on Prohibited Practices;⁷ and
 - (vi) Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment;⁸
- (b) Environmental and Social Policy,⁹ interim ESS standards and, as relevant, the Information Disclosure Policy¹⁰ regarding requirements to disclose E&S information for category A/intermediation 1 and category B/intermediation 2 projects/programmes. In addition, PSAA applicants must apply the Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment;¹¹ and
- (c) Gender Policy¹² and the Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment.¹³
14. GCF policies and standards that apply to the project cycle, which include but are not limited to the investment framework, risk management framework, results management framework, Environmental and Social Policy, Indigenous Peoples Policy, Information Disclosure Policy, Policy on Prohibited Practices, Anti-Money Laundering and Countering the Financing of Terrorism Policy and monitoring and accountability framework, will be applied as usual to the proposed project/programme and the project cycle for consideration of the funding proposal.

⁵ Decision B.18/10.

⁶ Decision B.23/15, paragraph (b), requests the Accreditation Committee, in consultation with the Head of the Independent Integrity Unit, to consider the best way to integrate the Anti-Money Laundering and Countering the Financing of Terrorism Policy in the interim fiduciary standards and present to the Board a proposal for its consideration in 2019 as a matter of urgency. A proposal on integration has yet to be presented to the Board for its consideration. After adoption by the Board of the revised initial fiduciary standards, the accreditation process may be amended to reflect them.

⁷ The Policy on Prohibited Practices adopted in decision B.22/19 replaces the General Policy on Prohibited Practices adopted by the Board in decision B.12/31, paragraph (h).

⁸ Decision B.23/16, paragraph (b), requests the Accreditation Committee, in consultation with the Head of the Independent Integrity Unit, to consider the best way to update and amend, as appropriate, the requirements placed on accredited entities in the relevant standards, safeguards and policies of the GCF so as to integrate the obligations set out in the policy. A proposal on the update or amendment has yet to be presented to the Board for its consideration. After adoption by the Board of either the revised initial fiduciary standards, ESS standards or Gender Policy, the accreditation process may be amended to reflect them.

⁹ Decision B.19/10..

¹⁰ Decision B.12/35.

¹¹ Decision B.23/16, paragraph (b) of the decision requests the Accreditation Committee, in consultation with the Head of the Independent Integrity Unit, to consider the best way to update and amend, as appropriate, the requirements placed on accredited entities in the relevant standards, safeguards and policies of the GCF so as to integrate the obligations set out in the policy. A proposal on the update or amendment has yet to be presented to the Board for its consideration. After adoption by the Board of either the revised initial fiduciary standards, ESS standards or Gender Policy, the accreditation process may be amended to reflect them.

¹² Decision B.09/11.

¹³ Decision B.23/16, paragraph (b), requests the Accreditation Committee, in consultation with the Head of the Independent Integrity Unit, to consider the best way to update and amend, as appropriate, the requirements placed on accredited entities in the relevant standards, safeguards and policies of the GCF so as to integrate the obligations set out in the policy. A proposal on the update or amendment has yet to be presented to the Board for its consideration. After adoption by the Board of either the revised initial fiduciary standards, ESS standards or Gender Policy, the accreditation process may be amended to reflect them.

IV. Project-specific assessment approach process

4.1 Process

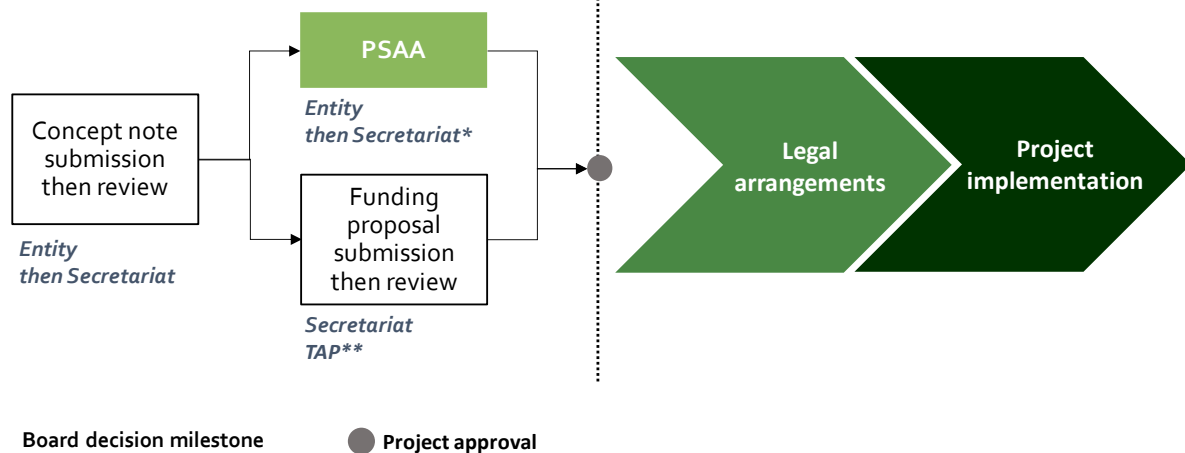
15. An entity may submit a concept note under the avenues referred to in paragraph 8 above.

16. In accordance with paragraph 47 of the Governing Instrument for the GCF and the initial no-objection procedure as per decision B.08/10, a nomination (applicable to direct access entities) and no-objection letter (for the proposed project) from the national designated entity or focal point is required for all funding proposals for a project/programme submitted in this pilot. In order for the entity to be considered for the PSAA under the SAP or the requests for proposal, on receipt of a concept note submission from the entity, the Secretariat will seek confirmation from the national designated entity or focal point that the concept note fits under national priorities and country ownership, in line with decision B.17/09, paragraph (f).

17. Once the Secretariat has reviewed the concept note submitted and determined it satisfactory to be developed into a funding proposal, the entity should submit an application to facilitate the assessment of the entity either prior to or in parallel with the development of the funding proposal.

18. The Secretariat will undertake a project-specific assessment of the entity and, together with the review of the funding proposal itself, include its assessment of the entity as part of the Secretariat's assessment of the funding proposal (see figure 2).

Figure 2: Process for the pilot framework for the project-specific assessment approach



* The Secretariat will augment its capacity by using external experts, third-party organizations and/or service providers to support it in undertaking such assessments on its behalf.

** The independent TAP review focuses on the funding proposal, in line with its terms of reference per decision B.09/10, paragraph (a).

Abbreviations: PSAA = project-specific assessment approach, TAP = independent Technical Advisory Panel.

19. The PSAA process will be based on two main stages:

- (a) Stage I: project-specific assessment of the entity and consideration of the funding proposal; and
- (b) Stage II: final arrangements.

20. The purpose of Stage I is twofold:

- (a) To determine whether the entity submitting a funding proposal has appropriate legal status and sufficient institutional capabilities to implement the proposed

project/programme in a manner that meets the GCF fiduciary, environmental, social and gender standards (institutional capacity assessment in section 4.2 below); and

- (b) To assess the funding proposal submitted by the entity, following the established procedure for the SAP or the standard proposal approval process, as applicable.

21. Unless stated otherwise in this annex, the Secretariat will undertake an assessment of the proposed project/programme and the entity submitting the funding proposal in a manner consistent with all relevant GCF policies, and will also build on assessments previously undertaken by GCF, where applicable.

22. The Secretariat will augment its capacity by using external experts, third-party organizations and/or service providers to support it in undertaking such assessments on its behalf.

23. The results of the assessment along with the funding proposal and assessment will be presented to the Board for a funding decision.

24. The Board's consideration of whether to work with an entity for the proposed project will be taken into account as part of its consideration of the funding proposal.

25. Stage II will conclude the process through the validation and finalization of formal arrangements between the applicant and GCF upon the successful completion of Stage I.

4.2 Entity's institutional capacity assessment

26. The PSAA, as a part of the assessment of the proposed project, will include an assessment of the entity's institutional capacities to implement the proposed project. This will include:

- (a) How the entity contributes to the mandate of GCF;
- (b) Potential reputational risks to GCF;
- (c) Legal status: the entity has full legal capacity and independent legal personality within the relevant jurisdiction that enables it to undertake the proposed project/programme to be considered for funding by GCF and to undertake the same responsibilities with respect to project/programme implementation as an AE and enter into legal agreements with GCF in its own name;
- (d) Confirmation by the Secretariat that the role of the entity in the proposed project does not conflict with the obligations it owes and will owe to GCF in its capacity as an entity accredited for the purposes of delivering the proposed project;
- (e) How the entity meets the GCF fiduciary standards and principles contained in section III above at the institutional level that allow it to implement the proposed project; and
- (f) Whether the entity has the capacity to manage relevant E&S and gender risks, in line with the environmental, social and gender related standards and policies indicated in section III above, and scaled risk-based approach,¹⁴ at the institutional level that allow it to implement the proposed project.

27. The PSAA will entail two steps: capacity checks at both the project and the institutional level and an overall capacity assessment. The standards, as contained in section III above, will be applied in a fit-for-purpose manner in the assessment of the entity's capacities to implement the proposed project/programme, as detailed below.

28. **Step 1: capacity checks:**

¹⁴ Decisions B.07/02 and B.08/02.

- (a) **Institutional capacity check.** This check will focus on those elements that are most needed to ensure that an entity has the institutional capacity to implement the proposed project/programme. This check would include, as applicable:
- (i) Review of internal control mechanisms such as financial controls, organizational structure, anti-money laundering, countering the financing of terrorism and other prohibited practices, fraud and mismanagement systems, in so far as they relate to the undertaking of the proposed project; and
 - (ii) Depending on the E&S risk level and relation to the financing structure of the proposed project/programme, institutional function, organizational structure and competency on E&S due diligence, processes to assess and manage E&S risks and impacts, stakeholder and indigenous peoples engagement, information disclosure, consultations and grievance redress mechanisms. This check will also look into the functions, structure and competency to address gender issues as may be assessed in the proposed projects; and
- (b) **Project track record check.** The entity will submit examples of projects that the entity has implemented in the past that are similar to the proposed project in terms of (1) project/programme activity size, (2) E&S risk category and (3) financial instruments and financing modalities. Preferably, the entity will have examples of both completed and current projects. Depending on the type of project being proposed, an indicative list of information to be provided may include:
- (i) Fiduciary standards information:
 1. Organization structure and chart, including evidence of independent legal personality and legal capacity;
 2. Structure, involvement and experience of oversight bodies (e.g. audit committee and audit function), including a board of directors or equivalent of the entity, and quality and experience of senior management;
 3. Previous track record in the country or region where the proposed project/programme would take place;
 4. Entity profile in terms of types of past activities (e.g. assets built in the past, products and services sold, percentage of revenue generated from activities), information on the current projects portfolio and forecasted profile of the entity for the near future (e.g. three years), including its investment strategy;
 5. Basic financial information (e.g. balance sheet and profit and loss statement) and ratios to assess company sustainability for the proposed project/programme duration;
 6. Evidence of structure and use of financial instruments in past projects that are relevant to the proposed project/programme. This may include evidence of the entity's project management experience;
 7. Where applicable, a project-specific procurement plan on a rolling basis and evidence of procuring various types of goods, works and services in similar projects, including experience and capacity to select, manage and oversee executing entities;
 8. Application of prohibited practices, anti-money-laundering and countering the financing of terrorism requirements, including due diligence such as "know-your-customer" checks and similar due diligence of the executing entities in the proposed project/programme;

9. Disclosure of past incidences of fraud, non-compliance and malpractices;
 10. Institutional and contractual arrangements with executing entities for similar financing structures applied in past projects/programmes;
 11. Risk management and risk identification systems and procedures to be applied in the planning and implementation process of the proposed project/programme;
 12. Project-specific financial audits, including audits of procurement activities, or similar reviews for projects/programmes similar to the proposed project/programme;
 13. Monitoring and evaluation plans and reports and evaluation reports, including terminal evaluations. Completed projects should include project-specific financial audits and terminal evaluations or similar reviews, including audits of the expenditures and results compared with planned budget and implementation plans;
 14. Audit and assurance reports (external and internal) of the entity's financial management and control systems/framework, including on financial mismanagement, anti-money-laundering and countering the financing of terrorism and prohibited practices, such as fraud, corruption and whistle-blower policies;
 15. Information on the internal governance reliability of the entity, its internal policies, code of conduct and/or code of ethics, and internal monitoring of legal and information technology issues;
 16. Credit ratings received from international and national rating agencies, or evaluation reports/reviews received from multilateral and bilateral organizations on the entity's performance in the past regarding financial management capabilities for projects/programmes similar to the one proposed;
 17. Information technology arrangements for disclosing project-related information (e.g. website/web page or publicly available reports), where the information on project/programme progress and completion is published as well as a weblink for the public to submit comments or complaints that would be used in the proposed project/programme;
 18. Records of any complaints received from the public and employees with regard to the implemented projects in the past, and records of incidents of fraud/malpractice identified and investigated together with the information on the status of the investigation process;
 19. Such other best practices in fiduciary management as may be applicable/appropriate to the specific project/programme; and
 20. Information on the entity's ability to safeguard the interests of GCF, including the disclosure of any potential conflicts of interest that may arise out of its role to implement the project/programme or inconsistencies with GCF fiduciary standards, ESS standards and Gender Policy; and
- (ii) Environmental, social and gender information:
1. For a category B/intermediation 2 project/programme, a sample of E&S risk screening and assessment (environmental and social impact assessments/environmental and social management system/framework

and/or related safeguards instruments), environmental and social management plans and/or related E&S risk management plans, E&S monitoring, supervision and evaluation reports, results of E&S project audits, environmental permits and clearances, information disclosure and stakeholder engagement activities, compliance and non-compliance (grievance) reports of past projects/programmes that are similar to the proposed project/programme;

2. For a category C/intermediation 3 project/programme, a sample of E&S risk screening and categorization, and management plan (if any) of the minimal E&S risks and/or impacts of past projects/programmes that are similar to the proposed project/programme;
3. Gender policies and initiatives to mainstream gender considerations that have been applied in past projects/programmes that are similar to the proposed project/programme; and
4. Environmental management system certifications and sustainability reports.

29. **Step 2: overall capacity check.** Based on the institutional capacity and project track record checks, the entity may be assessed to have high capacity in certain areas (e.g. financial management) and low capacity in other areas (e.g. management of E&S and gender risks) as follows:

- (a) **High capacity** would indicate that the entity has a well-developed financial management system, a well-functioning control framework, including risk management, and robust systems and policies in place to prevent money-laundering and the financing of terrorism and other prohibited practices, such as fraud and corruption, and with sufficient scope to manage E&S risks and/or impacts with a low likelihood of negative impact on the entity's ability to undertake the proposed project as designed;
- (b) **Medium capacity** would indicate that the entity has a developed financial management system, a functioning control framework, including risk management, and systems and policies in place to prevent money-laundering and the financing of terrorism and other prohibited practices, such as fraud and corruption, and with scope to manage E&S risks and/or impacts with moderate likelihood of potential negative impact on the entity's ability to undertake the project as designed; and
- (c) **Low capacity** would indicate an underdeveloped financial management system and/or weak control framework, little or no risk management, and inadequate systems and policies in place to prevent money-laundering and the financing of terrorism and other prohibited practices such as fraud and corruption and with inadequate scope to manage E&S risks and/or impacts with a significant likelihood of potential negative impact on the entity's ability to undertake the project as designed.

30. If the entity is assessed to have high capacity to undertake the proposed project/programme, and if the funding proposal assessment is also positive, the Secretariat would recommend that the entity is able to undertake the proposed project/programme.

31. If the entity is assessed to have medium capacity to undertake the proposed project/programme, and if the funding proposal assessment is positive, a discussion of potential mitigating factors would be required (e.g. conditions during project implementation, requesting a partnership with another entity) before the Secretariat may recommend the funding proposal to the Board for its consideration.

32. If the entity is assessed to have low capacity to undertake the proposed project/programme, the Secretariat will not recommend the funding proposal, and the entity would need to address the gaps identified prior to further consideration of the funding proposal

under the PSAA. National designated authorities may request support for such entities under the Readiness and Preparatory Support Programme to address the gaps identified.

4.3 Proposal approval

33. Funding proposals recommended by the Secretariat under this approach shall be submitted to the Board for consideration during its regular meetings. Entities with funding proposals approved under this approach shall be deemed accredited only for the purposes of such approved funding proposal.

4.4 Legal arrangements and post approval

34. The entity or entities submitting a funding proposal to GCF under this approach will be subject to the same responsibilities with respect to project/programme implementation as an AE were it to submit the same funding proposal under the normal GCF funding modalities, and such responsibilities will, during Stage II, be codified in legal arrangements similar to the template accreditation master agreement (AMA)¹⁵ and funded activity agreement (FAA) as may be relevant to the approved project/programme.

35. The legal arrangements for PSAA projects/programmes are likely to be more complex than the AMA and FAA. They will, typically, consist of a single agreement that is a hybrid of the AMA and FAA, and that will need to take into account the fact that the institutional assessment was undertaken in the context of the overall assessment of the relevant project rather than as per the current accreditation framework. As such, the PSAA legal arrangements are likely to contain provisions, principally in the form of representations and covenants, that are not currently set out in the AMA or FAA.

36. The development of legal arrangements for the PSAA modality will require additional resources, including through the use of external consultancy firms, to ensure that it can be implemented in a timely manner.

V. Fees for assessing the entity

37. The policy on fees for accreditation of the Fund¹⁶ applies to entities under the PSAA. Fees are to be paid at the time the entity submits its application for assessment under the PSAA.

VI. Entity fees for projects/programmes approved under the project-specific assessment approach

38. The policy on fees for accredited entities¹⁷ applies to entities under the PSAA.

VII. Monitoring and accountability

39. The initial monitoring and accountability framework for AEs¹⁸ regarding project-level monitoring and reporting will apply to entities under the PSAA with respect to project/programme implementation, as applicable. Considering the context of the project/programme, the legal agreement between GCF and the entity will also reflect the

¹⁵ Decision B.12/31, and updated to include relevant Board decisions since the twelfth meeting of the Board.

¹⁶ Decision B.08/04.

¹⁷ Decision B.19/09.

¹⁸ Decision B.11/10.

relevant reporting requirements under the PSAA legal agreement, similar to such requirements contained in the template AMA and FAAs with respect to project/programme implementation.

40. In line with decision B.10/06, paragraph (j), to advance the goal of GCF to promote the paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development, entities with funding proposals approved within the scope of the PSAA will be required to report every year to the Board through the Secretariat on the extent to which the entity's overall portfolio of activities beyond those funded by GCF has evolved in this direction during the implementation period of the approved project.

41. The Secretariat will report to the Board on an annual basis on the operationalization and implementation of the PSAA.

VIII. Review of project-specific assessment approach

42. A review of the pilot framework for the PSAA will take place after the initial three years of operationalizing the PSAA.

IX. Additional considerations

43. Entities that have submitted a project or programme concept note that has been reviewed by the Secretariat and determined to be satisfactory with regard to the GCF investment criteria to then be developed into a funding proposal, and that has been assessed to have high or medium capacity as per section 4.2 above, may request financial support under the Project Preparation Facility to help to develop the concept note into a funding proposal.

X. Effectiveness

44. This framework shall become effective as of 1 June 2020.

Annex IV: Letter from the Chair of the Accreditation Committee to the Co-Chairs of the Board

21 October 2019

Dear Jos and Nagmeldin,

In line with decision B.23/11, paragraph (d), the Accreditation Committee submits document GCF/B.24/06 titled “Matters related to the accreditation framework” for the Board’s consideration at its twenty-fourth meeting. This document was finalized via e-mail by the Accreditation Committee on a no-objection basis 21 October 2019. Details on the virtual meetings held by and exchanges amongst members of the Accreditation Committee are contained in the report of the Accreditation Committee contained in document GCF/B.24/Inf.07 titled “Reports from committees, panel and groups of the Board of the Green Climate Fund”, to be presented to the Board at its twenty-fourth meeting.

As Chair of the Accreditation Committee, I endorse the content of the document and request that it be transmitted to the Board for consideration at its twenty-fourth meeting.

Yours sincerely,

Mr. Richard Muyungi

Chair of the Accreditation Committee
