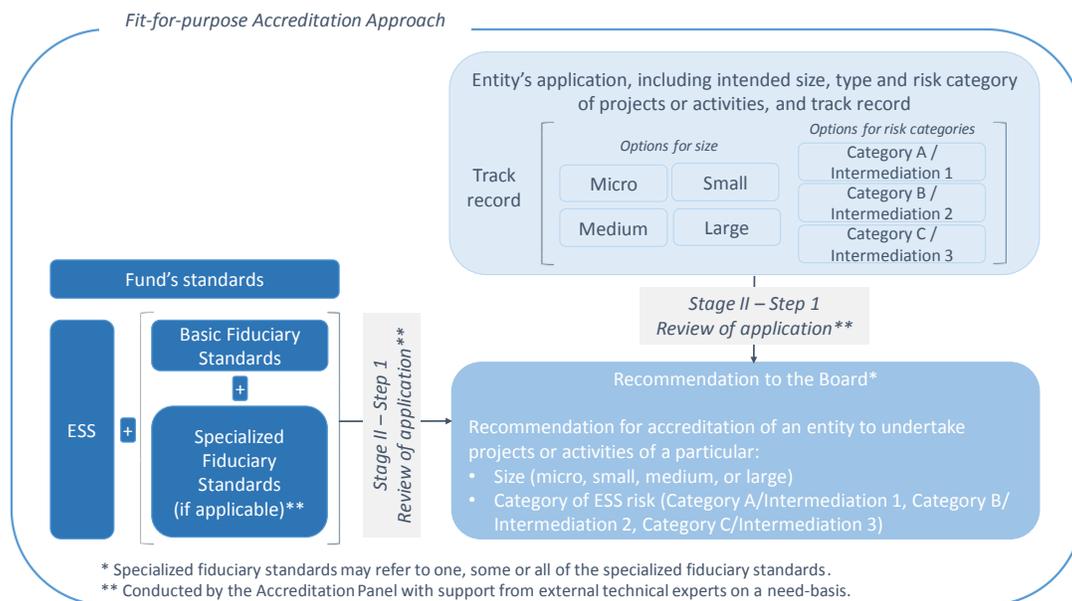


## **Annex I: Guidelines for the operationalization of the fit-for-purpose accreditation approach**

### **I. Objectives and scope of the fit-for-purpose accreditation approach**

1. The initial guiding framework for the Fund's accreditation process adopted through decision B.07/02 establishes an accreditation process which will ascertain whether applicant entities:
  - (a) Meet the Fund's basic fiduciary standards and applicable specialized fiduciary standards; and
  - (b) Have the capacity to manage relevant environmental and social risks in line with the Fund's ESS and scaled, risk-based approach.
2. The fit-for-purpose approach recognizes the role of a wide range of entities, which differ in the scope and nature of their activities, as well as their capacities. By enabling entities, including subnational, national and regional entities, to increase their scope of activities as their capacity increases over time, should they want to do so, the accreditation process will contribute to empower developing countries.
3. The guidelines for the operationalization of the fit-for-purpose accreditation approach set out how the Fund's fiduciary standards and ESS will be assessed through a fit-for-purpose accreditation process, and the criteria that entities need to meet in order to demonstrate compliance so as to be accredited to access the Fund's resources.
4. The objectives of the fit-for-purpose accreditation approach, which matches the nature, scale and risks of proposed activities to the application of the fiduciary standards and ESS, are as follows:
  - (a) To help the Fund achieve an impact by enabling it to work through a wide range of entities at the subnational, national, regional and international levels; including through private sector entities;
  - (b) To recognize the different institutional contexts of different types of entities (e.g. public and private), and different compliance parameters in accordance with the intended scale, nature and risks of activities of the applicant entity with the Fund's resources; and
  - (c) To avoid creating an unnecessarily long and burdensome accreditation process for entities that will expose the Fund to few or no financial, environmental and social risks.
5. The accreditation process will take into account the scale of funding that the entity intends to access, its track record in undertaking climate-related projects and activities, as well as the nature of its intended activities. This approach will ensure that the assessment of the applicant entity's conformity with the fiduciary standards, and relevant capacities related to the Fund's ESS, in the accreditation process is commensurate with the level of fiduciary and non-financial (e.g. environmental and social) risk to which the Fund will be exposed through the activities of implementing entities and intermediaries.
6. The assessment for accreditation taking into account the fit-for-purpose approach is conducted using the application for accreditation and supporting information, including the track record information, provided by the applicant during the application process.

7. It is expected that the accreditation process will generally be completed within six months after submission of all the required documentation. The Fund will work on continuously improving its efficiency in order to reduce this timeframe.
8. After the accreditation of an entity, the entity's track record of experiences in achieving the results of the Fund's results management framework may be taken into account when reviewing the entity's accreditation status.
9. The operationalization of the fit-for-purpose accreditation approach is shown in the following figure:



**Figure 1: Fit-for-purpose Accreditation Approach**

## II. Assessing conformity with the Fund's fiduciary standards

10. The assessment of an applicant entity's conformity with the Fund's fiduciary standards will consider the nature of the fiduciary risk, the scale of intended activities, and the type of entity.
11. **Nature of the fiduciary risk:** The Fund's fiduciary standards, which are set out in Annex II to document GCF/B.07/11, already distinguish between the different types of fiduciary risks that are implied depending on the nature of the activities that an entity may take on, including the type of financial instruments. The basic fiduciary standards will apply to all implementing entities and intermediaries, while the specialized fiduciary standards will apply only to entities that will be undertaking relevant activities, as follows:
  - (a) **Project management:** In the case of an entity that will be implementing projects, the assessment will look at the project management capacities of the applicant entity. In the case of an entity that will be intermediating funding through a grant award, on-lending or blending mechanism, the assessment will look at the capacity of the applicant entity to exercise appropriate oversight and hold to account, across the defined fiduciary requirements in this category, the entities that will access the funding that it intermediates.

- (b) Grant award and/or funding allocation: This set of criteria will apply to any entity that will intermediate funding in the form of grants through a grant award or funding allocation mechanism.
- (c) On-lending and/or blending: This set of criteria will apply to any financial or other entity that will intermediate funding in the form of loans through on-lending or blending with resources from other sources.
12. **Scale of intended activities:** Irrespective of the scale of activities to be funded with the Fund's resources, all entities will have to meet the Fund's basic fiduciary standards and any applicable specialized fiduciary standards in order to be accredited. An entity can only access funding at a scale that is within its capacity to manage in accordance with the Fund's fiduciary standards. The Accreditation Panel will use its expert judgement to determine whether the capacity demonstrated by the applicant entity for each applicable fiduciary standard is adequate in light of the scale of funding it will access from the Fund. The Accreditation Panel may recommend to the Board that an entity be accredited to access funding within one of the following categories, commensurate with its track record and demonstrated capacity:
- (a) Micro (maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of up to and including US\$ 10 million for an individual project or an activity within a programme);
- (b) Small (maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US\$ 10 million and up to and including US\$ 50 million for an individual project or an activity within a programme);
- (c) Medium (maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US\$ 50 million and up to and including US\$ 250 million for an individual project or an activity within a programme); and
- (d) Large (total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US\$ 250 million for an individual project or an activity within a programme).
13. **Type of entity:** As set out in the Governing Instrument, implementing entities and intermediaries of the Fund may be international, regional, national or subnational, and public or private. While all types of entities are required to meet the Fund's basic fiduciary standards and any applicable specialized fiduciary standards, the documentation needed to demonstrate compliance is tailored to different types of entities.

### III. Assessing capacities for conformity with the Fund's ESS

14. The Fund's ESS, which are set out in Annexes I and III to document GCF/B.07/11, describe the eight Performance Standards that will be applied through a modular and scaled, risk-based approach to all Green Climate Fund-funded activities. The environmental and social management system (e.g. Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts), capacity and commitment of an implementing entity or intermediary to manage the execution of the Fund's ESS at the institutional level will be assessed during the accreditation process, whereas the initial proposal approval process<sup>1</sup> will verify that the specific project or activity is consistent with the ESS (e.g. Performance Standards 2–8).

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<sup>1</sup> Decision B.07/03.

15. The accreditation process will determine if the applicant entity possesses the institutional capacity and a management system for screening funding proposals in order to identify the potential environmental and social risks and/or impacts, and the capacity to implement the ESS in a manner commensurate with the scale and nature of the potential risks and impacts.

16. **Categories of environmental and social risk:** The Accreditation Panel will examine the track record and demonstrated capacity of an applicant entity to manage projects or activities of different risk categories. The Accreditation Panel may recommend to the Board that an entity be accredited with a restriction on the risk category of activities it can carry out, using the risk categories set out in Annex I to document GCF/B.07/11, commensurate with the track record and demonstrated capacity of the applicant entity.

17. Following the application review, the Accreditation Panel will recommend to the Board whether an entity should be accredited, and assign a risk categorization to the entity. Once an entity is accredited, it can submit funding proposals for projects or activities through the initial proposal approval process up to the risk level assigned when the entity was accredited. The risk category of the project or activity will be initially proposed by the entity and then reviewed and assigned by the Secretariat.

#### **IV. Additional considerations for the fit-for-purpose accreditation process**

18. **Gender considerations:** Recognizing the importance of gender considerations, entities will be required to comply with the Fund's Gender Policy.<sup>2</sup>

19. **Additional requirements for entities with a limited track record:** In the case of an entity that meets the accreditation criteria in most respects, but has a limited track record of managing projects or funding (a) of the type; (b) at the scale; and/or (c) at the risk level that the entity intends to undertake, the Accreditation Panel may recommend to the Board that the entity be accredited, but have a more frequent reporting requirement, which would be lifted after the first two years of its accreditation, subject to satisfactory performance. The Accreditation Panel may also recommend a more frequent, but smaller, disbursement of funding tranches, subject to review after the first two years of the applicant's accreditation. The Accreditation Panel may further recommend placing conditions on the sectors of the projects or activities that the entity can undertake. The Accreditation Panel will determine on a case-by-case basis the appropriate recommendation or conditions that may apply to the entity in circumstances where there is a limited track record.

20. **Accreditation of additional capacities:** In the event that an entity that has been accredited with certain restrictions on its activities subsequently wishes to take on additional activities, it may re-apply for accreditation of these additional capacities. It will go directly to Stage II of the accreditation process and the assessment will focus only on those additional capacities and not on those already accredited, unless the applicant entity wishes to go through Stage I of the accreditation process for the purposes of readiness assessment and eventual support on those capacities for which it may seek further accreditation.

21. **Monitoring and review of accredited entities:** The Secretariat will conduct monitoring based on regular reporting by the accredited entity to the Fund. The Secretariat will normally conduct a review of accredited entities every five years,<sup>3</sup> or more frequently if it is recommended by the Accreditation Panel. The review will consist of checking if the accredited

<sup>2</sup> To be considered by the Fund as contained in Annex II to document GCF/B.08/19.

<sup>3</sup> Decision GCF/B.07/02.

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entity and its activities are in compliance with the terms of its accreditation, and if any event has occurred that may lead to a suspension, downgrading or withdrawal of accreditation. Based on the results of the review conducted by the Secretariat, the Accreditation Panel will recommend to the Board whether the accreditation status granted to an entity should be revised.

22. **Evaluation of accreditation:** The accreditation framework will be reviewed every five years. The Secretariat or the Accreditation Panel may also recommend a focused review of specific elements of the fit-for-purpose accreditation approach as needed.