

Annex II: Assessment of institutions accredited by other relevant funds and their potential for fast-track accreditation

I. Introduction

1. All entities, including subnational, national, regional and international entities, can apply for accreditation to the Green Climate Fund. The accreditation of an entity for the Fund requires that the fiduciary standards and the ESS are met by the entity. Entities or groups of entities who meet other fiduciary and environmental and social principles and standards that are comparable to the fiduciary standards and ESS of the Fund may be eligible for the fast-track accreditation process whereby the assessment process required to determine accreditation may be shortened. Recognizing the importance of gender considerations, entities will be required to comply with the Fund's Gender Policy.¹

II. Process for assessment, including a gap analysis

2. The assessment and gap analysis compares the accreditation processes and fiduciary standards and environmental and social (E&S) of the Global Environment Facility (GEF), Adaptation Fund (AF), and the Directorate-General for Development and Cooperation – EuropeAid of the European Commission (EU DEVCO)² to the Fund's accreditation processes and basic fiduciary standards and specialized fiduciary standards³ as well as the Fund's environmental and social safeguards (ESS), including the institutional capacities to manage the E&S risks and impacts.

3. The gap analysis was conducted at the relevant fund level by comparing the Fund's fiduciary standards and ESS to the fiduciary and environmental and social standards of the other relevant funds. If the other relevant funds' fiduciary and ESS at a minimum meet the Fund's fiduciary standards and ESS (i.e. there is no significant gap), then it can be accepted that the entities accredited by the other relevant funds also meet the Fund's fiduciary standards and ESS.

4. The specific criteria by which the Fund's standards and accreditation process were compared with the GEF, AF, and EU DEVCO's standards and processes included:

- (a) The other relevant funds' accreditation process; and
- (b) The other relevant funds' requirements compared to the Fund's requirements.

III. Global Environment Facility

5. The GEF has a three-stage accreditation process that evaluates fiduciary, social, and environmental standards.⁴ As of September 2014, the GEF has 14 agencies, 4 of which were accredited under a pilot programme for the expansion of GEF agencies that includes direct access provisions. The other 10 agencies were required to demonstrate compliance with the GEF's Minimum Fiduciary Standards and have since fully met the standards.⁵ The GEF's

¹ To be considered by the Fund as contained in Annex II to document GCF/B.08/19.

² These funds were identified as other relevant funds.

³ Decision B.05/08 (b).

⁴ See http://www.thegef.org/gef/agencies_accreditation.

⁵ See

http://www.thegef.org/gef/sites/thegef.org/files/documents/GEF.C.46.Inf_.05%20Agency%20Progress%20on%20Meeting%20the%20GEF%20Fiduciary%20Standards_April%2025%202014.pdf.

accreditation process evaluates all of the same standards as the Fund's basic fiduciary criteria and the specialized fiduciary criterion for project management, and have been found to be no less stringent or have no significant gaps, with the exception of one gap related to the basic fiduciary criteria (scope of anti-money laundering and anti-terrorist financing for the purpose of evaluating transparency and accountability). Further details of the gap analysis are contained in Annex III.

6. The GEF Policy on Agency Minimum Standards on Environmental and Social Safeguards (hereinafter referred to as Policy) was updated on 12 September 2013. This Policy states the principles with regard to social and environmental safeguards that the GEF shall apply to the operations that it finances. Table 1 in Annex IV contains the results of the gap analysis comparing the GEF Policy against the Fund's ESS. The only gaps identified between the Policy dated 12 September 2013 that are relevant to the Fund's accreditation process is for entities to develop an E&S policy and implement an external communications system at the institutional level.

IV. Adaptation Fund

7. The AF accredits national implementing entities, multilateral implementing entities, and regional implementing entities to carry out adaptation projects up to US\$ 10 million, through an iterative accreditation process that applies to all types of entities.⁶ The AF's accreditation process evaluates all of the same standards as the Fund's basic fiduciary criteria and the specialized fiduciary criterion for project management, and have been found to be no less stringent or only have insignificant gaps, with the exception of the following gaps (see paragraphs 7 (a)–(c) below) related to the Fund's basic fiduciary criteria on transparency and accountability (refer to Annex III for more details):

- (a) Scope of investigations for the purpose of evaluating transparency and accountability: Publicly available terms of reference;
- (b) Scope of investigations for the purpose of evaluating transparency and accountability: Headed by an officer at an adequate level; and
- (c) Scope of investigations for the purpose of evaluating transparency and accountability: Published guidelines for processing cases.

8. The AF Environmental and Social Policy (ESP) was approved by the Board in November 2013 and is designed to assist implementing entities (IEs) in identifying and managing the environmental and social risks of their activities by assessing potential environmental and social impacts and then by identifying and implementing steps to avoid and minimize impacts. The ESP is not applied retroactively, however, all applications for project/activity funding submitted from 4 August 2014 are required to demonstrate compliance with the ESP at project/activity level during the Fund's initial proposal review process. The AF is not conducting a review of the IE's institutional environmental and social management system (ESMS) capacity (equivalent to Fund's accreditation step). Therefore, AF accredited entities will need to comply with the Fund's ESS. AF IEs that have been through the AF project/activities) review process on or after 4 August 2014 will benefit from this exercise when approaching the Fund's initial proposal review process. Even so, an illustrative gap analysis was completed, comparing the AF ESP against the Fund's ESS for information purposes. Table 2 in Annex IV contains the result of this gap analysis.

⁶ See <https://www.adaptation-fund.org/page/accreditation-process>.

V. EU DEVCO

9. EU DEVCO conducts a six-pillar assessment for potentially eligible partners for indirect centralized management.⁷ As of September 2014, 24 national public-sector bodies or bodies governed by private law with a public-service mission and one international organization passed the six-pillar assessment successfully. EU DEVCO's accreditation process evaluates all of the same standards as the Fund's basic fiduciary criteria and the specialized fiduciary criterion for grant award and/or funding allocation mechanisms, and have been found to be no less stringent or have no significant gaps, with the exception of one gap related to the basic fiduciary criteria (scope of anti-money laundering and anti-terrorist financing for the purpose of evaluating transparency and accountability). Annex III contains further details of the gap analysis between EU DEVCO's fiduciary standards and the Fund's fiduciary standards. The Fund was unable to identify any information on EU DEVCO ESS requirements. Therefore, EU DEVCO accredited entities will need to comply with the Fund's ESS.

VI. Fast-track accreditation process

10. At a minimum, an entity must meet both the Fund's basic fiduciary standards and ESS in order to be eligible for accreditation, whether it is under the accreditation process or fast-track accreditation process. An entity may additionally apply for accreditation of the specialized fiduciary standards.

11. Entities or groups of entities who meet other fiduciary and environmental and social principles and standards that are found to be comparable to the Fund's fiduciary standards and ESS are eligible for the fast-track accreditation process. The fast-track accreditation process is understood to be a part of the accreditation process whereby the assessment process required to determine accreditation may be shortened. The fast-track accreditation process does not mean automatic accreditation. A decision by the Board on the application for accreditation by an entity (Step 2 of Stage II) and the Final Validation and Arrangement (Stage III) are still required in order for the entity to become accredited for the Fund.

12. Under the fast-track accreditation process:

- (a) If the fiduciary and environmental and social principles and standards of the other funds or institutions and their accreditation or due diligence processes are found to be comparable to the Fund's fiduciary standards and ESS (i.e. no or no significant gaps), then the Accreditation Review (Step 1 of Stage II for entities under direct access or international access) will be shortened where the review is considered complete because of the comparability in standards, and no further review of the application is required for those comparable standards; and
- (b) If gaps are identified between the fiduciary and environmental and social principles and standards of the other funds or institutions and the fiduciary standards and ESS of the Fund, then the Accreditation Review will be shortened where the part of the review related to the standards that are comparable is considered complete, and the remaining part of the review focuses on assessing how the entity addresses the identified gaps between the other principles or standards and the Fund's fiduciary standards and ESS.

13. The figure below identifies the steps of the accreditation process that may be shortened under the fast-track accreditation process:

⁷ See http://www.oecd.org/callsfortenders/annex2-assessment-questionnaire-criteria_en.pdf.

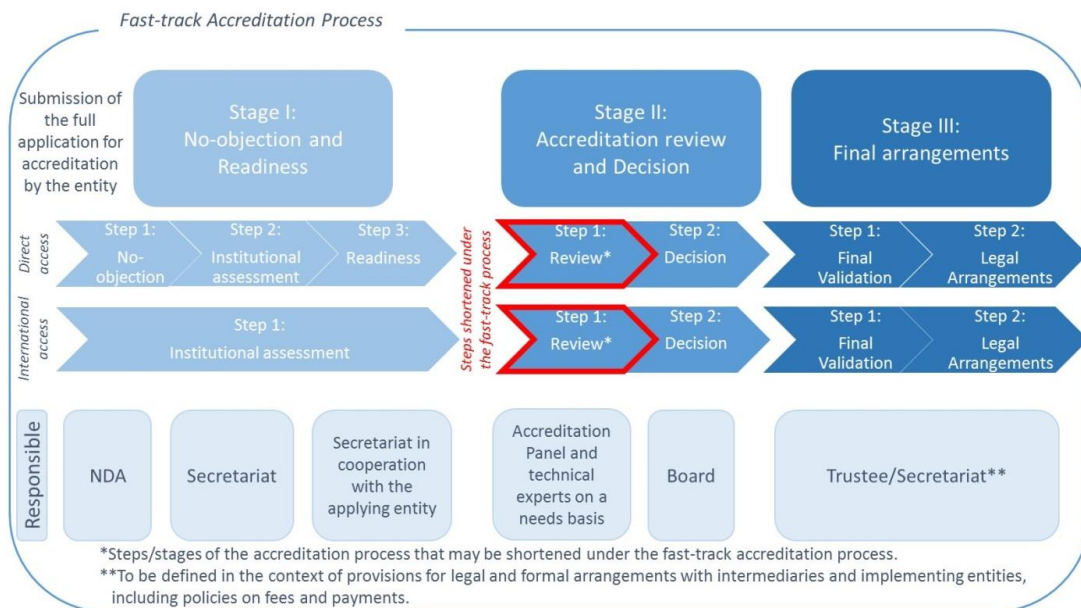


Figure 1: Overview of the fast-track accreditation process

14. It is expected that the accreditation process will generally be completed within six months after submission of all the required documentation. It is expected that the fast-track accreditation process will generally be completed within three months after submission of all the required documentation. The Fund will work on continuously improving its efficiency in order to reduce this timeframe.

VII. Recommended scope of fast-tracking and conclusions

15. Based on the gap analysis and recognizing that a decision by the Board is required to accredit an entity even if the entity is eligible and applies for accreditation under the fast-track accreditation process:

- (a) Entities accredited by GEF up to the time of the Board decision and in full compliance with GEF's Minimum Fiduciary Standards and Minimum Standards on Environmental and Social Safeguards, are eligible to apply under the fast-track accreditation process for the Fund's basic fiduciary standards, the specialized fiduciary standard for project management, and ESS. The assessment for accreditation will focus on the following gaps (refer to Accreditation Gaps identified in Annex III and Table 1 of Annex IV), insofar as they are relevant to the entity's intended activities, which are to be addressed by the entity. The entity will be assigned a risk category⁸ for funding proposals for projects and activities commensurate with its track record if and when the entity is approved for accreditation. Table 1 in Annex V includes a list of entities accredited by GEF as of 15 October 2014:
 - (i) Fiduciary gap: Anti-money laundering and anti-terrorist financing (basic fiduciary criteria for the purpose of transparency and accountability); and

⁸ Risk categories are identified in Annex I of document GCF/B.07/11. Risk categories include Category A / Intermediation 1 (high), Category B / Intermediation 2 (medium), and Category C / Intermediation 3 (low).

- (ii) ESS gap: Have the capacity to assess and manage relevant elements of Performance Standards 1-4 and 6 environmental and social risks and impacts, per Table 1 in Annex IV, in line with the Fund's ESS through an ESMS.
- (b) Entities accredited by the AF up to the time of the Board decision and in full compliance with the AF's fiduciary standards are eligible to apply under the fast-track accreditation process for the Fund's basic fiduciary standards, the specialized fiduciary standard for project management and ESS. The assessment for accreditation will focus on the following gaps (for fiduciary Accreditation Gaps refer to Annex III) pertaining to transparency and accountability, insofar as they are relevant to the entity's intended activities, which are to be addressed by the entity. The entity will be assigned a risk category⁹ for funding proposals for projects and activities commensurate with its track record if and when the entity is approved for accreditation. Tables 2 to 4 in Annex V include a list of entities accredited by the Adaptation Fund as of 15 October 2014:
 - (i) Fiduciary gap: Have publicly available terms of reference that outline the purpose, authority and accountability for the investigation function (basic fiduciary criteria for the purpose of transparency and accountability and scope of investigation);
 - (ii) Fiduciary gap: Ensure functional independence by having the investigations function headed by an officer who reports to a level of the organization that allows the investigation function to fulfil its responsibilities objectively (basic fiduciary criteria for the purpose of transparency and accountability and scope of investigation);
 - (iii) Fiduciary gap: Publish guidelines for processing cases, including standardized procedures for handling complaints received by the function and managing cases before, during and after the investigation process (basic fiduciary criteria for the purpose of transparency and accountability and scope of investigation);
 - (iv) ESS gap: Have the capacity to assess and manage relevant Performance Standards 1-8 environmental and social risks and impacts in line with the Fund's ESS through an ESMS.
- (c) Entities accredited by EU DEVCO up to the time of the Board decision and in full compliance with EU DEVCO's fiduciary standards are eligible to apply under the fast-track accreditation process for the Fund's basic fiduciary standards, the specialized fiduciary standard for grant award and/or funding allocation mechanisms and ESS. The assessment for accreditation will focus on the following gaps (for fiduciary Accreditation Gaps refer to Annex III), insofar as they are relevant to the entity's intended activities, which are to be addressed by the entity. The entity will be assigned a risk category¹⁰ for funding proposals for projects and activities commensurate with its track record if and when the entity is approved for accreditation. Tables 5 and 6 in Annex V includes a list of entities accredited by EU DEVCO as of 15 October 2014:
 - (i) Fiduciary gap: Anti-money laundering and anti-terrorist financing (basic fiduciary criteria for the purpose of transparency and accountability);

⁹ Risk categories are identified in Annex I of document GCF/B.07/11. Risk categories include Category A/Intermediation 1 (high), Category B/Intermediation 2 (medium), and Category C/Intermediation 3 (low).

¹⁰ Risk categories are identified in Annex I of document GCF/B.07/11. Risk categories include Category A/Intermediation 1 (high), Category B/Intermediation 2 (medium), and Category C/Intermediation 3 (low).

- (ii) ESS gap: Have the capacity to assess and manage relevant Performance Standards 1-8 environmental and social risks and impacts in line with the Fund's ESS through an ESMS.

16. Any entity accredited by more than one other relevant fund up to the time of the Board decision must address any remaining gaps identified in relation to those funds. The entity will be assigned a risk category¹¹ for funding proposals for projects and activities commensurate with its track record if and when the entity is approved for accreditation. Annex V includes a list of entities accredited by the GEF, AF and EU DEVCO as of 15 October 2014.

17. An entity can apply for accreditation for the basic fiduciary standards and/or specialized fiduciary standards and ESS under the normal accreditation process at any time.

VIII. Additional considerations

18. Other entities applying fiduciary and environmental and social principles or standards found to be comparable with the Fund's fiduciary standards and ESS will be proposed to the Board for consideration for eligibility for the fast-track accreditation process.

19. The Board may wish to consider, in the context of the Policies and Procedures for the Initial Allocation of the Fund's Resources, the possibility of establishing and assigning allocation targets for public and private entities, particularly in the context of direct access.

20. Entities accredited by the GEF, AF and EU DEVCO eligible for the fast-track accreditation process and applying under the direct access modality may request and be eligible to receive readiness and preparatory support.

¹¹ Risk categories are identified in Annex I of document GCF/B.07/11. Risk categories include Category A / Intermediation 1 (high), Category B / Intermediation 2 (medium), and Category C / Intermediation 3 (low).