

Annex I: Monitoring and accountability framework for accredited entities

1. The monitoring and accountability framework of the Green Climate Fund (GCF) is designed to ensure the compliance of accredited entities (AEs) with their accreditation standards over time and effective implementation of each of the GCF-funded projects and programmes of the AE.
2. Monitoring and accountability involve a series of actors with specific roles and responsibilities. These include AEs; the Secretariat and the GCF accountability units; national designated authorities (NDAs) or focal points; the direct beneficiaries of the projects and programmes; project-affected people and communities; and other local actors such as local governments, civil society organizations, non-governmental organizations and the private sector. This annex outlines:
 - (a) The components of the monitoring and accountability framework, including reporting requirements for AEs and for individual GCF-funded activities;
 - (b) The risk-based monitoring approach to be implemented by the GCF;
 - (c) The incentives and remedial measures available in cases of non-compliance or poor performance;
 - (d) The process leading to re-accreditation of an AE; and
 - (e) Related online tools for monitoring and reporting by AEs, portfolio management by the Secretariat, communications between NDAs and AEs, and knowledge management for all stakeholders.
3. In terms of institutional responsibilities:
 - (a) The NDA or focal point will play an important role¹ in accordance with the “Initial best practice guidelines for the selection and establishment of national designated authorities and focal points”;²
 - (b) The AE is responsible for implementing the project in compliance with the funded activity agreement;
 - (c) The Secretariat will be responsible for implementing the monitoring and accountability framework; and
 - (d) The accountability units of the GCF will play a role according to the mandate in their terms of reference.
4. This document aims to provide a general framework for monitoring and accountability. Detailed operational procedures, guidelines and tools will be developed in order to implement this framework in consultation with relevant stakeholders.

I. Monitoring and accountability framework components

5. Recalling paragraph 23 (j) of the Governing Instrument for the GCF, the Secretariat will carry out monitoring and evaluation functions. The framework will be built on two components: monitoring of AE compliance with the accreditation standards of the GCF; and monitoring and evaluation of individual funded activities (projects or programmes).

¹ Decision B.10/10.

² Decision B.08/10, paragraph (c).

1.1 Accredited entity compliance

6. 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.
7. During the five-year accreditation term, the GCF will monitor the compliance of the AE with the standards of the GCF and its obligations, as follows:
 - (a) On an annual basis, AEs should provide a self-assessment of their compliance with the GCF fiduciary standards, environmental and social safeguards (ESS) and gender policy. For international entities, the self-assessment should also include a report on the support provided to direct access entities for accreditation or to build their capacity, as requested by the Board (decision B.10/06, paragraph (i)). The Secretariat will develop a standard template for such reports, adequately taking into account the nature of the entities and their capacities;
 - (b) At the midpoint of the accreditation period, the Secretariat will undertake a light-touch mid-term review of the compliance performance of the AE. The Secretariat will develop standard terms of reference for the mid-term reviews; and
 - (c) If needed, the GCF will initiate additional ad hoc compliance reviews.³
8. The Secretariat will be responsible for programming mid-term reviews and any ad hoc reviews, in coordination with the AE, and for producing the relevant reports.
9. Once a year, the Secretariat will report to the Board on the consolidated results of the self-assessments, mid-term reviews and ad hoc reviews.

1.2 Funded activity monitoring

10. AEs are primarily responsible for the monitoring and evaluation of their funded activities, and will report accordingly to the GCF.
11. During the project/programme implementation period, reporting requirements may include the following to the GCF:
 - (a) Annual performance reports (APRs), including financial management reports. Among other things, the financial management reports will include dates and amounts disbursed for each funded activity and compliance with financial covenants; and
 - (b) An interim evaluation report and a final evaluation report for each funded activity. These project-/programme-level evaluations should also assess the performance of the funded activity against the GCF investment framework criteria, including financial/economic performances as part of the project/programme efficiency and effectiveness criterion.
12. During the post-implementation period, the submission of APRs might be required. In some cases, it will not be cost-effective to contract the AE to provide post-implementation monitoring. In these cases, the GCF would develop alternative arrangements.
13. The contents of APRs should include a narrative report (with supporting data as needed) on implementation progress based on the logical framework submitted in the funding

³ If stipulated in the accreditation master agreement; or if the GCF revises its guiding framework for the accreditation process or substantially revises the GCF fiduciary standards, ESS and/or gender policy that are the requirements for accreditation; or if there is evidence of a lack of compliance by the AE with the legal terms agreed with the GCF, its fiduciary standards, its ESS and/or gender policy; or if there is any emerging indication of misuse of the entrusted financial resources.

proposal and considerations on the ongoing performance of the project/programme against the GCF investment framework criteria, including updates on the indicators and a report on ESS as well as gender. The report should be aligned with the modalities set out in the GCF results management framework⁴ and its performance measurement frameworks for adaptation and mitigation,⁵ as amended and updated from time to time. Reporting requirements on ESS in the APR will be consistent with the GCF environmental and social management system.

14. On an annual basis, the Secretariat will report to the Board on the performance of the AEs in relation to their GCF-funded activities. This report will be based on the APRs received from AEs and will include information on progress made in implementation, potential risks and lessons learned.

15. At the project/programme level, the AE should include participatory monitoring, involving communities and local stakeholders, including civil society organizations, at all stages of the project/programme cycle from the beginning. For participatory monitoring of the overall portfolio of GCF-funded projects and programmes in each country, the NDA or focal point is encouraged to organize an annual participatory review for local stakeholders, notably project-affected people and communities, including women and civil society organizations. The participatory review will adhere to the following:

- (a) The policy of the GCF is to communicate in English. In cases where participatory review requires materials in local languages in order to be effective and meaningful, the NDA, in cooperation with the AE, shall provide such materials in a timely manner in advance of the participatory review; and
- (b) The readiness programme, in coordination with the NDA, may provide support to such participatory monitoring and reviews.

16. The Secretariat may decide to undertake additional ad hoc checks to follow up on the reports on compliance and performance submitted by AEs. These ad hoc checks may include site visits and will be arranged in coordination with the NDA/focal point and the AE. The risk-based approach to the selection of ad hoc checks is discussed below.

II. Risk-based monitoring approach

17. As a part of the GCF overall risk management framework, the Secretariat will develop an early warning system based on risk flags and will use all available sources of information; moreover, it may update the flags at any time. These flags will reflect the Secretariat's assessment of the following:

- (a) Risks related to the project itself (project risk flags); and
- (b) Risks related to the overall performance of the AE (AE risk flags).

18. Risk flags will be reported as part of the GCF risk dashboard presented periodically to the Board.

19. In cases where the Secretariat assigns a project risk flag, the Secretariat should also estimate the value of commitments at risk under the project. This reflects the fact that only some parts/components of the project may be affected by delays or poor/improper execution.

20. In cases where the Secretariat assigns an AE risk flag, the value of commitments at risk would typically include all components for which implementation has already taken place – across all projects in the GCF-funded portfolio of the AE. To avoid double-counting, the

⁴ Decision B.07/04.

⁵ Decision B.08/07.

Secretariat would only assign an AE risk flag in cases where there are systemic risks over and above the risks already captured by the project risk flags for that AE.

21. The country risk flag is intended to reflect a significant deterioration in the economic and/or political environment in which the AE is operating. For example, in extreme cases of political upheaval, the GCF may need to temporarily suspend operations until the legitimacy of the new authorities is fully confirmed.
22. The GCF monitoring and accountability framework will use a risk-based approach to decide on the ad hoc checks, with the Secretariat taking into account risk flags as well as other information that may be presented to the GCF in determining where to conduct the preponderance of ad hoc checks. In addition, the Secretariat will conduct a small number of ad hoc checks each year on a random basis.
23. An annual review will be conducted by the Secretariat on a given proportion by number of projects and programmes.⁶ The annual review will consist of an analysis of the information available from the overall risk management system of the GCF.
24. The selection of projects and programmes in the annual review will be risk-based and will include the following criteria:
 - (a) Projects/programmes of AEs that have an outstanding accreditation condition;
 - (b) Projects/programmes that have a risk flag assigned by the monitoring and accountability process;
 - (c) Projects/programmes classified in the high environmental and social risk category A/intermediation 1; and
 - (d) Any projects under special oversight.

III. Incentives and remedial measures

25. In cases where the Secretariat identifies AE compliance or performance issues, the Secretariat will inform the AE that a risk flag has been assigned and will invite the AE to discuss and agree on the following:
 - (a) An action programme of immediate remedial measures to resolve these issues, including deadlines for the completion of each step in the action programme by the end of a 'cure period'; and
 - (b) If needed, capacity-building support in order for the AE to avoid the recurrence of similar issues over the medium term (with possible support, in coordination with the NDA, from the Readiness and Preparatory Support Programme for direct access entities).⁷
26. At the same time, the Secretariat will inform the AE of the additional measures that may be taken if the issues remain unresolved at the end of the cure period. The timing and nature of these additional measures might depend on the nature of the impacts and risks and to some extent on the possible impacts on the reputation of the GCF.
27. The main options for remedial measures may include the partial or total suspension of disbursements or commitments at project level, reclaiming of funds already disbursed to the AE, as appropriate, or, if relevant, at the AE level.

⁶ Decision B.10/07, paragraph (d) (iii).

⁷ Readiness support will be available for the prevention of future problems but not for the resolution of immediate issues.

28. In cases where it is decided that the accreditation of the AE will be suspended, cancelled or downgraded, the GCF will negotiate an orderly process for the winding down and closure of GCF-funded projects.

29. In some cases, the GCF may wish to preserve business continuity on existing GCF-financed projects with an AE whose accreditation has been changed. The accreditation master agreement (AMA) and the funded activity agreement (FAA) will include provisions giving the GCF step-in rights in these cases.

30. The Secretariat will be responsible for issuing and closing-out risk flags. All decisions on suspension, cancellation and/or changing of the accreditation status of an AE will be subject to Board approval. This information will be included in the annual report by the Secretariat to the Board.

IV. Re-accreditation

31. The risk-based approach will also apply to the re-accreditation of AEs at the end of their five-year accreditation period. 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).

32. For each re-accreditation application, the Secretariat and the Accreditation Panel will review reports relating to the performance of the AE over the previous five years, including reports on the GCF-funded activities of the AE.

33. The review will pay particular attention to all risk flags incurred by the projects, AE or country over the previous five years and, based on the information provided, make a recommendation to the Board if the AE wishes to extend its accreditation in the same categories as before.

34. In some cases, the Accreditation Panel may recommend to the Board that the accreditation be changed to a lower accreditation category (i.e. downgrade).

35. In accordance with decision B.10/06, paragraph (j), to advance the goal of the GCF to promote the paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development, the re-accreditation decision by the Board will take into account the Secretariat and Accreditation Panel's assessment of the extent to which the AE's overall portfolio of activities beyond those funded by the GCF has evolved in this direction during the accreditation period.

V. Tools

36. The GCF will probably be receiving large volumes of information from project-level and AE-level reporting; it is therefore important that appropriate business intelligence tools that automatize and efficiently manage information are developed. An integrated online platform should be developed to include the following functions:

- (a) A portfolio management system to allow the Secretariat to capture all documents in the cycle from accreditation of an AE right through to the most recent project reports and interim/final evaluations, including a real-time database of risk flags, searchable by AE and by project/programme. This system will integrate the monitoring and reporting toolkits that allow the AEs to report online time-based reports (such as the APRs and project/programme indicators as reported in the funding proposal) and any event-based report;

- (b) An interactive portal, in compliance with the current GCF information disclosure policy, designed to facilitate:
 - (i) Communications between NDAs, AEs, project-affected people and communities in a structured manner in relevant languages; and
 - (ii) Organization of NDA annual participatory reviews and the dissemination of their findings; and
 - (c) A knowledge management platform designed to organize, validate and publish all documents that are disclosable under the current GCF information disclosure policy to all stakeholders and the public at large.
37. Where local stakeholders do not have access to online information, these should be complemented by in-country consultation and information dissemination, as appropriate.