

Annex II: Strategy on accreditation

I. Objectives of the accreditation strategy

1.1 Context and scope

1. As an operating entity of the Financial Mechanism of the United Nations Framework Convention on Climate Change and the Paris Agreement, the GCF provides support to developing countries and Parties to the Convention and the Paris Agreement to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change. As stated in the Governing Instrument for the GCF, access to GCF resources will be through national, regional and international implementing entities accredited by the Board.¹
2. The Board set up an Accreditation Committee (AC) composed of members of the Board, approved an accreditation framework and appointed an independent Accreditation Panel (AP), composed of technical experts, to undertake an assessment of prospective accredited entities. An Online Accreditation System was developed by the Secretariat and opened to applicants on 17 November 2014. As a result and with a fit-for-purpose approach,² 33 entities had been accredited as of the thirteenth meeting of the Board (B.13), representing national, regional and international institutions, public as well as private.
3. Given the role of accredited entities (AEs) in delivering the GCF mandate and channelling climate finance, the Board requested the AC, with the support of the Secretariat, to prepare an accreditation strategy that will “examine issues including efficiency, fairness and transparency of the accreditation process, as well as the extent to which current and future accredited entities enable the Fund to fulfil its mandate”.³
4. The present strategy is intended to set broad objectives and principles that will guide the continuous improvement of the accreditation process. The strategy is the result of extensive consultations and discussions at the Board level, and inputs received from stakeholders following a public call that was launched on 18 April 2016. It also incorporates stocktaking, lessons learned and recommendations from the AC, the AP and the Secretariat.
5. The time frame of the strategy will be three years with the AC providing reports on the progress of the implementation of the strategy to the Board.
6. The AC, the AP and the Secretariat intend to further develop the areas of the strategy that are important for enhancing the efficiency, fairness and transparency of the accreditation process based on a continuous monitoring and evaluation process.

1.2 Roles and responsibilities of accredited entities

¹ Paragraph 41 of the Governing Instrument.

² Decision B.08/02, annex I, paragraphs 2 and 5, state: “The fit-for-purpose accreditation 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”, and “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 nonfinancial (e.g. environmental and social) risk to which the Fund will be exposed through the activities of implementing entities and intermediaries”.

³ Decision B.10/06, paragraph (r).

7. The GCF and its network of AEs will be responsible for the delivery of financing to developing countries in order to meet internationally agreed climate goals at scale, while also meeting GCF standards and safeguards. Accreditation of entities is central to the GCF business model and is a means to an end, which is delivering on GCF objectives.
8. The GCF relies on the due diligence and the risk assessment performed by AEs.⁴ They will be responsible for the overall management, implementation and supervision of activities financed by the GCF and are expected to administer funds disbursed with at least the same degree of care as they use in the administration of their own funds.
9. Direct access entities are important for promoting country ownership and understanding national priorities and contributions towards low-emission and climate-resilient development pathways.
10. AEs will engage with international and national private sector entities, particularly in developing countries, to support GCF objectives, including the promotion of the paradigm shift towards low-emission and climate-resilient development pathways. Together with international and regional entities, AEs can provide additional choices of partners.
11. The GCF is responsible for fostering meaningful relationships, collaborations, and knowledge exchange among AEs. Therefore, the GCF will support the network of AEs to foster the sharing of lessons learned, institution-building and continuous learning.
12. AEs must demonstrate a commitment to climate change and sustainable development through a track record of implementing high social and environmental standards, transparency, internationally competitive and open procurement, untied aid, and low-carbon investments.
13. The GCF will seek to incentivize AEs to transform their overall portfolio beyond assets financed by the GCF so as to contribute to meeting the objectives of the GCF, the Convention and the Paris Agreement, particularly Article 2, paragraph 1, which calls for, in enhancing the implementing of the United Nations Framework Convention on Climate Change, including its objective, and in the context the sustainable development and efforts to eradicate poverty:
 - (a) Holding the increase in the global average temperature to well below 2 °C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5 °C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change;
 - (b) Increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production; and
 - (c) Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

1.3 Other ways to engage with the GCF

14. In addition to accreditation, there are other ways for entities to partner with the GCF, which may include, but are not limited to:
 - (a) Acting as the executing entity for an already accredited entity, implementing its projects funded by the GCF;
 - (b) Co-financing projects with an already accredited entity; and

⁴ Annex XXVII to decision B.12/31.

- (c) Acting as a readiness delivery partner, provided that the entity can demonstrate relevant expertise, experience and ability to implement.⁵

II. Guiding principles of accreditation

15. This strategy was informed by the following guiding principles:
- (a) Ability to contribute to the GCF mandate of supporting a paradigm shift;
 - (b) Promotion of country ownership,⁶
 - (c) Balance and diversity;
 - (d) Efficiency in terms of cost, time and resources; and
 - (e) Fairness, effectiveness and transparency through its activities.
16. The GCF accreditation strategy is also consistent with the principles as outlined in the Governing Instrument.

2.1 Effectiveness in supporting a paradigm shift

17. The accreditation of AEs is expected to promote the leverage of finance, to mainstream climate considerations across project pipelines, to continually engage with the GCF, and to build on comparative advantages and value added.
18. GCF engagement with the private sector, including small- and medium-sized enterprises from developing countries, is important to meet the goal of paradigm shift. The accreditation process should be efficient and effective in order to attract a wide variety of private sector actors that actively support the vision and goals of the GCF.
19. AEs, including direct access entities, may apply for upgraded accreditation in size and risk categories as their capacities and track record develop, in order to further facilitate delivery at scale.

2.2 Enhancing country ownership

20. The accreditation process can be an effective way of setting high standards in country ownership. National designated authorities (NDAs) are encouraged to engage with the Secretariat in order to identify which entities are a good fit to advance GCF objectives and which should be nominated in their countries.
21. When reviewing their applications, the Secretariat should encourage NDAs to develop guidelines that facilitate inter-agency coordination and coherence at the national level, as well as to engage in effective and broad stakeholder engagement.
22. Country ownership includes ownership by local communities, civil societies, women's groups, indigenous peoples organizations, municipal-/village-level governments, etc. Meaningful input provided by such stakeholders should be used, as necessary, during the identification of entities to be accredited. This approach aims to ensure that AEs nominated by NDAs have a high potential to bring forward projects and programmes that demonstrate high

⁵ Decision B.08/11.

⁶ Decision B.10/10.

country ownership, are consistent with country priorities and accurately reflect their commitments to climate change agreements.

2.3 Ensuring balance and diversity

23. Through balance and diversity in the portfolio of AEs, the strategy seeks to achieve an optimal geographic and thematic coverage, but also in terms of environmental and social (E&S) risk categories, and in the use of various instruments, recognizing that further guidance will need to be developed in order to operationalize these principles. This strategy provides for future accreditation to be based on the quality and 'value added' nature of new entrants, allowing some entities to be prioritized in order to fill existing and potential future gaps based on continuous monitoring.

24. The Secretariat will engage countries in dialogues to determine the types and size of AEs that are most needed for accessing GCF resources. The Secretariat will track a variety of indicators on the portfolio of AEs and pipeline of applicants so as to monitor coverage, and will report these to the AC on an annual basis.

2.4 Efficiency in terms of cost, time and resources

25. The accreditation process will aim at reaching efficiency in terms of cost, time and resources to the GCF and AE. The Secretariat and AEs are expected to provide accurate information on the financial and non-financial costs of accreditation and the time taken for the process.

26. In addition, the cost of accreditation will include the continuous cost to the AE and the Secretariat of post-accreditation processes and relationship management. For direct access AEs, this will also include support to entities seeking to be upgraded or strengthened or to meet the conditions or recommendations of their accreditation.

27. The number of entities in the portfolio and pipeline has an implication in terms of the GCF budget. It is estimated that one Accredited Entities Specialist will be needed to manage and support the relationship between the GCF and approximately 10 AEs. This ratio may vary in order to tailor relationship management to the level of support needed. Also, more Secretariat staff resources will be needed to support the readiness, and monitoring and accountability functions as the number of AEs grows. In addition, direct access AEs may need substantial capacity-building support once they are accredited to be able to build strong pipelines of projects.

28. Furthermore, while the accreditation process currently reviews applications on a rolling basis in order to ensure fairness and transparency, this approach may have a significant impact on the time taken and therefore the cost to the AE related to accreditation. Henceforth, there may be circumstances in which some entities will be reviewed on a priority basis in order to meet the objectives of the GCF strategy or certain mandates (e.g. call for proposals).

29. As the GCF develops and matures, it is expected that the accreditation process will require only occasional and high-level guidance from the Board.

2.5 Fit-for-purpose

30. The fit-for-purpose accreditation approach permits an entity to be accredited based on the nature, scale and risks of the activities it will propose to the GCF. Therefore the entity is assessed through the accreditation process as fit or not to implement GCF standards

commensurate with the nature, scale and risks of such activities. The accreditation strategy recognizes that there is a need for the process to accommodate the diversity of entities with respect to type, size, experience, risk and other factors, while ensuring that the standards against which entities are measured are the same for everyone applying for a given level of risk. Fit-for-purpose is a hallmark of the GCF and it recognizes that there is a need to have a bespoke approach to the accreditation process, while preserving the rigour of the standards and safeguards.

2.6 Strong monitoring and accountability framework

31. The efficiency of the accreditation process and the application of principles relies on a strong monitoring and accountability framework, which should inform re-accreditation and de-accreditation decisions and serve as a tool to identify gaps and areas for improvement. Those improvements should be undertaken in consultation with NDAs. In addition, the GCF should provide AEs with a flexible qualitative and quantitative reporting framework in order to set out the nature of the portfolio evolution that AEs are expected to undertake as well as the data that AEs should provide.

2.7 Fairness and transparency

32. The GCF will ensure fairness and transparency throughout the accreditation process through a flexible and effective monitoring programme and feedback mechanism. Furthermore, the GCF may consider the role of observers and other stakeholders in the work of the AC. It is essential that the AP continues to be independent from the Board and the Secretariat, and that its deliberations, research and recommendations be free from outside influences and pressures. It is also imperative that the panel continue to be a technical body composed of a well-rounded team of experts with all the relevant skills and expertise to do their job.

III. Strategic guidance to the accreditation framework

3.1 Process recommendations

33. The current accreditation process has proven to be robust and effective. There are, however, areas where additional efficiency could be introduced, while maintaining the integrity of the process. To this end, the Secretariat, in consultation with the AP and AEs, is requested to undertake the following actions:

- (a) Further develop communication on the purpose of accreditation, its value added to the applicant, as well as other ways besides accreditation in which entities could engage with the GCF;
- (b) Review relevant procedures and decisions, in particular decision B.08/06 on the content of applications for accreditation, in order to further streamline the accreditation process without compromising standards and to ensure that the GCF is meeting its goals and objectives during this critical operationalization phase by the sixteenth meeting of the Board;
- (c) Review the fast-track process with a view to expanding eligibility, if necessary, in response to the declining proportion of entities in the accreditation pipeline that are eligible for fast-tracking;

- (d) Develop modalities for the use of third-party evidence, including from regulators, listing agencies, rating companies, corporate social responsibility rating bodies, existing intermediated financing systems, civil society groups and local communities, when conducting the assessment of an entity for accreditation, in particular for the private sector and direct access entities;
 - (e) Produce an internal manual consisting of terms related to the accreditation framework; and
 - (f) Develop a set of operational guidelines that clearly outline the roles of respective actors in the accreditation process, the steps required for accreditation, and the expectations of each in order to identify, and take advantage of, opportunities for reducing duplication and streamlining at all levels.
34. The AC may consider ways to improve the efficiency and effectiveness of the accreditation process, for example by:
- (a) Ensuring consistency with the decisions from B.13 on the Project Preparation Facility and the Readiness and Preparatory Support Programme; and
 - (b) Considering setting a requirement for AEs to submit a funding proposal within a certain time frame following accreditation.

3.2 Reporting recommendations

35. In order to monitor and evaluate the alignment of the portfolio of AEs with the GCF mandate, the Secretariat will use the indicators that the Board deems necessary to track: the types of entities applying to the GCF, the climate financing they undertake and the standards they apply.

36. In addition, the data monitored will include: the coverage across sectors, results areas, geography, financial instruments, and access modalities, as well as the costs and personnel time used in each step of the process. This information will be important, among other things, so as to assess requests for upgrades and re-accreditation and to manage strategically the overall size and composition of the pool of AEs. This information will be reviewed by the AC prior to each Board meeting.

37. The AP, with the support of the Secretariat and guided by submissions for the accreditation strategy on this subject, will report at the fifteenth meeting of the Board on progress made towards establishing a baseline for the whole portfolio of AEs in accordance with decision B.12/30. This baseline will allow for an assessment of the extent to which the overall portfolios of activities of the AEs, beyond those funded by the GCF, have evolved during the accreditation period.⁷

38. The monitoring and evaluation indicators will be used to assist any prioritization of accreditation applications and, where necessary, the setting of periodic time-bound (interim) goals and targets for accreditation. The indicators monitored will be reviewed on an annual basis by the AC and reported to the Board. This approach is considered an open and transparent

⁷ Decision B.11/10, annex I, paragraph 35, states: "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".

way by which to provide guidance to the Secretariat and the AP on the categories of entities to prioritize.

39. To close the current coverage gaps identified in section III of this document (stocktaking and lessons learned), the AC recommends that:

- (a) The applications of private sector entities, including those in developing countries, national direct access entities and entities in the Asia-Pacific and Eastern European regions should be prioritized in 2016 and 2017; and
- (b) The GCF should prioritize the application of entities responding to requests for proposals issued by the GCF. At the moment, those include:
 - (i) A pilot phase for enhancing direct access;⁸
 - (ii) A pilot programme to support micro-, small- and medium-sized enterprises;⁹ and
 - (iii) A pilot programme to mobilize resources at scale in order to address adaptation and mitigation.¹⁰

40. The AC further recommends that the AP prioritizes the review of the fulfilment of conditions and requests for upgrades, in particular those for which the AP recommended that entities seek upgrades.

⁸ Decision B.10/04, paragraph (a).

⁹ Decision B.10/11, paragraph (a).

¹⁰ Decision B.10/11, paragraph (a).