

## Annex IV: Re-accreditation with an upgrade assessment of United Nations Development Programme (RAPL007)

### I. Introduction

1. The United Nations Development Programme (UNDP), is an international entity with a strong global presence and mandate concentrated on development, with a focus on sustainable development, climate change and disaster resilience, and governance. The accredited entity (AE) works in partnership with entities, such as national governments, United Nations agencies, civil society organizations, and development banks, in order to support the coordinated delivery of financing to achieve transformational impact in the areas of climate change mitigation and adaptation. Its work in adaptation covers all developing countries in all regions and includes a strong portfolio in least developed countries (LDCs), small island developing States (SIDS) and African States. Adaptation activities include integrated climate change strategies, national adaptation plans, national planning and budgeting frameworks; cross-sectoral climate resilient livelihoods; climate resilient integrated water resource and coastal management; ecosystem-based adaptation; and climate resilient energy and infrastructure. In mitigation, the AE supports developing countries in order to create enabling environments for investment in mitigation technologies and land uses at scale, with activities in: low-carbon energy access solutions (rural mini-grids, bioenergy and green charcoal supply chains), grid-connected renewables, energy efficient buildings and appliances, and reducing emissions from deforestation and forest degradation.

2. UNDP was accredited by the Board on 26 March 2015 in decision B.09/07, paragraph (b), and signed its accreditation master agreement (AMA) with GCF on 5 August 2016, which became effective on 23 November 2016, for the following parameters, as recommended by the Accreditation Panel (AP), under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** international access;
- (b) **Track:** fast track under the Adaptation Fund (AF);
- (c) **Maximum size of an individual project or activity within a programme:** medium;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards; and
  - (ii) Specialized fiduciary standard for project management; and
- (e) **Maximum environmental and social risk category:** medium risk (category B/intermediation 2 (I-2)).<sup>3</sup>

3. With the AMA having become effective on 23 November 2016, the AE's first accreditation term is from 23 November 2016 to 22 November 2021. The AE submitted its application for re-accreditation to GCF via the digital accreditation platform on 20 May 2021, as

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<sup>1</sup> As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "medium" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above USD 50 million and up to and including USD 250 million for an individual project or an activity within a programme."

<sup>2</sup> Decision B.07/02.

<sup>3</sup> As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), category B is defined as "Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures" and intermediation 2 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented."

well as an application to upgrade its accreditation scope. Fees were not applicable for this upgrade application since the fees were paid for the relevant upgrade accreditation criteria during the initial accreditation application. Stage I was completed on 26 July 2021 and the AE was progressed to the stage II (step 1) accreditation review by the AP, which has been concluded with the publication of this assessment. The AE has applied to be upgraded at the same time as its re-accreditation for the following parameters under the fit-for-purpose approach of GCF:

(a) **Fiduciary functions:**<sup>4</sup>

- (i) Specialized fiduciary standard for grant award and/or funding allocation mechanisms.

4. All other parameters of UNDP's accreditation scope remain the same.

5. The application to upgrade its fiduciary accreditation scope to also include the specialized fiduciary criteria for grant award and/or funding allocation mechanisms would facilitate the AE in expanding the range of modalities available to developing countries in the GCF context and would deliver new solutions to climate change mitigation and adaptation barriers and problems through grant award mechanisms at the project/programme level. This would allow for potentially more financially transformative projects as compared to those UNDP has submitted and received approval from GCF for under the specialized fiduciary standard for project management only, as UNDP could then submit projects/programmes with revolving grant structures.

## II. Stage I institutional assessment and completeness check

6. The AE is eligible for, and applied under, the fast-track re-accreditation process as a Global Environment Facility (GEF) entity and a Directorate-General for International Cooperation and Development (DG DEVCO) entity. Its application has been assessed by the Secretariat during stage I in accordance with the requirements and gaps identified in decisions B.08/03, B.10/06, B.12/30, B.14/09, B.15/09, B.17/13, B.18/05, B.19/14, B.22/09, B.23/13, B.24/11 and B.26/01 and in accordance with the GCF policies and standards below:

- (a) "Updated strategic plan for the Green Climate Fund: 2020–2023" (decision B.27/06);
- (b) "Matters related to the accreditation framework" regarding the re-accreditation process (decisions B.24/13 and B.26/01);
- (c) "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);
- (d) "Guidelines for the Operationalization of the Fit-for-purpose Accreditation Approach" (decision B.08/02);
- (e) "Policy on Prohibited Practices" (decision B.22/19);
- (f) "Anti-Money Laundering and Countering the Financing of Terrorism Policy" (AML/CFT Policy) (decision B.18/10);
- (g) "Policy on the Protection of Whistle-blowers and Witnesses" (decision B.BM-2018/21);
- (h) "Environmental and Social Management System: Environmental and Social Policy" (decision B.19/10);
- (i) "Comprehensive Information Disclosure Policy of the Fund" (decision B.12/35) regarding the disclosure of environmental and social (E&S) information; and

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<sup>4</sup> Decision B.07/02.

- (j) “Updated Gender Policy and Gender Action Plan 2020–2023” (decision B.24/12).

## 2.1 Legal status, registration, permits and licences

7. The AE provided documents on its establishment and licences to operate, where relevant, as a part of the application. UNDP was established by the United Nations General Assembly through its resolution 2029 (XX) of 22 November 1965. The AE confirmed that it is willing to engage in amending the AMA to account for new GCF policies adopted after the initial accreditation and will put the necessary resources in place to review the draft AMA.

## 2.2 Accredited entity performance in contributing to GCF programming results

### 2.2.1. **Approved GCF projects under implementation and national designated authority participatory monitoring**

8. UNDP has the largest volume of GCF funding, both under-funded activities and readiness portfolios. On average, since the AE’s accreditation, the Secretariat approved approximately eight funding proposals for UNDP annually, as compared to one for other AEs.

9. As at 31 July 2021, the AE had 35 Board-approved projects with 34 under implementation, 4 more pending first disbursement and 1 more awaiting effectiveness of the funded activity agreements (FAAs). The total value of the approved projects is USD 2.41 billion of which GCF funding is USD 1.14 billion. To date, approximately USD 589 million has been disbursed, excluding AE fees, representing 51 per cent of the GCF funds for the funded activities under implementation by UNDP.

10. The portfolio is expected to abate a total of 106.9 million tonnes of greenhouse gases (GHG) in carbon dioxide equivalent and build the resilience and adaptive capacity of 162 million (direct and indirect) beneficiaries, based on the estimations of the AE.

11. The UNDP readiness portfolio is also the largest in terms of approved funding (25 per cent of total GCF readiness approved funding), with 58 grants for a value of USD 86 million. As at 31 July 2021, 56 Readiness grants and 1 PPF grant have received disbursements of USD 43 million.

12. **Project implementation progress:** With regard to funded activities, as at 31 July 2021, out of 35 funded activity projects, 24 projects (c.68 per cent) of the portfolio are deemed to be on track (based on 2020 annual performance reports (APRs) and updates from the AE on the impact of the COVID-19 pandemic). Most of the reported challenges during project implementation are owed to governmental changes and transitions, executing partners’ capacity constraints, quality of work and/or coordination of efforts with the executing entities (EEs), instability in the country, start up and recruitment of the project team, especially in projects carried out in SIDS, procurement delays and issues with project design assumptions at the funding approval stage. Key highlights of the funded activities are:

- (a) On average, the disbursement and expenditure rates of the UNDP portfolio is higher than the overall average of other AEs,<sup>5</sup> however their results delivery rate is on average slightly lower than portfolio average (3 per cent and 5 per cent respectively)<sup>6</sup>;
  - (b) UNDP projects tend to leverage less co-financing<sup>7</sup> and reach first disbursement faster on average;
  - (c) Implementation challenges are mentioned in APRs and often appear in multiple years. In some cases, implementation challenges take considerable time and effort to be resolved or addressed. In a number of instances, the magnitude of the challenges reported in APRs require additional elaboration and attention by the AE, e.g., FP016, FP018 and FP037;
  - (d) While cost deviations due to increasing cost of labor and goods are not uncommon in instances where there is a greater time period between the project design and implementation start, especially with infrastructure projects; the UNDP portfolio has been increasingly facing a recurring issue pertaining to cost increase/budget shortfalls vis a vis design estimates, which could be indicative of technical gaps/design weakness as some of the issues arise early during implementation experience e.g. FP107 which has reported cost increases in civil works, and FP018 which experienced cost escalations in small scale infrastructure reportedly attributed to inflation and design improvements based on early implementation experience; and
  - (e) With regard to projects requiring civil works, a number of these projects face cost escalations, and high environmental and social safeguards (ESS) risk factors which emerge during implementation.
13. Regarding the quality of independent evaluations (IE) and UNDP responsiveness the main concerns are:
- (a) UNDP has submitted 9 interim evaluations for projects that had reached midpoint of project implementation. In some of these evaluations, ratings are not supported by evidence: the IE should be objective and performance ratings should be backed by hard evidence. The claims made in progress reports need to be validated by the IE. Based on the issues, the performance rating needs to be revisited to reflect the ground realities along with analysis of beneficiaries' perspectives (e.g., "De-Risking and Scaling-up Investment in Energy Efficient Building Retrofits" – FP010, UNDP Armenia);
  - (b) Lack of clarity on assessment against the mid-term targets of final targets: the IE should necessarily focus on performance against mid-term targets as well as how this relates to the achievement of final targets, but not only focus on the progress against final targets as observed in some cases;
  - (c) A section on lessons learnt is lacking in IEs: the IE report should include a stand-alone section on lessons learnt, identify key lessons and provide a brief description on each of them. There is a need to devise a mechanism whereby the lessons can be fed back into project design;
  - (d) Impact of COVID-19: it is noted that in some of the UNDP submitted independent evaluations, comprehensive assessment of the impact of COVID-19 on different aspects of project implementation was not conducted, neither there was an assessment of the impact

<sup>5</sup> Given the size of the UNDP portfolio, this may not be fully reflective of the actual performance as two or three large disbursements could mask the performance of rest of the portfolio that may not be meeting disbursement targets. Disbursement rate is defined as amount of GCF disbursement received by AE out of total approved GCF funding. The overall average rate is 33% and for UNDP projects is 44% as of 21st July 2021. The expenditure rate is defined as amount expended (reported by AEs in 2020 APR) out of the amount disbursed by GCF as of 31st December 2020. Overall rate is 42% and for UNDP projects it is 52%.

<sup>6</sup> Results delivery rate is defined as the progress reported for applicable GCF core indicators (by AE in 2020 APR) against lifetime targets.

<sup>7</sup> Co-financing ratio (which is defined as Co-financing divided by GCF funding) for UNDP projects on average is 1.39 versus the average for overall GCF portfolio which stands at 1.80.

- on results delivery and overall funded activity performance along with a plan of action to address these;
- (e) Lack of co-financing/insufficient mobilization of co-financing: conduct a thorough analysis of co-financing, the lack thereof and/or insufficient mobilization and implications for project scope and results; and
  - (f) Time bound action plan: the recommendation needs to be accompanied by a time bound action plan from UNDP along with roles and responsibilities of concerned parties, that will need to be adhered to for the project to achieve its objectives and delivery of anticipated results.
14. BDO assessment observations: the following two observations from BDO assessment are particularly pertinent for, and mirror, a number of the issues raised above on design and implementation quality, and interim evaluations. It is therefore fundamental that UNDP ensure that the management actions specified by the AE are implemented as these would address several of the challenges:
- (a) The strengthening of oversight by regional bureaux of projects is an area that has also been flagged in the recent BDO assessment (observation 5), which recommended that UNDP should ensure that measures are taken to strengthen the regional bureaux. UNDP has outlined a number of management actions to be undertaken, including preparing a Roles/Accountability/Consult/ inform (RACI) matrix covering the entire project cycle from origination to project financial closure, including oversight; reviewing the performance of the portfolio by region and by country three times a year with discussions on delays in implementation, risks, and oversight challenges in country offices, and development of action plans with clear roles, responsibilities and timelines for follow up; and revising regional bureau monitoring and oversight frameworks to strengthen quantitative and qualitative data on projects; and
  - (b) Delays in project implementation have also been raised in the BDO assessment (observation 8), and UNDP's management response states that measures have already been introduced "to allow for a better assessment of programming capacities and resource needs, as well as robust pre-investment screening to determine the criteria on the basis of which UNDP will engage in programming. These, along with the stronger risk management processes during implementation, will provide a stronger foundation for robust project design, which should in turn contribute greatly to improved delivery and implementation."
15. With regard to readiness activities, as at 31 July 2021, under the Readiness Programme, a total of 47 no-cost extensions were granted to 37 grants (64 per cent of the total UNDP portfolio in terms of the number of approved grants) for an average duration of eight months. A total of 32 no-cost extension requests were granted on COVID-19 grounds, while for the rest, reasons included challenges in procuring project staff, natural disasters, changes at national designated authorities (NDAs), among others. One national adaptation plan (NAP) grant (VNM-RS-002) is presently under consideration for restructuring as the AE has requested to engage a national implementing entity to deliver some of the project activities.
16. **Reporting:** Under both funded activities and readiness, reporting by UNDP is mostly on time, and the AE is among the top performers in terms of complying with reporting timeliness. While the quality of reporting differs from one country office to another, the overall quality tends to meet the GCF reporting standards with a few exceptional observations related to financial aspects (e.g. inconsistent budgets). The AE designated focal points are easily reachable and tend to be responsive.
17. The majority of approved projects on the AE's portfolio are currently under implementation. To be more precise, as at 31 July 2021, 34 projects (out of 35) worth USD 1.14 billion in GCF funding have started implementation. Of the 34 projects under implementation, 30 projects have disbursed a cumulative amount of USD 589 million excluding AE fees. The active engagement of the AE with the Secretariat on portfolio matters, as well as the increased number of funded activity agreements (FAAs) which are being executed at the time when the funding proposals



are presented by UNDP for consideration at GCF Board meetings, has significantly contributed to the acceleration of progress of the AE's projects from GCF Board approval towards disbursement.

18. As at 31 July 2021, six approved projects by the AE were on the Secretariat's watch list<sup>8</sup> under an internal portfolio status report that is updated on a biweekly basis. Projects that are put on the watch list will be under close monitoring due to several challenges which range from significant implementation delays to restructuring. For example, FP015 and FP016 by UNDP were put on the watch list as they have either been or are currently going through restructuring. Two other projects on the watch list, FP010 and FP037, have had corruption allegations raised against them. In response, UNDP has taken action to investigate and have informed the GCF accordingly, and the Secretariat is awaiting the outcome of the investigations. Furthermore, two projects, FP010 and FP037, have experienced significant implementation delays. However, in relation to FP010, the delays are largely due to the war tensions at the project region between Armenia and Azerbaijan.

19. As at 31 July 2021, UNDP has submitted a total of 21 Completion Reports for grants valued at USD 8 Million (20 non-NAPs and 1 Project Preparation Facility (PPF)). Key results achieved from completed and ongoing projects as of December 2020 include 11 countries with an inter-institutional coordination mechanism established, 8 countries with no-objection procedures established, 6 countries with tools or criteria for prioritizing projects and programmes developed, and 13 Country Programmes and 5 concept notes developed.

#### 2.2.2. **Entity work programme (concept notes, funding proposals and Project Preparation Facility requests)**

20. **Entity work programme:** the AE has submitted a draft entity work programme (EWP) for the GCF-1 period explaining the partnership approach to working with GCF, programming strategy and the pipeline of project ideas the AE intends to bring forward during the GCF-1 period in addition to the ones officially submitted as funding proposals/concept notes. The Secretariat has taken the EWP through a round of interdivisional review and shared the recommendations for UNDP to consider when revising the EWP. UNDP has updated the EWP in line with the Secretariat recommendations. The revised EWP is under the Secretariat's review. An initial light review of the current draft of the EWP suggests that UNDP's EWP is a comprehensive partnership document that articulates well its programming strategy for the GCF-1 period that leverages the AE's comparative advantages and seeks to contribute to achieving the goals and priorities set out in the GCF Updated Strategic Plan. The core elements of the AE's programming strategy are working with NDAs to implement NDCs, expand engagement with direct access entities (DAEs), and to do so the AE will focus on innovative proposals, crowding in support from the private sector and broader UN system, and designing multi-country programmes to accelerate access. The EWP also offers the AE's perspective on the main challenges and lessons learned from its existing portfolio, and discusses ways to prevent or address these, and where applicable jointly with the Secretariat. The EWP contains 13 concept notes and project ideas under development that the AE aims to submit throughout the remainder of 2021 and 2022. Early estimates suggest that these proposals will request approximately USD 474 million in GCF financing while raising USD 574 million in co-financing.

21. **UNDP as a delivery partner for readiness proposals:** UNDP has a large portfolio of approved readiness grants. The pipeline has decreased over time and is now almost exclusively focused on the adaptation planning window. In the readiness pipeline, UNDP is the nominated delivery partner for 10 proposals<sup>9</sup> valued at USD 21.09 million, of which 8 proposals target adaptation planning and request USD 20 million. GCF has been discussing with UNDP regarding a series of multi-country readiness grants for up to 20 countries to support NDC enhancement and development of NDC investment plans. The proposals have yet to be formally submitted to GCF.

<sup>8</sup>The watch list is under the Biweekly Post Approval Status Update prepared by the Office of Portfolio Management.

<sup>9</sup>Nine countries have submitted proposals nominating UNDP as delivery partner: Algeria, Burundi, Cuba (2), Djibouti, Guinea-Bissau, Indonesia Kazakhstan, Myanmar, Senegal.

22. **Concept notes/funding proposals:** funding proposals from UNDP have moderate quality-at-entry and are increasingly being submitted as a complete package including most annexes ready for review. Some of the proposals lacked robust causality between climate drivers and proposed interventions during initial submission, causing multiple reviews ultimately leading to non-endorsement of some of the projects by the independent Technical Advisory Panel. To date, six UNDP projects have not been endorsed by ITAP when presented the first time, though with the exception of 2 projects, the GCF Board ultimately approved a total of 35 projects to date. Of the 30 concept notes submitted from 2017 to date in the current pipeline, only 6 of them have been converted to funding proposals. Also, due to the inherent limitation of the AE's accreditation, many of the proposed activities lacked innovation in financing structures and designs leading to sustainability challenges. In addition, due to the AE's internal rules and procedures to deploy only one executing entity (EE) per project, their support to the GCF DAEs has been limited.

23. The Secretariat's key observations regarding the quality of the funding proposals in the portfolio under implementation is that the quality varies substantially and there is a lack of consistency and uniformity across them with regard to meeting minimum quality standards as per GCF requirements. While improvements have been observed recently, specific design areas that require strengthening include the theory of change narrative and diagram, and logframe means of verification, targets, unit of measurement, and alignment with feasibility study and/or economic and financial analysis.

24. As at 31 July 2021, there are currently 30 funding proposals/concept notes submitted by UNDP in the GCF pipeline. The funding proposals/concept notes in the pipeline should be evaluated and re-prioritized, before the AE can make new submissions. Funding proposals/concept notes which are deemed not be a priority or are inactive should be removed from the pipeline.

25. If UNDP is upgraded in its accreditation scope for grant award and/or funding allocation mechanisms this will open up more opportunities for innovative finance than is currently possible under its project management scope. If UNDP's accreditation scope to provide on-granting is decided, this should be incorporated into existing proposals/concept notes where appropriate.

26. Regarding transformational projects, UNDP should identify successful models for paradigm shift including systemic changes that can be scaled across a large region, for example, a private sector approach could be planned to scale up the shea oil project in Africa. Many projects do not take advantage of UNDP's considerable convening power.

### 2.2.3. **Risk flags incurred by the projects, accredited entity or country during the previous accreditation term**

27. The UNDP portfolio presents several ongoing risks that relate to project designs, and it is pertinent to consider risks in the current UNDP portfolio as it continues to grow, representing a considerable part of the GCF portfolio under implementation. Currently six (17 per cent) of the UNDP projects under implementation are under watch. The reasons for placing these projects under this status vary and range from co-financing challenges, considerable project design reviews, cost overruns, issues relating to budget use and implementation delays leading to variance in expected results as set out in approved funding proposals, amongst others.

28. Key challenges and risks under the funded activities include the following:

- (a) Many of the risks occurring in the funding activities are generally rated as low probability risks under the funding proposal, but later aggravate to medium or high in the reporting. Funded activities often seem to underestimate key risks, which come to surface as implementation starts and are later identified in subsequent APRs;

- (b) Long delays from the concept note to effectiveness result in changes in situ, that then present deviations from original considerations at project design. While acknowledging that adaptive management is essential to project developments for complex projects with multiple stakeholders, it is noted that special attention will need to be given to long term design considerations of projects going forward, so that they can continue to comply with relevant policies over time;
  - (c) Several key project challenges and mitigation measures are not always detailed and/or explained clearly in APRs. Furthermore, it should be noted that some of the persistent implementation issues and challenges require further attention by UNDP in APRs (see para 12 above regarding the details of some of the key challenges);
  - (d) There is need for more proactive engagement and coordination with government especially in instances of government transitions to reduce attendant delays during these periods as this has affected a number of projects managed by the AE;
  - (e) GCF responsiveness on clearances and reviews is noted by UNDP as a concern;
  - (f) Several logistical and staffing challenges, unique to projects involving mainly SIDS, should have been addressed more proactively; and
29. Under the readiness portfolio, progress reports of completed and ongoing projects have cited different reasons for project delays across the portfolio and can be summarized as follows:
- (a) Challenges in procurement processes which were a result of the limited availability of local expertise and the heavy reliance on external consultants and service providers to deliver most of the projects' technical studies;
  - (b) Volatile security conditions in certain regions;
  - (c) Delays in signing project start-up agreements with governments;
  - (d) Political instability and changes in governments and NDA offices; and
  - (e) Natural disasters.
30. UNDP's ESS and gender policies, strategies and principles are strong and globally recognized. There are no red flags in relation to ESS, nor issues around gender, however it can be noted that there have been a few implementation challenges and there are some opportunities for improvement. These have been commented on and are already being addressed by UNDP. They relate to aspects including the need for enhanced cooperation/participation in certain instances; strengthened systems to account for best practices in natural resource management, in line with national standards and policy regimes; the provision of updates on operationalizing institutional/project-level grievance redress mechanisms and associated capacity-building; information disclosure procedures and stakeholder engagement processes aimed at beneficiaries; and streamlined free, prior and informed consent processes. Furthermore, there have been some delays in undertaking environmental and social impact assessments (ESIAs) and updating environmental and social management plans (ESMPs) where there have been significant changes to risk factors. These areas could also be improved, and have been discussed. In relation to indigenous peoples, a few issues were noted, mostly in relation to the scope of application of the IP Policy, as interpretation of this differed at times at the field level, but these were addressed and resolved through the reviews undertaken.

## 2.3 International access entity contribution to building the capacity of direct access entities

31. The AE has one of the largest numbers of approved projects under the GCF portfolio. However, as previously indicated, UNDP has not effectively used its portfolio with GCF to



empower GCF direct access entities (DAEs). The majority of approved projects by UNDP either have government Ministries as executing entities or UNDP itself acts in that capacity. In future, it is recommended that the AE consider working with DAEs in countries where the DAEs accredited to GCF are present and appropriate for the role of executing entity with a view to strengthening the capacity of such DAEs.

32. A further analysis of the current GCF portfolio, particularly with respect to approved projects by DAEs, also reveals that UNDP has not been involved as EE in any of these projects. However, it is essential to note that the vast majority of international access AEs have not acted as executing entities for DAE-led projects. UNDP has extensive experience in project design and implementation with GCF, enjoys extensive country and regional presence, and is well-positioned to build the capacities of DAEs by enabling them to become executing entities of its projects with GCF, or also to become executing entities for DAEs. This type of cooperation will foster capacity development and technology transfer to the DAEs.

33. Outside its portfolio with GCF, through non-GCF funded assistance to countries, UNDP has been providing capacity-building support to both already accredited DAEs and potential local, national and regional level entities for accreditation. In line with the AMA clause 15.02(c)(ii), the AE has reported, on an annual basis from 2017 to 2020, on various types of support it has provided to these institutions. The reports received from UNDP show that the AE has provided technical support to the entities or engaged them as partners to build their track record in project design, implementation and monitoring and evaluation. Through trainings/workshops or consultancies, the AE has contributed to strengthening the entities' environmental and social standards, fiduciary capacities, and gender policies. Through these modalities, the AE also helped the entities improve their understanding of GCF policies, modalities and investment criteria, thus helping them meet the GCF accreditation requirements. UNDP has consistently engaged from 13 to 25 entities, on an annual basis, in their efforts to build their capacities towards climate readiness.

## 2.4 Overall portfolio of activities of the accredited entity beyond those funded by GCF

34. As per the GCF Updated Strategic Plan : 2020–2023,<sup>10</sup> the re-accreditation process,<sup>11</sup> and the monitoring and accountability framework,<sup>12</sup> the Secretariat and the AP are requested to provide an 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.

35. Coherence: more linkages with UN agencies and the private sector should be created. A good example of this is the Global Coral Reef Fund, where the Private Sector Facility component links to an existing technical assistance fund to UNDP and other partners, showing high complementarity and synergies. Greater linkages to UNDP global programmes such as Global Commodities, BIOFIN or other programmes including links to finance entities, with UNDP as EE would transform areas.

36. The AE provided the following information with regard to guiding questions established in the baseline methodology:

- (a) **Guiding Question 1. Has the entity established policies or commitments in the short, medium or long term regarding investment in climate change projects?**

<sup>10</sup> Decision B.27/06 and annex VI thereto.

<sup>11</sup> Decision B.24/13 and annex XXVI thereto.

<sup>12</sup> Decision B.11/10 and annex I thereto.

- (i) In pursuit of its mandate, the AE has become one of the world's largest brokers of climate change adaptation and mitigation grants for developing countries. The AE's USD 2.2. billion climate change vertical fund portfolio of mitigation and adaptation projects (implementation as of December 2020) supports over 140 countries. It helps countries deliver on their climate change development priorities and achieve results at the global, national, regional and subnational levels. This work spans decades of experience and has been implemented in partnership with the Global Environment Facility (GEF) administered trust funds that finance action on climate change (the GEF Trust Fund, the Least Developed Countries Fund, the Special Climate Change Fund) and the Adaptation Fund.
- (ii) The AE's support to countries on climate change and disaster resilience is shaped by three important global agreements: the Paris Agreement on Climate Change, the Sendai Framework on Disaster Risk Reduction, and the 2030 Agenda for Sustainable Development. The AE works with countries to help them reduce greenhouse gases and advance a long-term goal of zero carbon development. At the same time, it works together with partners to adapt to the impacts of climate change, enhance access to clean energy, reduce the risk of disasters and, where needed, support resilient disaster recovery. Taken all together, these efforts form the path towards sustainable development that is risk-informed, zero carbon and resilient to climate change.
- (iii) **Adaptation:** The AE supports climate change resilience and risk management at the local, regional and global levels in the context of: climate resilient agriculture and food security, promoting sustainable water resource management, ensuring sustainable coastal zone development, addressing climate related extreme events and risks, providing access to early warning systems and climate information for enhanced planning, and pursuing ecosystem-based adaptation approaches. The AE also supports the integration of climate risks into national planning and budgeting processes and strategies through national adaptation plans (NAPs) and national adaptation programmes of action (NAPAs).
- (iv) **Mitigation:** All sectors, including energy, transportation, industry, forests and agriculture must be made more sustainable. The AE is also committed to providing long-term support to countries to pursue zero-carbon sustainable development. Together with partners, the AE supports countries to take ambitious climate action, contributing to a number of country-driven strategies and approaches, including, but not limited to: nationally determined contributions (NDCs), nationally appropriate mitigation actions (NAMAs), low emission development strategies (LEDS), and reporting to the United Nations Framework Convention on Climate Change (UNFCCC). Sustainable energy is critical for progress on sustainable development and is at the centre of the 2030 Agenda and Paris Agreement. The AE now has close to three decades of experience in promoting sustainable energy solutions, with an active portfolio of over 140 projects in close to 100 countries. The AE's approach to sustainable energy aligns with Sustainable Development Goal (SDG) 7 targets (renewable energy, energy efficiency and energy access), and is formulated around as cross-cutting approaches to development in AE's Signature Solution<sup>13</sup> theme on energy as set out in its Strategic Plan. This Signature Solution has three main areas of focus: (i) in low-income countries, on energy access (electrification, clean cooking), with a commitment to provide electricity to 100 million individuals by 2030; (ii) in middle-income countries, helping achieve transformational change and accelerate a just energy transition, including a focus on smart cities (energy efficiency, e-mobility, rooftop photovoltaic and battery storage); and (iii) in crisis settings, providing sustainable energy solutions in situations of displacement, using energy as a means to build resilience.

<sup>13</sup> See <https://www.undp.org/six-signature-solutions>

- (v) Reducing greenhouse gas emissions through conservation and sustainable management of forests is another key aspect of the Paris Agreement and an integral part of the AE's climate change mitigation portfolio. Deforestation and forest degradation accounts for more than 10 per cent of global GHG emissions. It is widely recognized that stabilization of global temperatures cannot be achieved without reducing emissions from the forest sector. In fact, land use and forests provide a quarter of all emission reductions planned by countries in their NDCs. The AE is also a founding partner of UN-REDD, a UN partnership to support REDD-plus in developing countries through capacity-building, policy design and multi-stakeholder dialogue aimed at embedding REDD-plus actions and results in national development.
- (vi) The AE's Social and Environmental Safeguard (SES) policy 2021, Standard 2, is "Climate Change and Disaster Risks". Per this policy, the AE supports countries to integrate disaster and climate risk concerns into national and sectoral development plans; advance low-emission and risk-informed development pathways; identify priority disaster risk reduction, risk governance, climate mitigation and adaptation measures; and implement measures to reduce exposure and vulnerabilities and to increase adaptive capacity and build resilience. The AE ensures that its projects are sensitive to climate change and disaster risks and do not contribute to increased vulnerability to climate change and natural hazards. The AE mobilizes resources to support programme countries to address the whole spectrum of issues related to climate change and disaster risk reduction, including financing their national adaptation costs, and to advance risk-informed development in order to reduce disaster risks.
- (vii) Further, the AE launched the "Climate Promise" at the UN Climate Action Summit in September 2019. The Climate Promise supports over 100 countries to enhance their nationally determined contributions (NDCs) under the Paris Agreement. The AE is leveraging its extensive climate change portfolio, its country office network and global policy services to provide thematic technical support to countries and ensure that NDCs are fully aligned with national sustainable development priorities. The Climate Promise is the AE's commitment to ensure that any country wishing to increase the ambition of their national climate pledge is able to do so. The AE has agreed Climate Promise workplans with 118 countries – making it the world's largest offer of support for the enhancement of countries' climate pledges. For more information, please see:  
<https://www.undp.org/content/undp/en/home/climatepromise.html>.
- (b) **Guiding question 2. Does the entity receive resources from third parties for the financing of climate projects?**
- (i) The AE provided Excel Sheets with the list of its projects approved in the respective years from 2016 to the end of 2020 with a breakdown per mitigation and adaptation focus.
- (ii) An estimate of the overall UNDP adaptation and mitigation portfolios for 2016 to 2020.

**Table 1: Estimate of overall UNDP adaptation and mitigation portfolio 2016-2021**

Percentage of total UNDP project budget		
Budget	Adaptation	Mitigation
2016	6%	6%
2017	6%	6%
2018	7%	7%



2019	7%	8%
2020	7%	7%
2021	7%	5%

- (iii) Overall, the UNDP portfolio focused on climate change has been estimated to be steady in size with a tendency to increase since 2015; which the AE observes as an increasing trend among the developing countries to request support from UNDP on climate action. As of the end of 2020, UNDP is estimated to have implemented a portfolio of more than USD 1.4 billion for climate change globally.
- (iv) The number of projects with an adaptation focus between 2018 and 2021 are provided below:

**Table 2: UNDP adaptation portfolio 2018-2021**

Year	Number of adaptation projects in portfolio	Portfolio (USD million)
2018	716	371.8
2019	714	395.7
2020	714	399.3
2021	576	359.1

- (v) The number of projects with a mitigation focus between 2018 and July 2021 are provided below:

**Table 3: UNDP mitigation portfolio 2018-2021**

Year	Number of mitigation projects in portfolio	Portfolio (USD million)
2018	844	565.7
2019	842	622.1
2020	842	525.1
2021	680	533.5

- (vi) It can be concluded that between 2018 and August 2021, the AE's mitigation portfolio was larger than its adaptation portfolio. At the overall corporate level, the AE tracks its projects with respect to SDGs at its transparency portal<sup>14</sup>. For SDG 13 – climate action – as of 4 August 2021 UNDP has a portfolio of 836 projects supporting climate action in 133 countries.

(c) **Guiding Question 3. Does the accredited entity calculate and reduce its greenhouse gas emissions at the corporate level?**

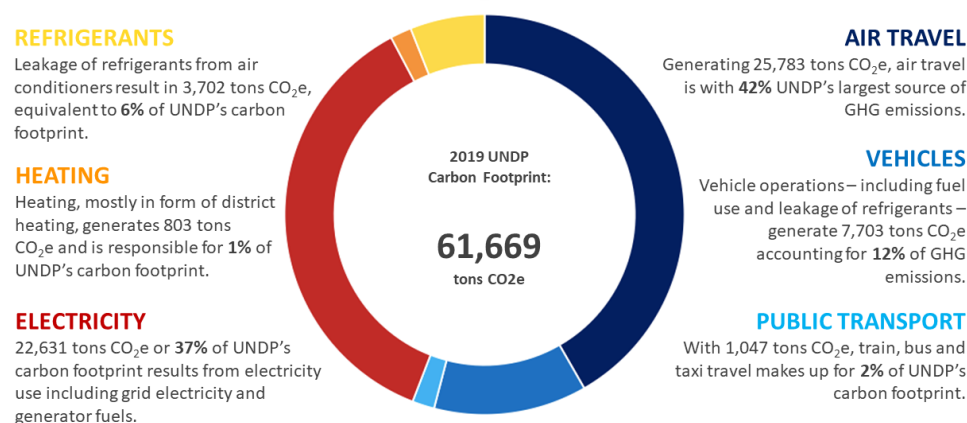
- (i) As a leading agency in the UN-wide 'Greening the Blue' initiative, UNDP has calculated and publicly disclosed its carbon footprint since 2009. Results are published annually as part of the *Greening the Blue Report*. The reports for 2016,

<sup>14</sup> See <https://open.undp.org/projects>

2017, 2018, 2019 and 2020 (2021 is not available at this point) can be accessed online<sup>15</sup>.

- (ii) The figure below provides the AE's corporate level 2019 carbon footprint. Scope 1 – including on-site fuel consumption for heating and generator operations, AE's vehicle fuel use and leakage of refrigerants – contributed 34 per cent of its carbon footprint (20,724 tonnes CO<sub>2</sub>e). Scope 2 – including grid electricity and district heating – contributed 23 per cent of its carbon footprint (14,115 tonnes CO<sub>2</sub>e).

**Figure 1: 2019 UNDP Corporate Level Carbon Footprint**



- (iii) For projects that are expected to produce significant quantities of GHG, the AE characterizes and estimates the potential sources of GHG emissions related to project activities to form a baseline for developing measures to reduce the emissions, to the extent that this is technically and financially feasible. The AE ensures that relevant projects' emissions are tracked and reported in accordance with provisions of the UNFCCC and GHG minimization measures based on the emission estimation methodologies provided by the Intergovernmental Panel on Climate Change.
- (iv) The AE has been a leading agency in the Greening the Blue initiative since its beginning in 2009, having established one of the most comprehensive carbon footprint reporting frameworks and having been one of the first agencies to achieve organization-wide climate neutrality (2015). The AE assesses the carbon footprint of global operations annually since 2009 and discloses the results as part of the UN *Greening the Blue Report*. The AE's administrator launched a Greening UNDP Moonshot in August 2019, committing UNDP to:
- Reduce GHG emissions from global UNDP operations by 25 per cent by 2025 and by 50 per cent by 2030;
  - Implement the best waste management in all UNDP premises; and

<sup>15</sup> See: 2016: <https://www.greeningtheblue.org/reports/2016-greening-blue-report>;  
2017: <https://www.greeningtheblue.org/2017-Greening-the-Blue-Report>;  
2018: <https://www.greeningtheblue.org/reports/2018-greening-blue-report>;  
2019: <https://www.greeningtheblue.org/reports/2019-greening-blue-report>; and  
2020: <https://www.greeningtheblue.org/reports/greening-blue-report-2020>.



iii. Minimize the use of resources.

(d) **Guiding Question 4. Does the accredited entity evaluate the climate risks of its portfolio?**

- (i) As an integral part of the social and environmental assessment process, the AE ensures that proposed activities are screened and assessed for climate change and disaster risks and their impacts to project activities and outputs as well as the possibility that project activities could increase exposure to such risks. The AE ensures that the status and adequacy and applicability of relevant climatic and disaster risk information is identified. If significant potential risks are identified, then further scoping and assessment of vulnerability, potential impacts, and avoidance and mitigation measures, including consideration of alternatives to reduce potential risks, will be required. Therefore, all the AE's projects are required to be screened for climate change risks and impacts prior to implementation (with the Social and Environmental Screening Procedure, or SESP). These risks will be further screened, assessed and managed during project implementation in a manner commensurate with the level of risk. During project implementation, UNDP commissions an independent mid-term review and regularly monitors relevant indicators. If those indicate a failure to achieve the climate change-related and other objectives, UNDP will take appropriate remedy measures.
- (ii) Climate vulnerability screening was conducted for all UNDP-GCF climate change adaptation and mitigation projects and has been required for all UNDP vertical fund projects prepared from January 2021. Please see response to Item 2 above on investments in mitigation and adaptation.

(e) **Guiding Question 5. What are the main sectors of activity of the accredited entity?**

- (i) Please refer to the answer in Question 2 and details of the same information for the years 2016–2020 can be accessed publicly on the UNDP website by searching the relevant SDGs and year.<sup>16</sup>
- (ii) Sectoral distribution of the UNDP portfolio:
  - Climate-related projects (mitigation and adaptation);
  - Non-climate related projects and operations; and
  - Given its mandate, the AE does not invest its resources into fossil fuels or carbon intensive industries.

(f) **Guiding Question 6. Is the accredited entity investing in mitigation projects/operations?**

- (i) The AE provided a document showing yearly breakdown on its GHG emission reduction and beneficiary tracking for the vertical fund portfolio that has been tagged internally to reduce or avoid GHG emissions and the respective values in tonnes of CO<sub>2</sub> eq.
- (ii) In terms of the total investment (USD) into renewable energy and energy efficiency projects, all projects tagged the total budget from 2016 to 2021 for the projects tagged with the Signature Solution "Clean, Affordable Energy" is USD 552,006,129.

(g) **Guiding Question 7. Is the accredited entity investing in adaptation projects/operations?**

<sup>16</sup> See <https://open.undp.org/>

- (i) The AE is investing in adaptation projects. UNDP indicated that the system is being built internally within the organization to further aggregate the data but will likely not be completed before the end of 2021;
- (ii) The AP and the Secretariat consider that the evidence provided for the past four and a half years demonstrates the continuous positive trend of developing climate change adaptation and cross-cutting activities. Both the strategy and the trend of activities are aligned with the GCF mandate and objectives.

### III. Stage II accreditation review assessment

37. UNDP's accreditation process was fast tracked five years ago as an Adaptation Fund (AF) accredited entity. This re-accreditation is eligible to be fast-tracked based on its accreditation status with the GEF, the AF, and DG DEVCO. The AE is eligible for, and applied under, the fast track re-accreditation process as a GEF entity, an AF entity, and a DG DEVCO entity. Specifically:

(a) **Global Environment Facility (GEF):**

- UNDP submitted its self-assessment to the GEF on 30 April 2021;
- In parallel, the GEF council has initiated the process for an independent third-party review of compliance with GEF Minimum Fiduciary Standards in close coordination with UNDP's management, corporate policy units, regional bureaux and country offices. The independent review was completed in August 2021 and UNDP intends to submit it to the GEF for attention of the Council; and
- UNDP remains an accredited GEF agency, and UNDP programmes and projects remain eligible for submission and approval in the GEF work programmes; the Financial Procedure Agreement between UNDP and the GEF remains in full force and UNDP continues to implement GEF-supported projects.

(b) **Adaptation Fund (AF):**

- UNDP was accredited in March 2010, re-accredited in March 2015 for five years and is currently in the re-accreditation process;
- Pending re-accreditation, no new funding proposals are submitted to the AF; and
- UNDP continues to implement existing projects supported and approved by the AF.

(c) **DG DEVCO:**

- UNDP has undergone a full Pillar Assessment with DG DEVCO.

38. The UNDP application has been assessed by the AP during stage II (step 1) against the accreditation standards of GCF and gaps identified in decisions B.08/03, B.10/06, B.12/30, B.14/09, B.15/09, B.17/13, B.18/05, B.19/14, B.22/09, B.23/13, B.24/11 and B.26/01 and in accordance with the re-accreditation requirements in paragraph 6 above.

39. As part of this assessment, the AP consulted the AE's website and third-party websites to complement the information provided in the application.

## 3.5 Fiduciary standards

40. The AE did not have any accreditation conditions when accredited in March 2015.

### 3.5.1 Basic fiduciary standards: key administrative and financial capacities

41. As explained in paragraph 6 the AE's initial accreditation was fast tracked as an Adaptation Fund accredited entity. This re-accreditation is eligible to be fast tracked based on

its accreditation status with the GEF and DG DEVCO. Nevertheless, the Accreditation Panel reviewed: the internal oversight bodies; the strategic and annual planning of UNDP including related performance measures and monitoring thereof; the annual financial statements and the related external auditor's review; the internal audit function including its annual and a few specific reports; the financial information systems; the internal control system including risk management processes and the control over procurement and payment and disbursement systems to executing entities and other third parties. The Accreditation Panel found an overall alignment of the policies and procedures framework which is set out in the Programme and Operations Policies and Procedures (UNDP POPP) with key administrative and financial capacities required by the GCF basic fiduciary requirements.

42. As per paragraph 6 above, the basic fiduciary standards concerning key administrative and financial capacities are considered to have been met by way of fast track re-accreditation.

### 3.5.2. Basic fiduciary standards: transparency and accountability

43. As explained in paragraph 6 the AE's accreditation process was fast tracked five years ago as an Adaptation Fund AE. This re-accreditation is eligible to be fast-tracked based on its accreditation status with the DG DEVCO. Nevertheless, the Accreditation Panel assessed the AE's transparency and accountability policies, procedures, and implementation thereof to see if the GCF Policies on Prohibited Practices, Protection of Whistle-blowers and Witnesses, and Anti-money Laundering and Countering the Financing of Terrorism (AML/CFT), which were introduced since the AE was accredited by those organizations, were met and implemented throughout the organization.

44. There has been no change to the AE's Code of Ethics which is applicable to its staff and others contracted or functionally related by the organization and its content is regularly communicated through training as well as other channels. In addition to the Code of Ethics there are formal management policies and provisions to define expected ethical behaviour. The AE has conflict of interest provisions and a disclosure policy which is enforced. The Audit Evaluation Advisory Committee fills the role of ethics committee, and this is demonstrated through its annual report. The Ethics Director reports, without filter, to the Executive Board on an annual basis. Serious ethics violations are independently investigated by the Office of Audit and Investigation.

45. The AP examined the AE's updated Policy against Fraud and other Corrupt Practices approved in October 2018. The policy continues to emphasize a zero tolerance approach to fraud, financial mismanagement applicable to staff and third parties. The AE has an Anti-Fraud Strategy that is further complemented by the Anti-Fraud Action Plan. There is ample information on the website, including brochures that are easy to understand and explain how to lodge complaints, whistle-blower protection and the investigative process. The Ethics Office handles the first level of whistle-blower complaints and full investigations are dealt with by the Office of Audit and Investigation and there is detailed reporting thereon. The policy, procedures, capacity and implementation are in line with GCF policies and with the United Nations requirements.

46. The AE approved a new standalone Anti-Money Laundering and Countering the Financing of Terrorism Policy on 5 May 2021. The objective of the AE is to reaffirm its continued commitment to combating money laundering and terrorist financing, by aggregating and consolidating its existing policies and complementing reiterating and cataloguing the safeguards and measures that it has in place in relation to AML/CFT. The Harmonized Approach to Cash Transfers (HACT) policy is a key tool together with due diligence in vendor management towards knowing your customer.

47. An external assessment of UNDP-GCF projects issued in June 2021 commented that the AML/CFT policy needs to be rolled out across the organization and as part of this roll-out,

UNDP should raise awareness of its contents and modify various other UNDP policies to include AML/CFT considerations. It recommends that the changes are accompanied by a training/awareness-raising exercise throughout all country offices. UNDP formally approved an AML/CFT Policy Implementation Plan on 2 September 2021 to achieve the items mentioned by the external assessment over a one-year period.

48. As per paragraph 6 above, the basic fiduciary standards on transparency and accountability are considered to have been met by way of fast track re-accreditation. The AP finds that the AE's policies, procedures, and capacity fully meet the GCF Policy on Prohibited Practices, and the GCF Policy on the Protection of Whistle-blowers and Witnesses. However, the AP finds that the AE's track record is insufficient. The relevant gap is identified in the previous paragraph number 47 and is reflected by the corresponding condition for re-accreditation in section 4.2.

### 3.5.3. Specialized fiduciary standard for project management

49. The AE's Programme and Operations Policies and Procedures are contained in a series of documents referred to as UNDP POPP. The policies and procedures contained therein are generally consistent with the special fiduciary standards of GCF. However, weaknesses in the implementation of the UNDP POPP were noted at the regional bureau, country office and regional hub levels. These weaknesses mostly affect the special fiduciary standards and explain some of the risk flags identified in Section 2.2.3 above.

50. Specifically, an audit report issued by the UNDP Office of Audit and Investigations issued 1 December 2020 entitled "Performance Audit of UNDP Global Environment Facility (GEF) Management" concluded that:

- Generally, the [UNDP] Country Offices appreciated the support being provided by the GEF Principal and Regional Technical Advisors (RTAs). Further, the UNDP Bureau for Policy and Programme Support (BPPS)/GEF Team kept the Country Offices abreast of the new GEF requirements and change in policies.
- The BPPS/GEF team in headquarters did not establish adequate governance arrangements, including adequate oversight by RTAs.
- Regional Bureaux/Country Office management did not put into place adequate controls or arrangements to provide oversight over project implementation.

51. The weaknesses in the AE's decentralized operations related to:

- (a) Inadequate segregation of duties between UNDP oversight and execution support roles, weak internal control frameworks and poor accountability;
- (b) Limited monitoring of audit recommendations for implementing partners through the Harmonized Approach to Cash Transfers referred to as HACT;
- (c) Weaknesses within project management; and
- (d) Reliability and integrity of financial and operational information and weaknesses in financial resource management.

52. These weaknesses were brought to the attention of UNDP management in December 2020 through the internal audit report referred to above in paragraph 14. Shortly after, the UNDP put in place a Management Action Plan to address the weaknesses. Both the GEF and GCF requested further studies which were done by external accounting firms. The GCF requested external study was based on 18 GCF projects and confirmed the internal audit findings that UNDP policies and procedures were generally adequate compared to the GCF fiduciary standards, but that there were significant gaps relating to the implementation of the policies and procedures. All the observations in the GCF requested external study were also noted as part of the internal audit report. Management has been proactive in executing its Management

Action Plan and as of 24 May 2021 over 75 per cent of the actions it contained were completed while others were in progress. By 1 September 2021 this figure was over 90 per cent.

53. The twenty-eighth meeting of the GCF Board discussed the situation and requested that the following be included in funded activity agreements (FAAs):

- (a) The Accredited Entity shall ensure that the Funded Activity is audited in compliance with the requirements set out in:
  - (i) The UNDP Policy on Harmonized Approach to Cash Transfers (HACT); and
  - (ii) the Charter of the Office of Audit and Investigations.
- (b) The Accredited Entity shall, at its own cost, report to the GCF Secretariat, on a monthly basis for so long as any recommendations from the OAI GEF Audit and/or the GCF Assessment remain outstanding, following the template agreed between the Accredited Entity and the GCF Secretariat, on the actions taken or to be taken by the Accredited Entity to address any outstanding recommendations of the OAI GEF Audit and the GCF Assessment, in each case, to the extent that is relevant to the portfolio of GCF funded activities managed by the Accredited Entity (the “UNDP Portfolio”).
- (c) With respect to the UNDP Portfolio, the Accredited Entity shall, in each case, in accordance with the terms set forth in Clause 5.03(a) of the AMA, address all relevant actions and recommendations to the extent possible with respect to monitoring concerns raised by the GCF (with respect to e.g. annual performance reports, interim evaluations and ad hoc checks), where assessed relevant by UNDP.

54. The Accreditation Panel is encouraged by the swift and definite response of UNDP management but is of the view that there should be a further third-party confirmation in a couple of years to confirm whether the noted implementation issues remain substantially resolved in the programme and project execution.

55. To summarize, the AP finds that the AE’s policies, procedures and capacity fully meet the specialized fiduciary standard for project management. However, the AP finds that the AE’s track record – which refers to the adherence by the applicant to the fiduciary standards – is insufficient. The relevant gaps are identified in paragraphs 49 to 53 and are actively being addressed by the AE through an approved Management Action Plan. A demonstration of the eventual effectiveness of these actions is reflected by the corresponding condition for re-accreditation in section 4.2.

### 3.5.4. Specialized fiduciary standard for grant award and/or funding allocation mechanisms

56. UNDP has extensive experience in low value grant awards and/or funding allocation mechanisms. These activities are subject to the “UNDP Policy on Low Value Grants and Innovation Challenges”. UNDP defines low value grants as cash awards to civil society and non-governmental partners intended to generate and solicit development solutions for which no repayment is typically required.

57. **Policy:** UNDP makes low value grants for non-credit purposes to support the following types of activities:

- (a) Strengthening the institutional capacity of entities critical for achieving development objectives;
- (b) Supporting community-based self-help initiatives, which may include income-generating activities designed to alleviate poverty;
- (c) Promoting advocacy activities and networking between civil society organizations, a government and donors;



- (d) Supporting NGOs and community-based organizations involved with local environmental protection and poverty eradication activities; and/or
  - (e) Development challenges that still require some level of experimentation to identify possible solutions.
58. Low value grants may also be made for credit activities and can be used by the recipient organization to cover the costs of its operations, purchase equipment, hire new staff or capitalize credit funds within set financial limits.
59. The low value grants policy deals with operational aspects of allocating grants to responsible parties. These are the parties that will execute the grants under UNDP authority as an implementing entity. Any legally constituted and duly registered organization may become a responsible party and includes government agencies, intergovernmental organizations, private firms, other UN agencies, or civil society organizations, including non-governmental organizations, advocacy groups, state-owned enterprises and academia. The same policies and procedures for selecting civil society organizations as responsible parties are used for private and non-governmental academic institutions and foundations (notwithstanding their form of ownership, i.e. public or private) and state-owned enterprises.
60. According to the policy the capacity of partners receiving grants exceeding USD 300,000 per programme cycle must be evaluated with the micro assessment tool of HACT. The policy mentions that UNDP may provide support services, such as carrying out project activities, procurement, recruitment, payments, or other services, for a UNDP project implemented by another partner and this is referred to as country office support.
61. Grants can be given to UN agencies, intergovernmental organizations and government agencies and they are exempt from competitive procurement processes. They can be selected under various programming modalities. Civil society organizations, including NGOs and foundations, as well as duly accredited academia and state-owned enterprises are selected under a competitive process. However, they can be selected if they are uniquely positioned in terms of their value, legitimacy and/or access to particular groups of beneficiaries or geographic areas.
62. **Procedures:** Guidelines and procedures are in place to guide the contracting and procurement, and templates exist for standard letters of agreement depending on the nature of the institution such as a government ministry or institution, an intergovernmental organization, a UN agency, or an array of civil society organizations. The policy describes the role of the AE's support services, the function of the grants, the modalities for awarding grants and contingency repayments.
63. The operational guidelines cover the grants funded by donors. They include the mechanism whereby donors approve the grants. Part I of the guidelines covers the AE's headquarters structure that provides fiduciary oversight, and the country programme structure under which the grants will operate. Part II of the guidelines deals with the implementation and administration of grants in a country programme setting and budget and includes the country programme strategy. It describes the in-country institutional arrangements, the AE's country staff and roles and responsibilities during project execution and the procedures of a national steering committee. Part III relates to the implementation and administration of the grants itself. It describes the project cycle, planning the grants and preparing project proposals and the disbursement of funds. Reporting and communication is covered in the last part. The guideline is complemented with numerous reference documents such as model terms of reference for steering committees, model contracts and agreements and various evaluation templates.
64. **Practices:** The AE has referred to many grants that it has implemented, or is currently implementing, and provided examples of related documents such as calls for proposals through the media and scoring sheets for the selection of the grants, communications with grantees, communications via the media such as press releases including evidence of field appraisals,

terms of reference for the national steering committee and minutes of such committees. As part of the upgrade application, evidence of oversight and monitoring were provided such as completed checklists and monitoring records, audit reports, project and financial audit reports, evaluation reports and annual programme reports.

65. **Track record:** The grants that the AE referred to include:

- (a) A promotion of tropical forest conservation in South-East Asia and south Asia with funding of over USD 17 million with the European Union as a partner;
- (b) A landscape-level protection for natural World Heritage Sites with funding of USD 12 million with the New Zealand international aid agency as a partner;
- (c) A Mekong and SIDS community-based adaptation programme with funding of USD 6 million and the Australian Government as a partner;
- (d) A programme covering 26 countries related to biodiversity planning with funding of USD 12 million and the German government as partner; and
- (e) A community development grant of over USD 10 million related to biodiversity planning with the Japan Biodiversity Fund and UNEP as partners.

66. The most significant example that the AE referred to is the Small Grants Programme (SGP) funded by the Global Environment Facility (GEF). According to the AE it has been ongoing since 1992 and implemented some 24,000 projects in over 125 countries, providing GEF grants totaling USD 652.7 million, and a total amount of co-financing leveraged of USD 833.3 million. The AE's policies and procedures for grant awards and funding allocations are based on the experience that the AE gained with the SGP.

67. The AE has implemented grant award and/or funding allocations for the GEF, DG DEVCO and the Adaptation Fund. It has the capacity and experience to administer grant award programmes funded by multilateral funds. As explained in paragraph 6, this accreditation is eligible to be fast-tracked. The AP review finds that the AE's policies, procedures, organizational structure and practices fully meet the specialized fiduciary standard for grant award and/or funding allocation mechanisms.

68. The AE provided information on the processes involved including the legal and financial instruments and the governance and organizational structures. The SGP has a National Steering Committee with adequate terms of reference. Technical Advisory Groups reporting to the National Steering Committee are set up where needed to ensure the scientific and technical soundness of project activities and country programmes. Eligibility and evaluation criteria are published on the SGP's website. SGP grant award results are communicated to AEs within a week of the review and approval of the National Steering Committee and the results are published online. The grantees can follow their own procurement policies provided they are consistent with UNDP procurement policies and principles. Project information is equally available online. The annual monitoring process is a multi-stakeholder process which results in an annual monitoring report which is the primary source of information on the SGP's portfolio. Monitoring takes place at the project, country and portfolio level. External audits are done at country programme level and cover management, financial and administrative issues.

69. The AP finds that the AE's policies, procedures and capacity, supported by its track record, fully meet the specialized fiduciary standard for grant award and/or funding allocation mechanisms.

### 3.6 Environmental and social safeguards

70. The AE provided its updated Social and Environmental Standards (SES) policy, which was approved by the AE's Operations Policy Group in July 2019, and came into effect on 1

January 2021. A one-year transition period is currently under way. Under that transition, projects that started prior to the effectiveness date of the updated policy will continue to follow the original (2015) SES policy. However, if such a project undergoes substantive changes, it will then be required to follow the updated (2021) SES policy. The original 2015 SES principles were strengthened and expanded in the updated policy. Those principles were revised to align with UN Sustainable Development Cooperation Framework guiding principles. This includes new emphasis on gender-based violence, sexual harassment, sexual exploitation and abuse provisions; rights of persons with disabilities; and resilience. The publicly available SES Toolkit was updated at the time of launching the 2021 SES policy.

71. The objectives of the SES policy are to: (i) strengthen the quality of programming by ensuring a principled approach; (ii) maximize social and environmental opportunities and benefits; (iii) avoid adverse impacts to people and the environment; (iv) minimize, mitigate, and manage adverse impacts where avoidance is not possible; (v) strengthen the AE's and its partners' capacities for managing social and environmental risks; and (vi) ensure full and effective stakeholder engagement, including through a mechanism to respond to complaints from project-affected people.

72. The SES has adopted eight environmental and social safeguard (ESS) standards to further support implementation of the AE's commitments to: leaving no one behind; human rights; gender equality and women's empowerment; sustainability and resilience; and accountability (collectively, the SES Programming Principles). The standards set out specific requirements relating to different social and environmental issues. The AE's ESS standards are:

- (a) Standard 1: Biodiversity conservation and sustainable natural resource management;
- (b) Standard 2: Climate change and disaster risks;
- (c) Standard 3: Community health, safety and security;
- (d) Standard 4: Cultural heritage;
- (e) Standard 5: Displacement and resettlement;
- (f) Standard 6: Indigenous peoples;
- (g) Standard 7: Labour and working conditions; and
- (h) Standard 8: Pollution prevention and resource efficiency.

73. The AE's Social and Environmental Compliance Unit (SECU) ensures compliance with the AE's SES policy. SECU also evaluates whether UNDP has complied with its obligations, whether any non-compliance has caused harm to the complainant, and how UNDP can correct the non-compliance. The AE's senior management announced the updated policy to all relevant staff, and regional webinars are being held as part of the roll-out.

74. The AE has confirmed that its past or current investment portfolio does not contain any investments into fossil fuels, nor does it plan to do so in the future.

75. The SES policy includes ESS standard No. 2 "Climate change and disaster risks" according to which the AE supports countries to: integrate disaster and climate risk concerns into national and sectoral development plans; advance low-emission and risk-informed development pathways; identify priority disaster risk reduction, risk governance, climate mitigation and adaptation measures; and implement measures to reduce exposure and vulnerabilities and to increase adaptive capacity and build resilience. The AE ensures that its projects are sensitive to climate change and disaster risks and do not contribute to increased vulnerability to climate change and natural hazards. The AE mobilizes resources to support programme countries to address the whole spectrum of issues related to climate change and disaster risk reduction, including financing their national adaptation costs, and to advance risk-informed development in order to reduce disaster risks.

76. The AP finds that the AE's environmental and social management system, comprising the SES policy supported by evidence of its track record, fully meets the GCF Environmental and Social Policy (ESP) and GCF interim ESS standards for maximum environmental and social (E&S) risk category B/I-2 projects/programmes with respect to performance standards 1–8.

### 3.6.1. Identification of environmental and social risks and impacts

77. The AE provided its Social and Environmental Screening Procedure (SESP) which serves to identify and assess risks and impacts. It is integrated into the Social and Environmental Standards Toolkit, among others. Based on the screening, the AE screens and categorizes projects according to the degree of potential social and environmental risks and impacts. In some cases, applicability of specific requirements will need to be determined through additional scoping, assessment, or management review. The screening process results in one of the following four risk categories for the proposed project: Low, Moderate, Substantial and High. Under the updated SES policy, the 'Moderate' categorization now has two levels; originally, in the 2015 SES policy, the 'Moderate' category had three levels, and under the 2021 SES policy the third (and highest) has been converted into a new category, called 'Substantial'.

78. The two levels of moderate risk are as follows:

- (a) Impacts are very limited, well understood and easily mitigated; no assessment is required, and the SESP identifies risks and straightforward management measures; management measures are incorporated into the project document; and
- (b) Impacts are limited but their full extent is unclear; targeted assessment(s) (e.g. hazard assessment, audits, special studies) are required; targeted management measures/plans are required.

79. Both of these levels of UNDP's updated 'Moderate' category are within the scope of the original (2015) 'Moderate' category. The removal of the third level of the original category means that the updated 'Moderate' is a narrower and lower risk category under the 2021 SES policy.

80. Projects that fall under the new 'Substantial' category have a varied range of limited but more complex impacts; require appropriately scoped (i.e. not full) ESIA/SESA; and require an appropriately scoped environmental and social management framework (ESMF) and environmental and social management plan (ESMP).

81. The AE provided samples of E&S risk screening and categorization forms for the following three projects in category B/I-2 to illustrate application of the E&S risk screening and categorization.: (i) Priming financial and land use planning instruments to reduce emissions from deforestation in Ecuador; (2) Strengthening the resilience of smallholder farmers in the dry zone to climate variability and extreme events in Sri Lanka; and (3) the Tuvalu coastal adaptation project in Tuvalu. The screening forms were approved by the AE's quality assurance assessor and its senior management.

82. The AP finds that the AE's system of identification of E&S risks and impacts, supported by evidence of its track record, fully meets the GCF ESP and GCF interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8.

### 3.6.2. Environmental and social management programme

83. The SES policy describes the AE's E&S mitigation management procedure which is further elaborated in the AE's 2020 SES Management Guidance (SESMG) Note to align it with the SES policy updates described in section 6.1 above. The SESMG provides the generic terms of reference for an ESIA, indicative outline for ESIA, ESMP, ESMF, etc. Additional guidance is also provided in the SES Toolkit available on the AE's website. All projects/programmes classified in

the ‘Substantial’ or ‘Moderate’ E&S risk category require either an ESMP or ESMF. The ESMP includes the proposed measures for mitigation, monitoring, institutional capacity development and training (if required), an implementation schedule, and cost estimates. When uncertainty remains regarding specific project components or exact locations (e.g. projects still under development, upstream activities), an ESMF should be developed in place of an ESMP. Potential environmental and social risks and impacts associated with project contractors and primary suppliers are identified. Specific due diligence is undertaken to ascertain the performance and reputation of contractors and primary suppliers. Covenants in legal agreements are included with project contractors to comply with relevant SES policy requirements. Risks and impacts associated with project primary suppliers are addressed in a manner proportionate to the AE’s control or influence over them. The AE’s executing entities (EEs) (implementing partners) are responsible for the development of the ESMP or ESMF.

84. Oversight by the AE of individual project’s safeguards monitoring and reporting during implementation takes place at three levels, corresponding to two tiers of oversight. The AE’s country office (CO) is the first level of oversight and is the “risk owner” of all project risks (per the Enterprise Risk Management). Accordingly, the CO monitors, tracks and updates those risks – including SES risks – through the risk register and other corporate systems. This work involves conducting monitoring missions and meetings, obtaining field reports and other information from the Project Monitoring Unit and transmitting information to the Nature Climate and Energy Vertical Fund team (NCE-VFT) at the regional level. The second tier of oversight is provided by the NCE-VF Regional Technical Advisors, at the regional and global levels to supplement oversight by the AE’s COs of projects with technical oversight and expertise.

85. The AE provided ESMPs for the same three projects in category B/I-2 mentioned in paragraph 81 above including the internal compliance reviews.

86. The AP finds that the AE’s E&S management programme, supported by evidence of its track record, fully meets the GCF ESP and GCF interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8.

### 3.6.3. Monitoring and review

87. The AE monitors and evaluates its overall performance against the objectives and requirements of the SES policy. Monitoring is integrated with the quality assurance reporting system and risk register. The extent of monitoring activities is commensurate with the project/programme’s risks and impacts. The AE requires that (i) the progress of implementation of mitigation/management plans required by the SES is monitored, (ii) complaints/grievances are tracked and monitored; (iii) follow-up on any identified corrective actions is tracked; and (iv) any required monitoring reports on SES implementation are finalized and disclosed. Monitoring activities involve direct participation of affected stakeholders, where possible, and in particular for projects with potentially significant adverse risks and impacts.

88. For projects with potentially significant risks and impacts, periodic reports are provided to the affected communities that describe progress with implementation of project management and action plans and on issues that the consultation process or grievance mechanism has identified as a concern. Any material changes or additions to the mitigation measures or actions plans are communicated to affected communities. Reports are provided at a frequency proportionate to the concerns of affected communities but not less than annually. Monitoring activities involve direct participation of affected stakeholders, where possible, and in particular for projects with potentially significant adverse risks and impacts. Where appropriate, monitoring engages and/or involves stakeholders and third parties, such as affected communities, independent experts, or NGOs, to complement or verify monitoring activities. The role of local governments is also considered in monitoring activities. Based on the



monitoring results, any necessary corrective actions are undertaken. The execution of individual project's safeguards monitoring and reporting is carried out by the AE's EEs, which hire safeguards officers into the Project Management Unit when the level of risk requires such expertise (per the SES policy). The project safeguards officer manages the day-to-day implementation of safeguards management frameworks and plans (e.g. ESMP) and related engagement plans, including the required monitoring and reporting.

89. The AE provided copies of interim evaluation reports for the same three projects mentioned in paragraph 81 above as well as the E&S compliance monitoring reports developed by AE's headquarters and country teams.

90. The AP finds that the AE's system of monitoring and review related to E&S, supported by evidence of its track record, fully meets the GCF ESP and GCF interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8.

### **3.6.4. External communications, consultations, information disclosure and grievance redress mechanism at the institutional level**

91. The AE's SES are underpinned by an Accountability Mechanism with two key components: (i) the Stakeholder Response Mechanism (SRM) that ensures individuals, peoples, and communities affected by projects have access to appropriate grievance resolution procedures for hearing and jointly addressing complaints and disputes related to the social and/or environmental impacts of UNDP-supported projects; and (ii) the Social and Environmental Compliance Unit (SECU), an independent review body located in UNDP's Office of Audit and Investigations which investigates alleged non-compliance with AE's SES and screening procedure from project-affected stakeholders and recommends measures to address findings of non-compliance. The AE's SECU receives complaints or grievances concerning its compliance with the SES which can be reached via e-mail, an online form, a free-of-charge telephone hotline, mail, SMS and various messaging apps. The AE ensures meaningful, effective and informed participation of stakeholders in the formulation and implementation of its projects/programmes.

92. Upon receipt of a complaint, SECU determines the eligibility of the complaint, consults with the SRM and, if necessary, the complainant to determine the appropriate actor to deal with the complaint, develop terms of reference to lay out its investigation, take measures to prevent retaliation or retribution, and SECU undertakes the investigation. The result of this investigation is a final compliance report, which includes findings and recommendations, and input from complainants and other stakeholders. The AE's administrator makes the final determination of measures necessary to correct non-compliance. The process is described in more detail in SECU's investigation guidelines. The AE has also developed a "Supplemental Guidance: Grievance Redress Mechanisms". The full register of cases received and treated by the AE's SECU and its SRM since 2015 is available on its website SECU case registry available online<sup>17</sup>.

93. Provisions for project-level public consultation mechanisms and disclosure policies are provided in annex 2 of the AE's, "Guidance Note on Social and Environmental Assessment and Management". Since these provisions are valid for the entire project, they also apply to the AE's implementing partners. The AE's institution-wide Information Disclosure Policy is available on its website<sup>18</sup>. The SES, "Supplemental Guidance on Disclosure", provides additional detail. All relevant project information and documents, in line with the AE's Information Disclosure

<sup>17</sup> See <https://info.undp.org/sites/registry/secu/SECUPages/SECUSummary.aspx>

<sup>18</sup> See <https://www.undp.org/accountability/transparency/information-disclosure-policy>

Policy, can be found on the UNDP transparency website.<sup>19</sup> All audit results since October 2008 are available on the UNDP audit disclosure website.<sup>20</sup>

94. The AE's project-level Grievance Redress Mechanisms (GRM) guidelines and template are provided as attachments. The SRM states that UNDP will support implementing partners (i.e. executing entities) in establishing appropriate project-level GRMs and/or build their capacity in operating them. In case there is no project-level or implementing partner GRM, the UNDP SRM will be available also for grievances concerning implementing partners. The application of the UNDP SRM, which fulfils the role of a grievance redress and information inquiry mechanism, is provided on the UNDP SRM case registry website.<sup>21</sup>

95. The AE provided evidence on E&S disclosure and consultations and project-level for the same three projects mentioned in paragraph 81 above.

96. The AP finds that the AE's system of external communications, consultations, information disclosure and grievance redress mechanism, supported by evidence of its track record, fully meets the GCF ESP, GCF interim ESS standards and GCF Information Disclosure Policy regarding E&S information disclosure requirements for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8.

### 3.6.5. Organizational capacity and competency

97. The AE provided the organization chart of its institution including the placement of its Nature, Climate and Energy and gender units, and the CVs of its key staff. The most relevant staff roles in the environmental and social screening procedure are the following:

- (a) Project Developer: Completes the social and environmental screening procedure during the design phase;
- (b) Quality Assurance Assessor: checks to ensure that the social and environmental screening procedure is adequately conducted;
- (c) Quality Assurance Approver: reviews and clears the project QA assessments;
- (d) Project Appraisal Committee: reviews and recommends whether a project should be approved, considering the advice from relevant experts;
- (e) Programme Manager: has the final approval authority and is accountable to the AE's administrator for ensuring the screening and standards have been fully applied and addressed; and
- (f) Project Manager: ensures that the identified social and environmental management measures are implemented and monitored throughout project implementation.

98. The Social and Environmental Compliance Unit (SECU) ensures continued compliance with UNDP project-level social and environmental standards, particularly by receiving and processing complaints.

99. Concerning most relevant actors within UNDP, each regional bureau has an SES focal point who coordinate with each other at least monthly. In addition, the UNDP Programme and Project Management (PPM) Reference Group regularly consults across bureaux and exchanges information on relevant policies, including the SES.

100. The AE's Social and Environmental Standards Learning and Communication Strategy (2020/21) contains an overview of the roles and responsibilities of the main actors at diverse levels of project, sector and UNDP-level staff. The Social and Environmental Standards Learning

<sup>19</sup> See <https://open.undp.org/>

<sup>20</sup> See <https://audit-public-disclosure.undp.org/>

<sup>21</sup> See <https://info.undp.org/sites/registry/srm/SRMPages/SRMSummary.aspx>

and Communication Strategy contains training materials on the SES and the pathways for their dissemination among UNDP and its partners.

101. The AP finds that the AE's organizational capacity and competency to implement the environmental and social management system, supported by evidence of its track record, fully meet the GCF ESP and GCF interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8.

### 3.7 Gender

102. The AE's Gender Equality Strategy (2018–2021) commits to promoting gender equality and mainstreaming gender across all of its work with focus on solutions to deep-rooted, structural barriers that perpetuate gender inequality and hinder sustainable development. The promotion of gender equality and the empowerment of women is central to the AE's mandate and fundamental to its development approach. The AE's approach to advancing gender equality and women's empowerment is operationalized through its Gender Equality Strategy which functions in parallel with its Strategic Plan. The AE applies its Gender Equality Strategy and gender-related requirements in all the programming and project activities that it supports. The principles underpinning the AE's approach, institutional architecture and compliance with the United Nations System-wide Action Plan on Gender Equality and Empowerment of Women (UN-SWAP) is summarized below:

- (a) Approach and core principles: The AE's approach to gender mainstreaming is a dual one. It supports the empowerment of women and girls through gender-responsive targeted interventions and also addresses gender concerns in the developing, planning, implementing and evaluating of all policies and programmes. The seven core principles underpinning UNDP's Gender Equality Strategy are: human rights; creating agency for women and men; leaving no one behind, with commitment to address multiple and intersecting forms of discrimination, including to marginalized groups; transforming power relations; engaging men and boys; contextual and country-driven solutions; and innovation.
- (b) Institutional architecture: The AE has three key interrelated accountability mechanisms for monitoring progress on advancing gender equality and women's empowerment: the Gender Steering and Implementation Committee, the highest decision-making body on gender mainstreaming within its own institution with responsibility for policy setting, oversight of all offices, and reporting on progress toward the Gender Equality Strategy to the AE's Executive Board; the Gender Seal Initiative, a quality certification process that assesses and improves the ability of the AE's country offices to deliver on gender equality; and the Gender Marker, which tracks investments and expenditures in gender equality. All are operationalized through the AE's Gender Equality Strategy.
- (c) UN system-wide compliance: Further, the AE reports annually to UN WOMEN on progress against the key performance indicators of the United Nations System-wide Action Plan on Gender Equality and Empowerment of Women (UN-SWAP) and is committed to full compliance within these areas. In line with the new United Nations System-Wide Strategy on Gender Parity promulgated by the Secretary-General and as detailed in the AE's Gender Parity Strategy 2018–2021, the AE aims to maintain full gender parity among all staff.

103. The AE's policy on Harassment, Sexual Harassment, Discrimination, and Abuse of Authority which implements UN Staff Rule 1.2 (f) specifies that every person working for UNDP has the right to be treated with dignity and respect, and to work in a safe environment free from harassment, sexual harassment, abuse, and discrimination. The AE does not tolerate harassment, sexual harassment, discrimination, and abuse of authority in any form.

104. Gender is often a key factor in determining access to project benefits and vulnerability to potential adverse impacts. It is vital that the stakeholder identification and analysis process be gender responsive in order to determine how and when women and men stakeholders

should be involved and to address potential existing gender gaps in participation and decision-making.

105. The AE's project-level grievance redress mechanisms and its SRM address concerns promptly through dialogue and engagement, using an understandable and transparent process that is culturally appropriate, rights-compatible, and readily accessible to all stakeholders at no cost and without retribution. They are gender- and age-inclusive and responsive and address potential access barriers to women, the elderly, persons with disabilities, youth and other potentially marginalized groups as appropriate to the project. The UNDP SES Supplemental Guidance - Grievance Redress Mechanisms is available on its website.<sup>22</sup>

106. The AE's Gender Equality Strategy specifies that: country/regional programme documents, programmes and projects are required to be informed by gender analysis; programme/project rationale must address structural barriers to gender equality and the priority areas should identify concrete changes to advance gender equality in at least one area of intervention; results and resources frameworks must include at least one gender-specific outcome and indicative outputs and indicators. The AE's project document template further details the requirements for how gender analysis and the gender action plan must be developed including around mitigation, monitoring and reporting measures and which includes gender-related activities (aligned with project-level outcomes and components); indicators; targets; baseline; budget; timeline; and responsible party.

107. The UNDP corporate monitoring system and results-based management tools mainstream gender equality and the empowerment of women to enable the organization to assess progress toward the three development outcomes established in the Strategic Plan. All the AE's evaluations are designed and implemented in accordance with the norms and standards for evaluation in the United Nations system, including the gender-related norms and standards. The AE's Evaluation Guidelines must integrate gender equality concerns and all evaluations are subject to assessment against the United Nations System-wide Action Plan on Gender Equality and the Empowerment of Women (UN-SWAP) Evaluation Performance Indicator. Gender is also included in risk-based audits undertaken by the organization.

108. UNDP has produced numerous knowledge products on gender equality and women's empowerment, and on the intersection of gender equality and climate change.

109. The AP finds that the AE's gender policy, procedures, capacities and competencies, supported by evidence of its track record, fully meet the Updated GCF Gender Policy.

## IV. Conclusions and recommendation

### 4.1 Conclusions

110. Following its assessment, the Secretariat concludes the following in relation to the application:

- (a) As UNDP is the AE with the largest GCF portfolio both in number of funded projects and total financing, statistical comparability of performance with other AEs may not be fully representative of the portfolio performance. With this caveat, a comparison of key parameters shows that UNDP is above average in timely reporting, disbursement rate and expenditure, however, is generally below average in results delivery.
- (b) The AE needs to strengthen its intervention in addressing the implementation challenges at the project level (both for funded activity and readiness portfolios), in particular those that appear in multiple years. Where the challenges are indicative of design weakness, the AE

<sup>22</sup> See [https://info.undp.org/sites/bpps/SES\\_Toolkit/Pages/Guidance-and-Templates.aspx](https://info.undp.org/sites/bpps/SES_Toolkit/Pages/Guidance-and-Templates.aspx)

- needs to learn from the challenges and reflect the learning in the proposals under design stage.
- (c) The AE needs to improve the quality of independent evaluations while taking into account specific areas discussed above.
  - (d) The AE needs to proactively address the observations identified in the BDO assessment, implement the management actions it has suggested where applicable, and report to the Secretariat on the progress of the implementation.
  - (e) The AE needs to prioritize the finalization of their Entity Work Programme (EWP) in 2021, and ensure that the partnership approach and programming strategy are aligned with GCF 2020–2023 Updated Strategic Plan and build on the challenges and lessons learnt from the existing portfolio. Additionally, the AE needs to re-visit the pipeline of concept notes and funding proposals that already have been submitted and evaluate those in the order of priority before submitting any new concept note.
  - (f) The AE needs to ensure consistency and uniformity in funding proposal quality in terms of meeting minimum quality standards as per GCF requirements. Specific design areas that require strengthening include the theory of change narrative and diagram, and logframe means of verification, targets, unit of measurement, and alignment with feasibility study and/or economic and financial analysis.
  - (g) Noting the recommendations above, based on the AE's overall satisfactory performance in managing the portfolio with GCF and the pipeline for the GCF-1 period and programming directions that offer significant potential to contribute to GCF achieving the goals and priorities set out in the Updated Strategic Plan, the Secretariat has recommended to progress the AE's re-accreditation application to Stage II, including the upgrade.
111. Following its assessment, the AP concludes the following in relation to the application:
- (a) The AE partially meets the requirements of the GCF basic fiduciary standards, the GCF Policy on the Protection of Whistle-blowers and Witnesses, the GCF Policy on Prohibited Practices, the GCF AML/CFT Policy and the specialized fiduciary standard for project management. The gaps relate to:
    - (i) The need to fully roll out the recently approved AML/CFT policy across the organization as described in paragraph 47; and
    - (ii) The need to have a third-party confirmation in a couple of years to confirm whether the noted implementation issues remain substantially resolved in the programme and project execution as described in paragraphs 49 to 53.
  - (b) The AE meets the GCF specialized fiduciary standard for grant award and/or funding allocation mechanism.
  - (c) The AE meets the GCF ESP, GCF interim ESS standards and the GCF Information Disclosure Policy on disclosure of E&S information in relation to the medium E&S risk (category B/I-2). The AE demonstrates a greater degree of E&S management system maturity than is required by the ESP and interim ESS standards for category B/I-2 against which the AE is seeking accreditation. Building on its experience in implementing higher E&S risk projects and programmes, the AE may, in the future, seek an upgrade in accreditation for high E&S risk (category A/I-1); and
  - (d) The AE has demonstrated that it has a policy, procedures and competencies in order to implement its gender policy, which is found to be consistent with the Updated GCF Gender Policy, and has demonstrated that it has experience in gender consideration in the context of climate change.

## 4.2 Recommendation on re-accreditation



112. The AP recommends, for consideration by the Board, UNDP for re-accreditation for its second term as follows:

- (a) **Accreditation type:**
  - (i) **Maximum size of an individual project or activity within a programme:** medium<sup>23</sup> (including micro and small);
  - (ii) **Fiduciary functions:**
    - (1) Basic fiduciary standards;
    - (2) Specialized fiduciary standard for project management;
    - (3) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
  - (iii) **Maximum environmental and social risk category:** medium risk (category B/I-2) (including lower risk (category C/I-3<sup>24</sup>)).
- (b) **Conditions:** the entity will be required to submit to the AP, through the Secretariat, information on how it has complied with the conditions. The AP will thereafter assess whether the conditions have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes.
  - (i) Conditions to be met with the submission of the mid term review documents:
    - (1) Provision by the entity of an assessment report by an independent third party (which could be the Office of Audit and Investigations) which demonstrates to the satisfaction of the Accreditation Panel, in consultation with the GCF Secretariat, that the UNDP Programme and Operational Policies and Procedures (UNDP POPP) are adequately implemented for GCF-supported projects and readiness projects. This assessment is to be based on a representative sample of GCF-funded projects determined and selected by the independent third party and should be substantially similar in scope and areas assessed in Part 2 of the report “Independent Assessment of UNDP Management of GCF-supported Projects” by the accounting firm BDO LLP issued on 4 June 2021.
    - (2) Provision by the entity of an assessment report by an independent third party that UNDP has completed implementation of its AML/CFT Policy Implementation Plan formally approved on 2 September 2021. This assessment can be included in the assessment report required by the previous paragraph.

113. The entity has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 112 above, and agrees to the recommendation.

<sup>23</sup> As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), “medium” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above USD 50 million and up to and including USD 250 million for an individual project or an activity within a programme.”

<sup>24</sup> As per annex I to decision B.07/02, category C is defined as “Activities with minimal or no adverse environmental and/or social risks and/or impacts,” and intermediation 3 is defined as “When an intermediary’s existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts.”