

## Annex VII: Analysis of the accredited entity portfolio as at 31 March 2022

1. GCF is fundamentally a partnerships institution, working for, through and with partners to deliver climate results. In the GCF business model, accredited entities (AEs) are a central avenue for developing countries to access GCF resources and thereby enable the delivery of the transformational impact that GCF was established to promote and deliver. With GCF in a secondary due diligence position, and without in-country presence, the Fund's reliance upon AEs to develop and effectively implement programming using GCF resources is acute.

2. The current GCF network of 113 AEs is diverse and includes ministries and government agencies, non-governmental organizations, United Nations specialized agencies, national and multilateral development banks, commercial and investment banks, equity funds and foundations. The breadth of the AE network includes partners that could work with a variety of project/programme sizes, range of financial instruments, different environmental and social risk levels, and various sectors. Even with the diverse set of AEs there are still a number of programming gaps, including catalysing private sector programming on adaptation – notably through innovative financial instruments – and low uptake of requests for proposal (RFPs) issued by GCF (such as those for the pilot phase for enhancing direct access,<sup>1</sup> the pilot programme to support micro, small, and medium-sized enterprises (MSMEs),<sup>2</sup> and the pilot programme to mobilize funds at scale in order to address adaptation and mitigation (MFS)).<sup>3</sup> The low uptake for RFPs led to the postponement of the RFP for Incubators and Accelerators, despite repeated requests from the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) to conclude work mandated on this matter.

3. In decision B.31/06, paragraph (n), the Board requested the Secretariat, pursuant to the updated Strategic Plan of the GCF (USP) for 2020–2023, to present an analysis of the AE portfolio and to identify strengths and gaps in coverage and capabilities no later than the thirty-second meeting of the Board (B.32). The document prepared by the Secretariat first provides information on the accreditation framework through which entities are assessed to become GCF AEs. The analysis details the strengths and gaps in AE coverage as at 31 March 2022 during the initial resource mobilization (IRM) period and the current first replenishment period of the GCF (GCF-1). The analysis then assesses the AE portfolio through the lens of the strategic priorities of GCF as laid out in the USP. Based on this analysis, initial findings and further considerations are detailed to inform the preparation of an accreditation strategy, as requested in decision B.31/06, paragraph (p).

### I. Programming for GCF-1 through partners

4. Under the fourth strategic priority of the USP on “Improving access to Fund resources”, the USP sets out the general objective that “To complement the GCF programming approach... GCF will continue to build its AE network by focusing on the value-addition of AEs to delivering developing countries’ programming priorities and advancing GCF strategic objectives, including keeping a strategic focus on strengthening the role of direct access entities (DAEs) in programming.” The USP calls for a series of actions to implement this, including undertaking, as soon as possible, “an analysis of the current AE portfolio to identify strengths and gaps in coverage and capabilities, informed by country programming needs”. This analysis is intended to help GCF focus on selection of AEs, through both accreditation and re-accreditation processes, “that are best suited to support the objectives of the GCF and match the programming and project delivery capabilities needed to implement countries programming priorities, and

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<sup>1</sup> Decision B.10/04.

<sup>2</sup> Decision B.10/11.

<sup>3</sup> Decision B.16/03.

build capacity for improving wider investments in line with countries' climate plans and strategies and national circumstances".

5. In decision B.27/06, the Board adopted the updated Strategic Plan (USP) for the Green Climate Fund: 2020-2023. Paragraph (i) of the decision states:

*"Further agrees* that the GCF first replenishment programming period will strive to achieve greater impact for developing countries compared with the initial resource mobilization period, while strengthening country ownership and capacity to identify, design and implement projects and programmes, and in this regard agrees the following parameters and guidelines for the allocation of resources during the GCF first replenishment period:

- (i) Maintaining the 50:50 balance of adaptation and mitigation funding over time while seeking to deliver portfolio-level mitigation and adaptation outcomes that exceed average initial resource mobilization outcomes;
- (ii) Maintaining a minimum allocation floor of fifty per cent of adaptation funding, to be provided to developing countries that are particularly vulnerable to the adverse effects of climate change, including small island developing States, least developed countries and African States, taking into account their urgent and immediate needs, while aiming to build on initial resource mobilization outcomes. The Board will aim for appropriate geographical balance;
- (iii) Supporting developing countries' mitigation activities that contribute to respond to the urgency of action to hold the increase in global average temperature to well below 2°C and pursue efforts to limit it to 1.5°C;
- (iv) Significantly increase funding channelled through direct access entities relative to the initial resource mobilization;
- (v) Maximize engagement with the private sector, including micro, small and medium-sized enterprises, ensuring the allocation to the Private Sector Facility exceeds 20 per cent; and
- (vi) Significantly increase mobilized private sector finance at the portfolio level relative to the initial resource mobilization."

6. At B.23, the Board took note of document GCF/B.23/Inf.09 titled "Strategic Programming for the Green Climate Fund First Replenishment"<sup>4</sup> outlining scenarios for the first replenishment of GCF guided by ambitious mitigation and adaptation scenarios based on GCF's implementation potential, taking into account the needs of developing countries.

7. More broadly, GCF, in its Governing Instrument, is mandated with promoting a paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development. Through country programmes, recipient countries via their national designated authority (NDA) or focal point can indicate country needs and priorities in addressing climate change. In this same vein, as an operating entity of the Financial Mechanism of the UNFCCC and the Paris Agreement, GCF is mandated to support developing countries and Parties to the UNFCCC and the Paris Agreement, including supporting long-term strategies and current near-term nationally determined contributions. The need for ambitious strategies at country, regional, and global scale is clear and while GCF has an important role in supporting such activities, it cannot be done solely through GCF financing. Hence, there is a need for a robust partnership network working at different scales and capacities and with the ability to unlock and leverage additional finance, such as through AE partners.

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<sup>4</sup> See <https://www.greenclimate.fund/document/gcf-b23-23> and <https://www.greenclimate.fund/document/gcf-b23-inf09>.

8. The programming mandate and strategic direction of GCF, guided by the USP 2020–2023, the Governing Instrument and the UNFCCC serves as an important basis to analyse the current AE network to better understand the network’s “programming and project delivery capabilities.” Factors in the analysis also include the AEs’ capacities reflected in their accreditation scope, as well as the actual GCF programming submitted and implemented by the AE network. Through this mapping process GCF can identify the types of skills AEs may be missing, and in so doing, highlight opportunities for GCF to focus its limited accreditation review and approval resources with a view to enabling it to deliver the full range of high-impact USP-aligned projects and programmes that are designed to meet country priorities.

## 1.1 Role of accredited entities and accreditation scope for programming

9. AEs are key to developing countries’ access to GCF resources and delivery of impact.

(a) On an operational level, AEs are expected to:<sup>5</sup>

- (i) Cover the full project and programme cycle in engaging with GCF, starting from engaging with developing countries via the NDA and focal point in order to respond to and align potential projects/programmes with country priorities, strategies, approaches and needs on climate change;
- (ii) Develop and periodically update an entity work programme to deliver country-owned, high-impact proposals in a strategic manner;
- (iii) Design projects and develop funding proposals to be considered by GCF for financing;
- (iv) Where possible, undertake projects/programmes originated by other organizations (e.g. sponsorship); and
- (v) Implement, deliver, monitor and report the results of such activities;<sup>6</sup> and

(b) On an administrative level, including fiduciary and legal matters, AEs must:<sup>7</sup>

- (i) Demonstrate institutional capacities to undertake the overall management, implementation and oversight of climate change projects and programmes in line with the GCF fiduciary principles and standards, environmental and social safeguards (ESS) policies and standards and the updated Gender Policy (standards for GCF accreditation);
- (ii) Provide evidence of institutional systems, policies and procedures in terms of those standards as well as the track record, as appropriate, of implementing such institutional systems, policies and procedures for undertaking the projects and programmes;
- (iii) Demonstrate (a) their capacity to ensure that their downstream executing entities apply the same standards; and (b) their ability to monitor, report and verify that the relevant GCF standards, safeguards and policies are being upheld; and
- (iv) Possess independent legal personality and legal capacity to enter into legal agreements with GCF and undertake the relevant obligations on their own behalf, notably the accreditation master agreement (AMA) and any funded

<sup>5</sup> Annex to decision B.31/06, paragraph (d).

<sup>6</sup> Annex IV to decision B.17/09, paragraph (n).

<sup>7</sup> Annex to decision B.31/06, paragraph (d).

activity agreements (FAAs) resulting from approved funding proposals (or project/programme depending on financing size category).

10. GCF relies on the primary due diligence and the risk assessments performed by AEs.<sup>8</sup> The AEs are responsible for the overall management, implementation and supervision of activities financed by GCF and are expected to administer funds disbursed with the same degree of care as they use in the administration of their own funds. This includes management and oversight of executing entities. Executing entities are entities through which GCF financing is channelled, entities which use GCF financing for the purposes of a GCF-funded project/programme or a part thereof (such as a specific component), or entities that execute or carry out all or part of a GCF-funded project/programme. In each case, the executing entity performs its duties under the overall guidance, management or supervision of the AE. An AE may also act as an executing entity.<sup>9</sup>

#### 1.1.1 Accreditation and re-accreditation processes

11. In order for entities to become an AE, they must undergo the accreditation process. The Board adopted the initial guiding framework for the accreditation process in decision B.07/02. The accreditation term for an AE is five years.<sup>10</sup> The accreditation term begins upon completion of the three-stage institutional accreditation process, that is, when the signed AMA entered into between GCF and an AE becomes effective.<sup>11</sup> An AE will need to seek re-accreditation to GCF in order to maintain its status as an AE or its status as an AE will lapse at the end of its accreditation term. The process for re-accreditation was adopted by the Board in decision B.24/13, paragraph (a), and annex XXVI to the decision.

12. The accreditation and re-accreditation processes comprise three main stages, with an entity completing all stages by having an effective AMA being considered fully accredited or re-accredited:

- (a) Stage I: NDA or focal point nomination for the accreditation application (for entities applying under the direct access modality) and institutional assessment and completeness check (conducted by the Secretariat);
- (b) Stage II:
  - (i) Step 1: accreditation review conducted by the Accreditation Panel (AP) to assess entities against the GCF accreditation standards; then
  - (ii) Step 2: decision-making by the Board; and
- (c) Stage III: legal arrangements (AMA) conducted by the Secretariat, Risk Management Committee of the Board, and – in cases where AMAs have substantive deviations compared to the AMA template agreed by the Board – Board approval.<sup>12</sup>

13. AEs may be accredited through one of two access modalities – direct access and international access – and they may be public or private entities. AEs may also operate in different geographies depending on their own mandate and GCF access modality; geographic

<sup>8</sup> Annex XXVII to decision B.12/31.

<sup>9</sup> Refer to clause 1.01 of the AMA template contained in annex XXVI to decision B.12/31, available at <<https://www.greenclimate.fund/document/accreditation-master-agreement>>.

<sup>10</sup> Decision B.11/10, annex I, paragraph 6, states, “The accreditation of an entity to the GCF is valid for a fixed term of five years or less, depending on the terms of accreditation, in accordance with decision B.10/07.”

<sup>11</sup> Decision B.23/11, paragraph (a).

<sup>12</sup> Decision B.12/31 establishes the AMA process. The Risk Management Committee of the Board provides its no-objection consideration of the assessment provided by the Secretariat as to whether changes made to the AMA with a specific AE are determined by the Secretariat to be substantive or non-substantive changes as compared to the AMA template. AMAs that are determined by the Secretariat to have substantive changes as compared to the AMA template, and for which the Risk Management Committee agrees to such determination, are submitted to the Board for its decision-making.

regions may include Africa, Asia-Pacific, Eastern Europe and Latin America and the Caribbean, as well as the groupings of small island developing States (SIDS) and the least developed countries (LDCs).

14. AEs, as a part of their application to partner with GCF, are requested to provide information on their indicative pipelines and results areas in which they seek to engage with GCF. Although discussed by the Board in its consideration of the initial accreditation framework, the Board did not agree to require applicants to submit concept notes or funding proposals as a part of their institutional accreditation application. During the Board's consideration of the updates to the accreditation framework from 2017 to 2022, and in the updates adopted in decision B.31/06, paragraph (d), and the annex to the decision, the Board also did not agree on such a requirement. When considering the re-accreditation process, the Board deliberated on whether AEs should be required to have GCF-funded projects/programmes approved and under implementation. Such a requirement was not adopted; however, the scope of review includes review of "AE performance in contribution to GCF programming results, including reports relating to the performance of the AE over the previous five years, including whether concept notes and funding proposals were submitted, and reports on the GCF-funded activities."

15. Entities are assessed in accreditation and re-accreditation for their ability to meet the GCF accreditation standards, an assessment that is conducted by the AP during Stage II (Step 1) of both processes. The accreditation standards in 2014 began with two sets of standards and have since grown to include a further 11 new policies (including interim versions that have also been revised in the meantime);<sup>13</sup> with the adoption of each new standard or policy affecting accreditation, all accreditation applications must be re-opened and reviewed against the new standards that have come into effect. The list of standards and policies to the extent applicable to accreditation as at 31 March 2022 include the following:

- (a) Fiduciary standards:<sup>14</sup>
  - (i) Basic fiduciary standards on key administrative and financial capacities, and on transparency and accountability;
  - (ii) Specialized fiduciary standards for (1) project management, (2) grant award and/or funding allocation mechanisms and/or (3) on-lending and/or blending (for loans, equity and/or guarantees); and
  - (iii) The following policies to the extent applicable to accreditation: (1) the GCF Policy on Prohibited Practices,<sup>15</sup> the GCF Policy on the Protection of Whistle-

<sup>13</sup> "Gender policy and action plan" (decision B.09/11); "Updated Gender Policy and Action Plan 2020–2023" (decision B.24/12); "Accreditation master agreements" including, in Exhibit A of the template AMA, the General Principles on Prohibited Practices (decision B.12/31); "Policy on Prohibited Practices" (decision B.22/19); "Anti-Money Laundering and Countering the Financing of Terrorism Policy" (decision B.18/10); "Policy on the Protection of Whistleblowers and Witnesses" (decision B.BM-2018/21); "Environmental and Social Management System: Environmental and Social Policy" (decision B.19/10); and "Comprehensive information disclosure policy of the Fund" (decision B.12/35). The Board adopted decision B.23/15, paragraph (b) requesting the Accreditation Committee, in consultation with the Head of the Independent Integrity Unit, to consider the best way to integrate the Anti-Money Laundering and Countering the Finance of Terrorism Policy into the interim fiduciary standards and present to the Board a proposal for its consideration in 2019 as a matter of urgency. A proposal on this integration has yet to be presented to the Board for its consideration. In addition, the Board has adopted the "Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment" (decision B.23/16) and "Board decisions without a Board meeting: Implementation matters relating to the GCF's obligations under the Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment" (decision B.25/05). Further the Board adopted the Evaluation Policy (decision B.BM-2021/07).

<sup>14</sup> Decision B.07/02 and annex II to the decision.

<sup>15</sup> Decision B.22/19 and annex XIV thereto.

blowers and Witnesses,<sup>16</sup> and the GCF Anti-Money Laundering and Countering of the Financing of Terrorism Policy;<sup>17</sup>

- (b) ESS:
- (i) ESS standards<sup>18</sup> in a fit-for-purpose approach regarding environmental and social (E&S) risk categories;<sup>19</sup> and
  - (ii) The following policies to the extent applicable to accreditation: (1) Revised Environmental and Social Policy<sup>20</sup> and the Comprehensive Information Disclosure Policy of the Fund regarding the disclosure of E&S information;<sup>21</sup> and
  - (iii) Updated Gender Policy<sup>22</sup> to the extent applicable to accreditation.

16. The sets of accreditation standards do not include ones for climate change expertise, nor for sectoral expertise (although information on sector experience is requested as indicated above). While climate expertise and capacity is not an explicit GCF standard, AEs lacking climate expertise and capacity may have a difficult time developing and packaging appropriate and impactful climate projects and programmes. Although not a standard, track record in climate change projects and projects in sectors reflecting the GCF results areas are sought as part of the accreditation process; such examples are reviewed by the AP in the context of the entity's ability to apply its systems, policies, procedures and capacities with respect to ESS and gender standards. It is noted that the Board considered this in the business model framework on access modalities to GCF, including on best practice standards for the assessment of entities to become GCF AEs.<sup>23</sup>

17. An AE's capacity to meet the GCF accreditation standards indicated in paragraph 15 above are reflected in its accreditation scope, specifically the financing size category, financing modality (e.g. managing projects, awarding grants, on-lending, providing guarantees and/or undertaking equity investments) and E&S risk category. The accreditation scope governs the maximum scope within which the AE can submit a funding proposal for a project/programme.<sup>24</sup>

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<sup>16</sup> Decision B.21/25 and annex II thereto.

<sup>17</sup> Decision B.18/10 and annex XIV thereto.

<sup>18</sup> Decision B.07/02 and annex III to the decision.

<sup>19</sup> Decision B.08/02 and annex I to the decision.

<sup>20</sup> Decision B.BM-2021/18.

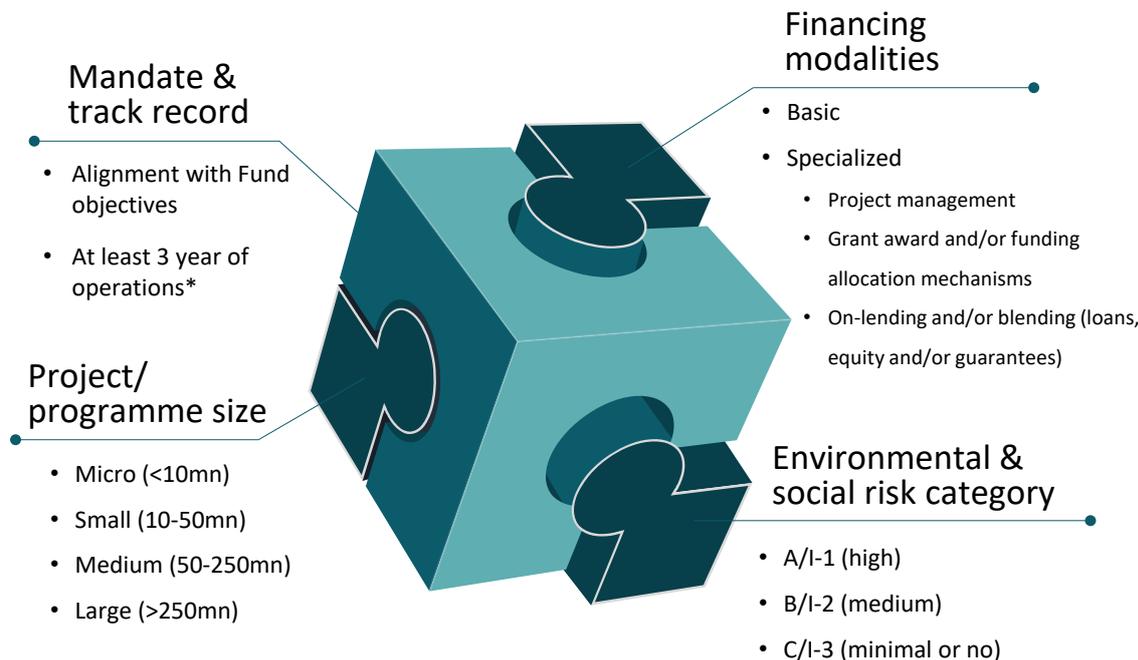
<sup>21</sup> Decision B.12/35 and annex XXIX to the decision.

<sup>22</sup> Decision B.24/12 and annex XXIII to the decision.

<sup>23</sup> Document GCF/B.05/08 considered by the Board at its fifth meeting and decision B.05/08.

<sup>24</sup> For example, an AE accredited for the specialized fiduciary criteria for project management and not accredited for the specialized fiduciary criteria for on-lending and/or blending (for loans) may seek GCF financing to manage a project/programme, but it may not on-lend GCF financing to executing entities or beneficiaries because it has not been accredited to do so.

**Figure 1. Fit-for-purpose approach to accreditation and accreditation scope**



*Abbreviations:* I-1 = intermediation 1; I-2 = intermediation 2; I-3 = intermediation 3; mn = million in United States Dollars.

\* Lack of track record in implementing institutional systems, policies and procedures and demonstrated experience in projects/programmes instead may be addressed through conditions of accreditation required to be met prior to the development of funding proposals or during project implementation and reporting.

18. By having a modular approach to accreditation scopes instead of one set of requirements applicable to all entities regardless of the nature of the institution and its intended programming, GCF is able to have a diverse network of AE skill sets and capabilities to deliver programming. This modular approach also provides a graduated approach for AEs to build up their institutional systems and experience and upgrade their accreditation scope accordingly.

#### **1.1.2 Providing time for accredited entities to build the capacity to meet the GCF accreditation standards**

19. During the accreditation process, entities are assessed against the GCF fiduciary standards, ESS and Gender Policy on their institutional systems (e.g. policies, procedures, capacities and competencies) and their track record (e.g. experience in implementing such systems). In cases where the AE at the time of its application does not fully meet the GCF requirements, GCF provides flexibility in balancing the need for entities to meet GCF requirements in order to operate as a GCF AE, with providing the entity appropriate time to improve its institutional capacities to meet the requirements noting that improvements of such systems at corporate and institution-wide level may take time. The AP may recommend conditions for those entities as a part of its recommendation for accreditation to be considered by the Board on how to address these aspects by improving or further developing their policies, procedures and competencies, or their track record.

20. In cases where gaps have been identified at the institutional level (for example, related to lack of systems, policies, procedures and/or capacities at the institutional level to meet GCF accreditation standards), conditions have been recommended by the AP to ensure the AE is able to manage potential risks that may arise relevant to said standards. The conditions are to be met by the entity prior to a particular milestone depending on the nature, type and extent of the gap

(in terms of GCF accreditation standard). These may include, but are not limited to, conditions to be met prior to finalizing the legal agreements in Stage III of the accreditation process; prior to or a part of the submission of a funding proposal; prior to first disbursement for a GCF-approved project/programme; or monitoring requirements for a GCF-approved project/programme.

21. In cases where there is a lack of or a limited track record of applying the relevant fiduciary, ESS and gender systems, conditions have been recommended to be met at the project level within a specific time frame such as during the first year of implementation or reported on periodically through the annual performance reports. This allows AEs to build capacity through implementation of its improved systems during the partnership with GCF. Without such an option, AEs with limited or no track record would need to find another source of funding to build a track record and then return to GCF to seek accreditation once its capacity and track record have been built.

22. Of the 113 AEs accredited, 96 AEs (85 per cent) were recommended by the AP and accredited with conditions due to gaps identified in meeting GCF's fiduciary, ESS and gender standards, some of which are to improve the systems, policies, procedures or capacities of the entity in order to fully meet the GCF accreditation standards, and other conditions to assist the entity in building its track record through meeting the GCF standards vis-à-vis a GCF project/programme.<sup>25</sup> Out of these, 30 AEs (31 per cent) have met all conditions of their accreditation as determined by the AP, while the remaining 66 (69 per cent) have yet to fulfil all conditions, noting that some of these conditions can only be triggered at the funding proposal or project/programme level, including those that can only be met after the project/programme has completed implementation. Closure of conditions is a reflection of an AE's capacity having been strengthened through either the upgrading of institutional systems, policies, procedures, capacities and competencies, or through experience gained in implementing a project or the improved systems.

23. The AP has also recommended conditions of re-accreditation where AEs have gaps in meeting the relevant GCF fiduciary, ESS and gender standards. Of the nine AEs that have been re-accredited by the Board, seven had conditions of re-accreditation recommended by the AP. Similar to conditions placed at initial accreditation, conditions of re-accreditation are to address institutional-level gaps, and others related to lack of track record of applying such systems.

24. It should be noted that GCF is the only climate vertical fund that allows for accreditation with conditions. The flexibility to accredit with conditions has allowed GCF to support promising entities to access climate finance versus providing no opportunity to partner with them outright. On the other hand, the readiness of entities to be fully capacitated to engage in the AE role upon accreditation becomes uneven, which in turn may have impacts in their ability to programme efficiently and effectively with GCF.

### 1.1.3 Operationalizing accreditation and re-accreditation

25. NDAs and applicants have complained about the lack of clarity as to what type of entity should be put forward and suitability for meeting the AE role, as well as the length of time it takes for an organization to move through the process to then channel funding, and the size of the pipeline that may be channelled. There is still a level of divergence between the business models of certain types of organizations and the role of a GCF AE, such as on the extent to which AEs are expected to manage (including executing entities), supervise, monitor (as well as quality assure) and report on projects/programmes, or if they do not have such capacities, to build them in order to implement programming effectively.

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<sup>25</sup> Includes conditions for accreditation, upgrades and re-accreditation. This number excludes former AEs that are not seeking re-accreditation to GCF.

26. Given the role and level of responsibility of an AE to programme pipelines and the high standards all AEs are expected to uphold, the institutional accreditation process – even with a fit-for-purpose and modular approach – is time-consuming and detailed. The fit-for-purpose, modular approach has allowed for a level of tailoring of the various GCF standards to the nature and, broadly, the types of activities the entity could undertake with GCF, rather than requiring a one-size-fits-all approach requiring every entity to meet all GCF standards in the same way regardless of the types of activities it will undertake. But the fit-for-purpose approach does not account for and adjust the institutional-level requirements considering the size of the pipeline with an entity; AEs that are accredited have the possibility to submit as few or as many funding proposals to GCF for consideration as they wish.

27. As at 31 March 2022, GCF has approved 192 projects and programmes totalling USD 10.2 billion in commitments with USD 7.0 billion under implementation. This equates to approximately 30 projects approved per year during GCF's 7.25 years of approving projects and programmes.<sup>26</sup> Should this rate of programming approval continue, all things being equal, this would mean that each of GCF's current 113 AEs would access funding for 1 project/programme for an average of USD 50 million per five-year accreditation term. This estimate would change depending on the number of AEs and GCF's future capitalization.

28. A declining AE to project ratio might provide limited incentives to some AEs to undertake the transformation efforts required at the institutional level and build the necessary capacity at the project/programme level to fully meet GCF standards and programming requirements. This could lead to uneven quality of funding proposals at pipeline entry and/or programming gaps.

29. In decision B.31/06, the Board established the implementation arrangements to be launched by April 2023 and the budget for the project-specific assessment approach (PSAA) as a new and complementary modality of accreditation for institutions to work with GCF so countries can pursue, on an ad hoc and limited basis, shorter-term access partnerships on truly innovative investment proposals. PSAA is designed to combine the assessment of an entity's capacity to develop and implement a specific funding proposal alongside the assessment of the funding proposal itself. This project-specific approach may more closely resemble the entity to project ratio as currently seen for the institutional AE network.

30. Operational experience and the various reviews of the accreditation process have shown that challenges and delays in navigating the institutional accreditation process stem not only from unclear understanding of the expectations and role of an AE, but also from inefficient duplication of tasks within the process itself. In addition, the adoption of the 11 new policies or standards affecting accreditation detailed in paragraph 15 above have meant that assessments for the entire accreditation pipeline had to be re-opened each time the new policy or standard was adopted and came into effect, contributing to the already lengthy accreditation time frames.

31. The updates to the accreditation framework adopted in decision B.31/06 and to be effective by April 2023 included measures to streamline the accreditation processes, namely by:

- (a) Refining the scope of Stage I reviews to focus on the fit of the entity as an AE given the roles and responsibilities detailed in annex II to that decision, and alignment with GCF's mandate and objectives, including country programming; and
- (b) Combining the review of technical aspects related to the GCF accreditation standards fully under the remit of the AP rather than including the completeness check aspect

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<sup>26</sup> The GCF was able to start allocating its funds to projects and programmes from 21 May 2015, after its commitment authority became effective. In decision B.08/13, it is stipulated that the Fund's commitment authority will become effective when 50 per cent of contributions, confirmed by fully executed contribution agreement/arrangements, pledged by the GCF's 2014 High-Level Pledging Conference are reflected in fully executed contribution agreements received by the Secretariat.

under the Secretariat's review during Stage I and also the in-depth review by the AP in Stage II (Step 1).

32. While these framework and processes improvements will address some duplication and process inefficiencies, challenges remain. Approximately 15 AEs (including re-accrediting existing AEs, upgrading existing AEs and new entities) are being approved by the Board per year through institutional accreditation, reflecting the capacity of the Secretariat, AP and Board to administer the current institutional assessment process. Furthermore, the pipeline of new applicants has remained steady at approximately 140 entities despite entities being accredited. The need to review all accreditation applications, together with a limited capacity to review and approve accreditation applications, contributes to the continued lengthening of processing times, an issue that not only poses reputational risks but also dilutes AE review efforts and resources that may instead be focused on bringing the most suitable, GCF-programming-aligned entities. With the number of AEs seeking re-accreditation estimated to reach an average of 30 per year, the efficiency gains achieved through the updates to the accreditation framework adopted in decision B.31/06 may not prove sufficient to cope with this growing workload and re-accreditation may need to be prioritized to minimize the risk of accreditation lapses.

## II. Analysis of the GCF accredited entity portfolio and its ability to achieve GCF programming

### 2.1 Accredited entity network

33. As at 31 March 2022, the Board has approved a network of 113 AEs, of which 77 are fully accredited by having signed and made effective their AMA with GCF and completing the accreditation process, and are eligible to submit projects or programmes for Board consideration (see annex III to this document for the list of AEs). Nine of the 77 AEs have undergone or are undergoing the re-accreditation process in order to continue their partnership with GCF for another five-year term.

34. Table 1 presents the complete AE network during the IRM period, the GCF-1 period up to 31 March 2022 broken down by access modality and entity type (i.e. national DAEs, regional DAEs and international access entities (IAEs), and public and private sector entities) for the following three groups in terms of completion of the accreditation process and ability to engage with GCF on programming (from most complete at the top of the table, to least complete at the bottom):

- (a) AEs that have completed the accreditation process by having signed and effective AMAs (Stage III legal arrangements effective): these fully accredited AEs have started their five-year partnership with GCF. They can fully engage with GCF on programming, including having funding proposals approved by the Board, and entering into FAAs for approved projects/programmes. Once FAAs are effective, the projects/programmes can move into implementation with disbursement of funds from GCF to the AE;
- (b) AEs that have signed the AMA, but have yet to make it effective (Stage III legal agreements signed): these AEs have not yet started their partnership with GCF. While they can in the absence of an effective AMA have their funding proposals approved by the Board,<sup>27</sup> the FAA and implementation of the approved project/programme cannot

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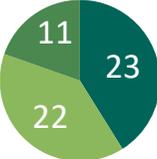
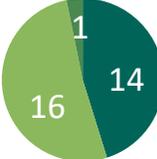
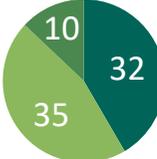
<sup>27</sup> Decision B.17/09, para. (d), regarding the proposal approval process requires that the Secretariat submits funding proposals to the Board for consideration from AEs with signed AMAs. AEs are required to fulfil any conditions precedent in order to make the AMA effective and thereby start the five-year accreditation term with GCF. An FAA for approved funding proposals may be signed once the AMA is made effective if not already done so by the time the funding proposal is approved.

be signed or commence until the AE has made the AMA effective and thereafter the FAA has been signed and made effective, respectively; and

- (c) AEs that have been accredited by the Board in Stage II (Step 2) of the accreditation, but have yet to complete it by signing and making the AMA effective: these AEs have not yet started their partnership with GCF. Once they sign the AMA, they can have their funding proposals approved by the Board.

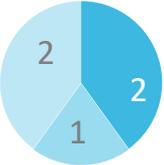
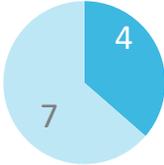
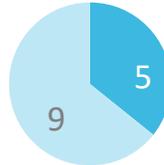
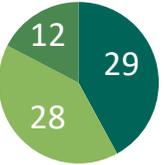
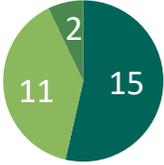
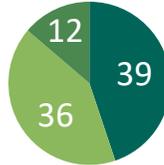
35. During the GCF-1 period, significant progress has been made to move entities to Stage III, with effective legal agreements, whereby an entity can officially access GCF funding. During the IRM period (2015–2019), a total of 95 entities were accredited with 56 reaching full AMA effectiveness status. An additional 26 entities accredited under the IRM period had their AMAs become fully effective in GCF-1, with a further 5 entities having been both accredited and achieving Stage III AMA effectiveness within GCF-1.

**Table 1. Accredited entity network at 31 March 2022**

AE network and pipeline	IRM outcomes as at 31 December 2019	GCF-1 portfolio as at 31 March 2022	Total portfolio as at 31 March 2022
<b>AE network</b>			
<p><b>Stage III Legal agreements effective,<sup>1</sup> AEs are able to fully engage with GCF on programming</b></p> <p>(AEs that are a subset of those accredited by the Board and that have signed the AMA)</p>	 <p>56 new partnerships, including 23 national DAEs for 20 countries (of which 4 are in SIDS, 4 in LDCs and 6 in Africa) and 11 regional DAEs</p> <p>No entities having undergone re-accreditation</p>	 <p>31 new partnerships, including 26 accredited during IRM. Includes 14 national DAEs for 11 new countries (of which 4 are in LDCs and 1 in Africa) and 1 regional DAE (SIDS)</p> <p>In addition, 1 AE re-accredited that made their AMA effective, starting their second term</p>	 <p><b>77 fully accredited partnerships</b>, excluding AEs that are seeking re-accreditation to GCF during which the accreditation term has lapsed. Includes a total of 32 national DAEs for 27 countries (of which 4 are in SIDS, 7 in LDCs and 7 in Africa) and 10 regional DAEs<sup>2</sup></p> <p>In addition, <b>1 AE re-accredited</b> that made their AMA effective, starting their second term</p>

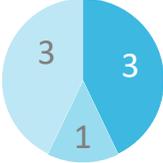
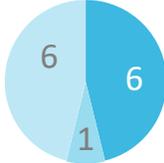
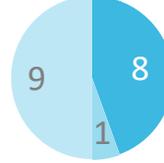
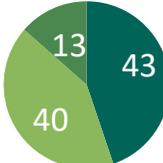
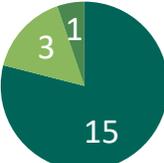
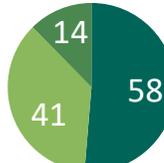
<sup>1</sup> Does not include AEs that are seeking re-accreditation to GCF during which the accreditation term has lapsed. AEs with lapsed AMAs will be able to resume their fully operationalized engagement with GCF once re-accredited and their amended AMA has been signed and made effective.

<sup>2</sup> Acumen Fund, Inc. was originally accredited as a regional DAE in Africa in decision B.09/07, para. (b). The AE was re-accredited for its second term in decision B.31/06, para. (f), as an IAE on 30 March 2022. The number of regional DAEs and private sector DAEs in LDCs and African States has decreased by one.

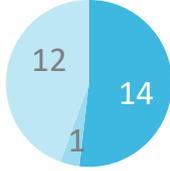
AE network and pipeline	IRM outcomes as at 31 December 2019	GCF-1 portfolio as at 31 March 2022	Total portfolio as at 31 March 2022
	 <p>Of which 5 are private sector entities</p>	 <p>Of the new partnerships, 11 are private sector entities (of which 9 were accredited during IRM)</p>	 <p>Of which <b>14 are private sector entities</b>, excluding AEs that are seeking re-accreditation to GCF during which the accreditation term has lapsed</p> <p>A <b>further 49 AEs</b> can work with the private sector, <b>totalling 63 of the 77 fully accredited AEs that are or can work with the private sector</b> (ranging from creating enabling environments to lending, equity investment and guarantee activities with the private sector)</p>
<p><b>Stage III Legal agreements signed<sup>3, 4</sup></b> (AEs that are a subset of those accredited by the Board)</p>	 <p>69 total</p>	 <p>28 total, including 19 accredited during IRM</p>	 <p><b>87 total</b>, excluding AEs that are seeking re-accreditation to GCF during which the accreditation term has lapsed</p>

<sup>3</sup> Ibid.

<sup>4</sup> Decision B.17/09, para. (d), regarding the proposal approval process requires that the Secretariat submits funding proposals to the Board for consideration from AEs with signed AMAs. AEs are required to fulfill any conditions precedent in order to make the AMA effective and thereby start the 5-year accreditation term with GCF. An FAA for approved funding proposals may be signed once the AMA is made effective if not already done so by the time the funding proposal is approved.

AE network and pipeline	IRM outcomes as at 31 December 2019	GCF-1 portfolio as at 31 March 2022	Total portfolio as at 31 March 2022
	<p>No entities having undergone re-accreditation</p>  <p>Of which 7 are private sector entities</p>	<p>In addition, 8 AEs in the process of amending their AMA with GCF to account for the Board's decision on re-accreditation</p>  <p>Of which 13 are private sector entities, including 9 accredited during IRM</p>	<p>In addition, <b>8 AEs in the process of amending their AMA</b> with GCF to account for the Board's decision on re-accreditation</p>  <p>Of which <b>18 are private sector entities</b>, and a <b>further 69 AEs</b> can work with the private sector</p>
<p><b>Stage II (Step 2) Entities accredited<sup>5</sup></b></p>	 <p>95 total, including 43 national DAEs for 32 countries (of which 4 are in SIDS, 6 in LDCs and 10 in Africa) and 10 regional DAEs</p> <p>No entities having undergone re-accreditation</p>	 <p>19 new partnerships building on the network accredited during IRM, including 15 national DAEs (79%) and 1 regional DAE</p> <p>In addition, 9 AEs have been re-accredited for a second term. A further 13 AEs in the process of seeking re-accreditation</p>	 <p><b>113 total AEs</b>, including <b>58 national DAEs for 38 countries</b> (of which <b>5 are in SIDS, 8 in LDCs and 12 in Africa</b>) and <b>10 regional DAEs</b></p> <p>In addition, <b>13 AEs in the process of seeking re-accreditation</b></p>

<sup>5</sup> Does not include former AEs that are not seeking re-accreditation to GCF.

AE network and pipeline	IRM outcomes as at 31 December 2019	GCF-1 portfolio as at 31 March 2022	Total portfolio as at 31 March 2022
	 <p>Of which 20 are private sector entities</p>	 <p>Of which 7 are private sector entities</p>	 <p>Of which <b>27 are private sector entities</b>, and a <b>further 88 AEs</b> can work with the private sector</p>
<b>Pipeline</b>			
<b>Pipeline (Submission, Stage I and Stage II (Step 1) Accreditation Panel review<sup>6</sup></b>	115	137	137

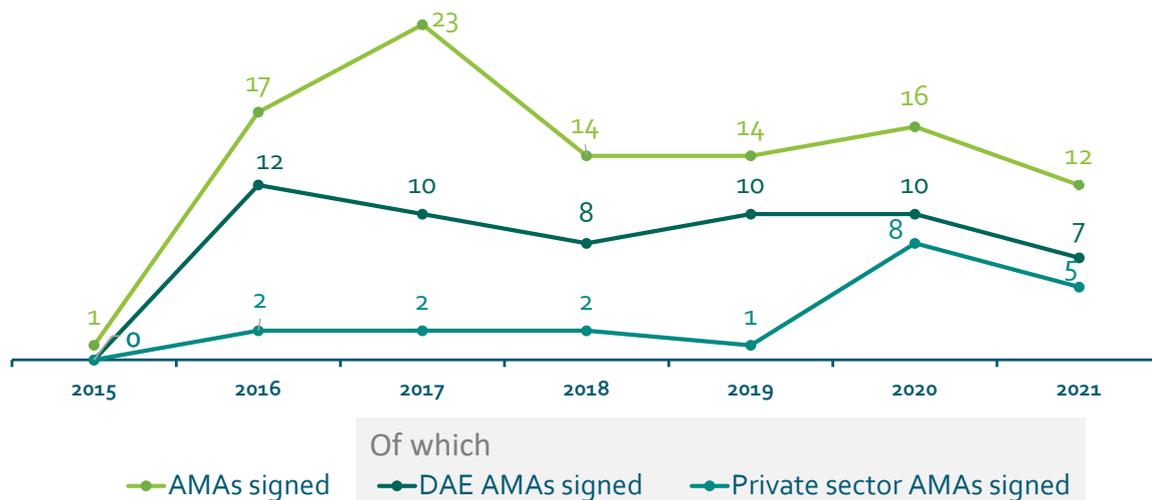
*Abbreviations:* AE = accredited entity; AMA = accreditation master agreement; DAE = direct access entity; GCF-1 = first replenishment period of the GCF; IAE = international access entity; IRM = initial resource mobilization; LDCs = least developed countries; SIDS = small island developing States.

-   DAE – national
-   DAE – regional
-   IAE
- Private sector

<sup>6</sup> Includes entities that have submitted but have yet to start the Stage I institutional assessment and completeness pending payment of accreditation application fees. Does not include 123 entities that have access to the online accreditation system or digital accreditation platform (including active and inactive), but have yet to submit their application.

36. Figure 2 below presents a further breakdown by year of the number of AEs with signed AMAs from 2015 through 2021. As can be seen below, there has been a steady increase starting from GCF-1 in the number of private sector entities with signed AMAs, from a total of 8 in the IRM period, averaging 2 per year to an additional 13 in the first two years of GCF-1 (2020-2021).

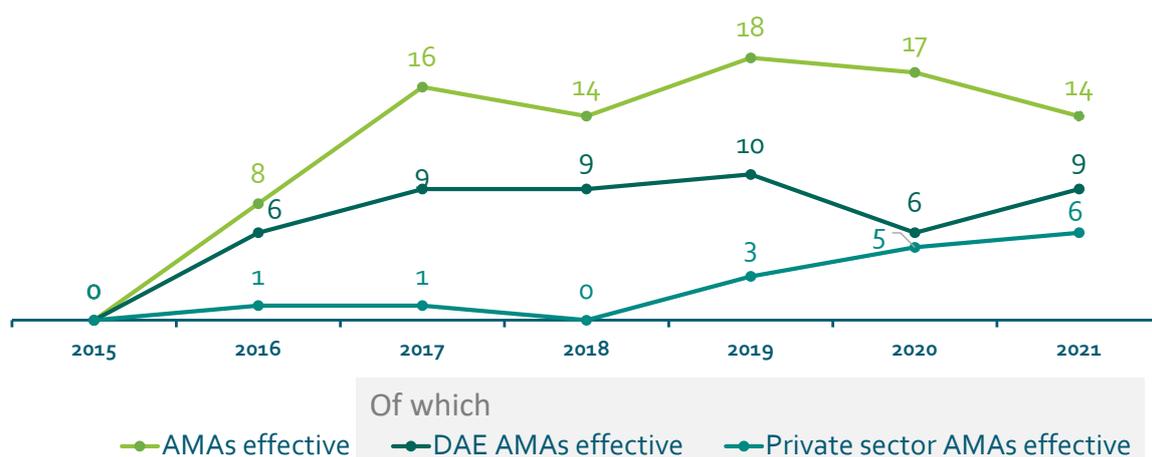
**Figure 2. Number of accreditation master agreements signed with accredited entities, including direct access entities and private sector entities, from 2015 to 2021<sup>a</sup>**



Abbreviations: AMA = accreditation master agreement, DAE = direct access entity.

<sup>a</sup> Private sector AEs include both DAEs and IAEs.

**Figure 3. Number of accreditation master agreements made effective to start the five-year accreditation term with accredited entities, including direct access entities and private sector entities, from 2015 to 2021**



ABBREVIATIONS: AMA = ACCREDITATION MASTER AGREEMENT, DAE = DIRECT ACCESS ENTITY.

<sup>a</sup> Private sector AEs include both DAEs and IAEs.

37. Of the 77 entities accredited with effective AMAs across both periods (excluding AEs that are seeking re-accreditation to GCF during which the accreditation term has lapsed), 55 per cent are DAEs (including 42 per cent that are national DAEs and 13 per cent that are regional DAEs) and 45 per cent are IAEs. As shown in figure 3, under the five-year IRM time frame, only 5 private sector entities reached Stage III with effective AMAs, whereas during the initial two years of GCF-1, the private sector AE network increased by 280 per cent with 11 more private

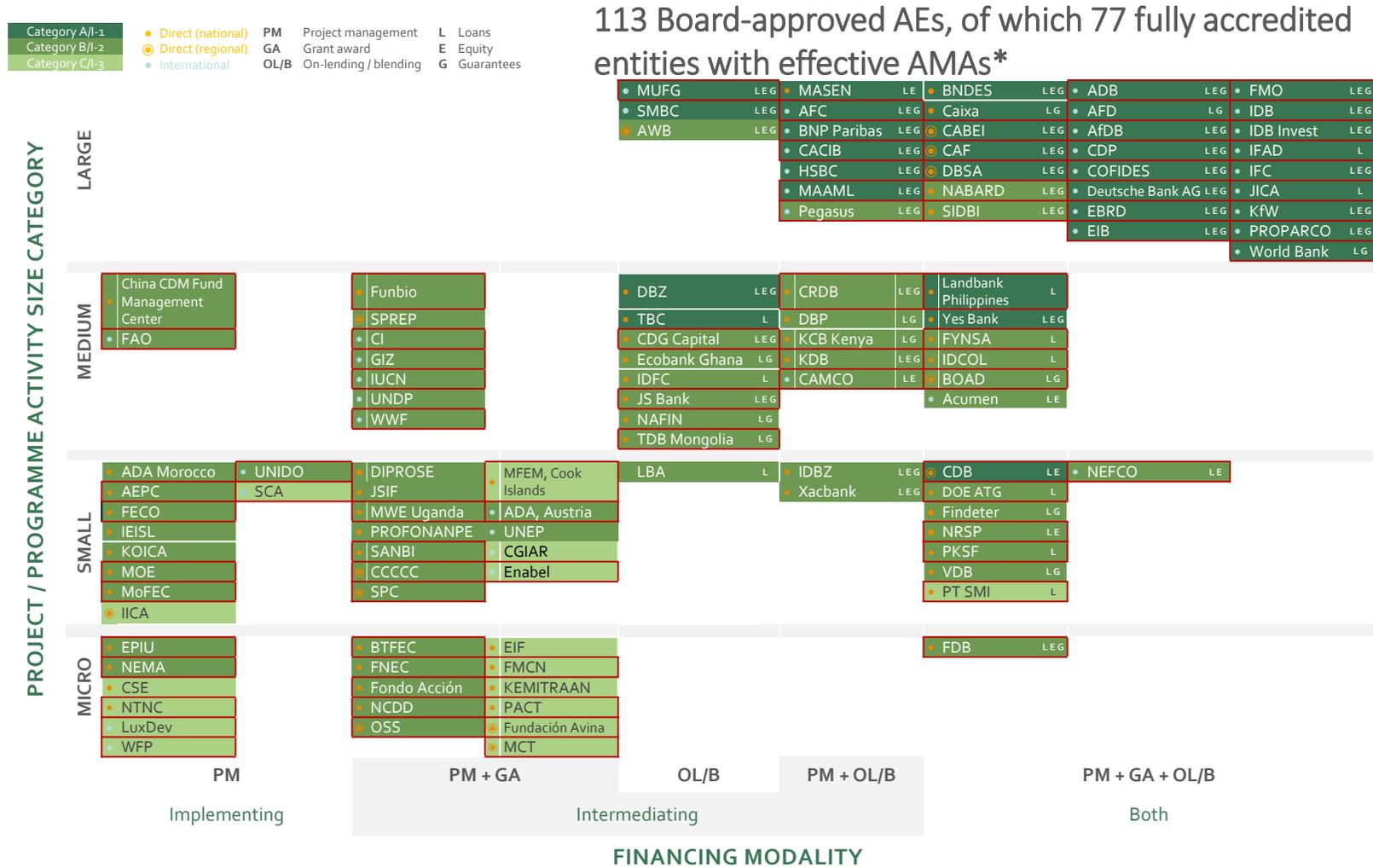
sector AEs added with effective AMAs. As at 31 March 2022, there are a total of 14 private sector AEs with effective AMAs that can fully programme with GCF (excluding AEs that are in the process of re-accreditation during which the accreditation term has lapsed), 36 per cent of which are national DAEs including local commercial and investment banks, and 64 per cent are IAEs. While only 14 AEs are private sector entities themselves, another 49 AEs have the ability to work with the private sector.

38. Figure 4 below provides a mapping of the 113 accredited AEs. The figure demonstrates that IAEs are predominantly accredited to undertake projects of larger sizes, higher E&S risks and utilizing a wide range of financial instruments. There are, however, four regional DAEs including Attijariwafa Bank and the Development Bank of Southern Africa in Africa and the Central American Bank for Economic Integration and Corporación Andina de Fomento in Latin America and the Caribbean, as well as five national DAEs in the Africa, Asia-Pacific and Latin America and the Caribbean regions (the Moroccan Agency for Sustainable Energy S. A.; the National Bank for Agriculture and Rural Development based in India and the Small Industries Development Bank of India; and Banco Nacional de Desenvolvimento Econômico e Social and Caixa Econômica Federal, both based in Brazil, respectively) that have been accredited for the largest size, a wide range of financial instruments (including grants, loans, equity and guarantees), and the highest E&S risk level.

39. As can also be seen from the figure below, the greatest concentration of DAEs (31) accredited with fully effective AMAs fall within a scope of micro and small size, minimal or no to medium E&S risk levels and grants as the primary financial instrument through either managing projects or awarding grants. There are also eight IAEs that are accredited for a similar scope of accreditation. When medium size is added to this scope, the number of DAEs with fully effective AMAs increases to 34 and IAEs to 14.

40. During the IRM period the AE network had a total of 43 national DAEs, comprising 45 per cent of the total AEs. Through GCF-1 an additional 19 national DAEs have been accredited, which has led to a greater portion of national DAEs (51 per cent). When DAE-regionals are included, the proportion of DAEs (national and regional) to all AEs totals 64 per cent. As indicated above, similar expansions were also seen for the network of private sector partners, with those reaching AMA effectiveness being nearly threefold as compared to IRM levels.

**Figure 4. Range of capabilities reflected in accreditation scopes in the network of 113 accredited entities, as at 31 March 2022**



\* Does not include AEs that are seeking re-accreditation to GCF during which the accreditation term has lapsed. AEs with lapsed AMAs will be able to resume their fully operationalized engagement with GCF once re-accredited and their amended AMA accounting for re-accreditation has been signed and made effective.

*Abbreviations:* Acumen = Acumen Fund, Inc., ADA Austria = Austrian Development Agency, ADA Morocco = Agency for Agricultural Development of Morocco, ADB = Asian Development Bank, AEPC = Alternative Energy Promotion Center, AFC = Africa Finance Corporation, AFD = Agence Française de Développement, AfDB = African Development Bank, AMA = accreditation master agreement, AWB = Attijariwafa Bank, BNDES = Banco Nacional de Desenvolvimento Econômico e Social, BNP Paribas = BNP Paribas S.A., BOAD = Banque Ouest Africaine de Développement (West African Development Bank), BTFC = Bhutan Trust Fund for Environmental Conservation, CABEI = Central American Bank for Economic Integration, CAF = Corporación Andina de Fomento, Camco = Camco Management Limited, CCCC = Caribbean Community Climate Change Centre, CDB = Caribbean Development Bank, CDG Capital = CDG Capital S.A., CDP = Cassa Depositi e Prestiti - Società per Azioni, CEF = Caixa Econômica Federal, China CDM Fund Management Center = China Clean Development Mechanism Fund Management Center, CI = Conservation International Foundation, COFIDES = Compañía Española de Financiación del Desarrollo S.A. S.M.E., CRDB = CRDB Bank Public Limited Company, Crédit Agricole CIB = Crédit Agricole Corporate and Investment Bank, CSE = Centre de Suivi Ecologique, DBP = Development Bank of the Philippines, DBSA = Development Bank of Southern Africa, DBZ = Development Bank of Zambia, DIPROSE (formerly UCAR) = General Directorate of Sectoral and Special Programs and Projects of the Ministry of Agriculture, Livestock and Fisheries (formerly Unidad para el Cambio Rural (Unit for Rural Change) of Argentina), Deutsche Bank AG = Deutsche Bank Aktiengesellschaft, DOE Antigua and Barbuda = Department of Environment of Antigua and Barbuda, EBRD = European Bank for Reconstruction and Development, EGH = Ecobank Ghana Limited, EIB = European Investment Bank, EIF = Environmental Investment Fund of Namibia, EPIU = Environmental Project Implementation Unit of the Ministry of Nature Protection of the Republic of Armenia, Enabel (formerly BTC-CTB) = Belgian Development Agency (formerly Belgian Technical Cooperation), FAO = Food and Agriculture Organization of the United Nations, FDB = Fiji Development Bank, FECO = Foreign Environmental Cooperation Center of the Ministry of Ecology and Environment of China (formerly Foreign Economic Cooperation Office of the Ministry of Environmental Protection of China), Findeter = Financiera De Desarrollo Territorial S.A., FMCN = Fondo Mexicano para la Conservación de la Naturaleza A.C., FMO = Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V., FNEC = National Fund for the Environment of Benin, Fondo Acción = Fondo para la Acción Ambiental y la Niñez, Funbio = Fundo Brasileiro para a Biodiversidade, FYNSA = Finanzas Y Negocios Servicios Financieros Limitada, GIZ = Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH, HSBC = HSBC Holdings plc and its subsidiaries, IDB = Inter-American Development Bank, IDB Invest = Inter-American Investment Corporation, IDBZ = Infrastructure Development Bank of Zimbabwe, IDCOL = Infrastructure Development Company Limited, IDFC = IDFC Bank Limited, IEISL = IL&FS Environmental Infrastructure and Services Limited, IFAD = International Fund for Agricultural Development, IFC = International Finance Corporation, IICA = Inter-American Institute for Cooperation on Agriculture, IUCN = International Union for Conservation of Nature, JICA = Japan International Cooperation Agency, JS Bank = JS Bank Limited, JSC TBC Bank = Joint Stock Company TBC Bank, KCB = KCB Bank Kenya Limited, KDB = Korea Development Bank, KEMITRAAN = Kemitraan bagi Pembaraun Tata Pemerintahan, KfW = Kreditanstalt für Wiederaufbau, KOICA = Korea International Cooperation Agency, Landbank = Land Bank of the Philippines, LBA (formerly CNCAS) = La Banque Agricole (formerly Caisse Nationale de Credit Agricole du Senegal), LuxDev = Luxembourg Development Cooperation Agency, MAAML = Macquarie Alternative Assets Management Limited, MASEN = Moroccan Agency for Sustainable Energy S.A., MCT = Micronesia Conservation Trust, MFEM Cook Islands = Ministry of Finance and Economic Management of the Cook Islands, MOE (formerly MINIRENA) = Ministry of Environment of Rwanda (formerly Ministry of Natural Resources of Rwanda), MoFEC = Ministry of Finance and Economic Cooperation of Ethiopia, MWE Uganda = Ministry of Water and Environment of Uganda, MUGB Bank (formerly BTMU) = MUGB Bank, Ltd. (formerly Bank of Tokyo-Mitsubishi UFJ, Ltd.), NABARD = National Bank for Agriculture and Rural Development, NAFIN = Nacional Financiera, S.N.C., Banca de Desarrollo, NCDD = National Committee for Sub-National Democratic Development, NEFCO = Nordic Environment Finance Corporation, NEMA = National Environment Management Authority of Kenya, NRSP = National Rural Support Programme, NTNC = National Trust for Nature Conservation, OSS = Sahara and Sahel Observatory, PACT = Protected Areas Conservation Trust, PCA = Pegasus Capital Advisors, L.P., PKSf = Palli Karma-Sahayak Foundation, PROFONANPE = Peruvian Trust Fund for National Parks and Protected Areas, PROPARCO = Société de Promotion et de Participation pour la Coopération Economique, PT SMI = PT Sarana Multi Infrastruktur, SANBI = South African National Biodiversity Institute, SCA = Save the Children Australia, SIDBI = Small Industries Development Bank of India, SMBC = Sumitomo Mitsui Banking Corporation, SPC = Pacific Community, SPREP = Secretariat of the Pacific Regional Environment Programme, TDB Mongolia = Trade and Development Bank of Mongolia, UNDP = United Nations Development Programme, UNEP = United Nations Environment Programme, UNIDO = United Nations Industrial Development Organization, VDB = Vietnam Development Bank, WFP = World Food Programme, World Bank = International Bank for Reconstruction and Development and International Development Association, WWF = World Wildlife Fund, Inc., XacBank = XacBank LLC, Yes Bank = Yes Bank Limited.

41. From IRM to GCF-1, there have been several additional DAEs accredited for a maximum of medium size projects/programme activities and medium or high E&S risk levels. Over time, more countries have nominated organizations that can access a wider range and greater scale of finance from the GCF, including national commercial banks and national development banks (NDBs).

42. Overall, the AE network has expanded to allow for a much broader range of entities that can mobilize funding at scale, such as through the GCF request for proposal for MFS. AEs with the potential to access medium to large-scale projects/programmes, of medium to high E&S risk, and through various financial instruments (including loans, equity and/or guarantees), includes a total of 51 AEs. Out of these 51, 26 are DAEs and 25 are IAEs. Twenty-three are private sector entities, including both DAEs and IAEs.

43. In addition to the expansion of AEs that can mobilize funding at scale, in GCF-1, several additional DAEs with effective AMAs have been accredited for the small size category, medium to high E&S risk level, and for a wider range of financial instruments. These types of entities are particularly well suited to support MSMEs, such as through the GCF request for proposal for MSMEs; 11 DAEs are accredited within this scope.

44. All of the 11 DAEs referred to in paragraph 43 above, along with an additional 31 DAEs (for a total of 42 DAEs) have the capacity to develop and implement projects through the GCF simplified approval process (SAP). The minimal to no E&S risk and smaller size category requirements of the SAP projects/programmes makes them particularly well suited for these DAEs.

45. Finally, the AEs with the potential to respond to the GCF RFPs for the pilot phase for enhancing direct access<sup>1</sup> (EDA) overlaps with the SAP and MSME potential. In total, there are currently 30 DAEs with the potential to implement EDA programmes, including 24 national DAEs (of which 2 are private sector) and 6 regional DAEs.

46. The next set of tables and figures present the full suite of 113 Board-approved AEs. They include AEs that have yet to sign and make their AMA effective with GCF to conclude the accreditation process, as well as AEs that are seeking re-accreditation to GCF during which the accreditation term has lapsed. AEs with lapsed AMAs will be able to resume their fully operationalized engagement with GCF once re-accredited and their amended AMA accounting for re-accreditation has been signed and made effective.

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<sup>1</sup> Decision B.10/04.

**Table 2: Range of options by number of accredited entities out of the total 113 Board-approved accredited entities for countries to partner with by region and type of capacity (cumulative, as at 31 March 2022)<sup>2</sup>**

Region	Fiduciary functions <sup>a</sup>					E&S risk category <sup>a</sup>			Size of an individual project or programme activity <sup>b</sup>	
	Project management <sup>c</sup>	Providing grants, including through grant award and/or funding allocation <sup>d</sup>	Blended finance			C/I-3	B/I-2	A/I-1	Micro and small	Medium and large
			Loans	Equity	Guarantees					
AF	54	32	37	28	31	62	56	25	62	40
AP	62	40	40	27	30	68	59	22	68	41
EE	30	19	21	16	17	34	31	19	34	25
LAC	55	42	34	25	28	59	51	25	59	37
LDCs	56	38	33	24	25	62	54	24	62	35
SIDS	48	35	29	24	23	50	43	23	50	32

ABBREVIATIONS: AF = AFRICA, AP = ASIA-PACIFIC, EE = EASTERN EUROPE, E&S = ENVIRONMENTAL AND SOCIAL, LAC = LATIN AMERICA AND THE CARIBBEAN, LDCs = LEAST DEVELOPED COUNTRIES, SIDS = SMALL ISLAND DEVELOPING STATES.

<sup>a</sup> ANNEX I TO DECISION B.07/02 (ANNEX I TO DOCUMENT GCF/B.07/11).

<sup>b</sup> ANNEX I TO DECISION B.08/02 (ANNEX I TO DOCUMENT GCF/B.08/45).

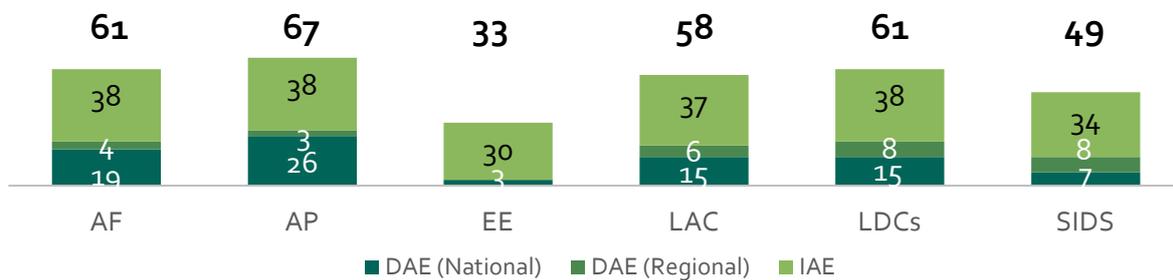
<sup>c</sup> THE SPECIALIZED FIDUCIARY STANDARD FOR PROJECT MANAGEMENT IS CONTAINED IN ANNEX II TO DECISION B.07/02, AVAILABLE AT <[HTTPS://WWW.GREENCLIMATE.FUND/DOCUMENT/INITIAL-FIDUCIARY-PRINCIPLES-AND-STANDARDS-FUND](https://www.greenclimate.fund/document/initial-fiduciary-principles-and-standards-fund)>. PROJECT MANAGEMENT UNDERLYING PRINCIPLES ARE: ABILITY TO IDENTIFY, FORMULATE AND APPRAISE PROJECTS OR PROGRAMMES; COMPETENCY TO MANAGE OR OVERSEE THE EXECUTION OF APPROVED FUNDING PROPOSALS (INCLUDING THOSE FINANCED THROUGH GRANTS), INCLUDING THE ABILITY TO MANAGE EXECUTING ENTITIES OR PROJECT SPONSORS AND TO SUPPORT PROJECT DELIVERY AND IMPLEMENTATION; AND CAPACITY TO CONSISTENTLY AND TRANSPARENTLY REPORT ON THE PROGRESS, DELIVERY AND IMPLEMENTATION OF THE APPROVED FUNDING PROPOSAL.

<sup>d</sup> THE SPECIALIZED FIDUCIARY STANDARD FOR GRANT AWARD AND/OR FUNDING ALLOCATION MECHANISMS IS CONTAINED IN ANNEX II TO DECISION B.07/02, AVAILABLE AT <[HTTPS://WWW.GREENCLIMATE.FUND/DOCUMENT/INITIAL-FIDUCIARY-PRINCIPLES-AND-STANDARDS-FUND](https://www.greenclimate.fund/document/initial-fiduciary-principles-and-standards-fund)>. SPECIFIC CAPACITIES FOR GRANT AWARD AND FUNDING ALLOCATION MECHANISMS OF GRANTS IN THE CONTEXT OF PROGRAMMES REQUIRE: TRANSPARENT ELIGIBILITY CRITERIA AND AN EVALUATION PROCESS; A GRANT AWARD DECISION AND PROCEDURES; PUBLIC ACCESS TO INFORMATION ON BENEFICIARIES AND RESULTS; TRANSPARENT ALLOCATION AND IMPLEMENTATION OF FINANCIAL RESOURCES; AND A GOOD STANDING WITH REGARD TO MULTILATERAL FUNDING.

47. Table 2 above indicates that countries should be able to find AEs to implement a GCF project/programme across any capacity. As shown in figure 5 below, this could mean relying mostly on IAEs and some regional DAEs or private sector DAEs for some geographies and capacities. For example, for Eastern Europe with only three DAEs – all national – the options for countries are currently limited to IAEs (90 per cent). For SIDS, almost 70 per cent of AEs with potential geographic coverage are IAEs, for Latin America and the Caribbean 64 per cent, for African States 62 per cent, for the LDCs 61 per cent and for Asia-Pacific 57 per cent.

<sup>2</sup> Includes AEs that are seeking re-accreditation to GCF during which the accreditation term has lapsed. AEs with lapsed AMAs will be able to resume their fully operationalized engagement with GCF once re-accredited and their amended AMA accounting for re-accreditation has been signed and made effective.

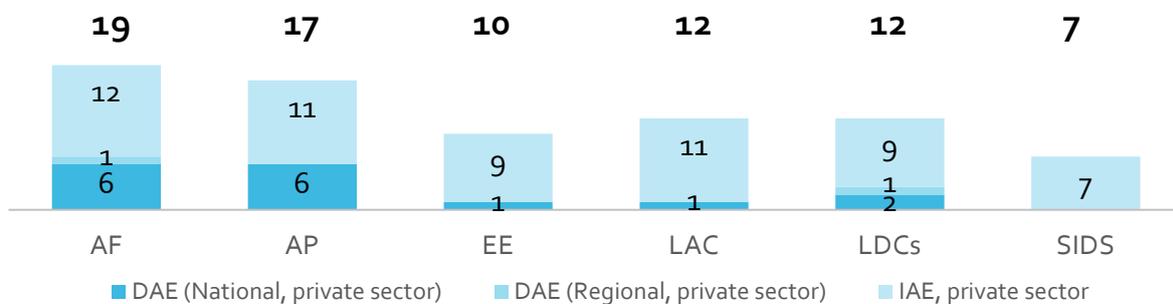
**Figure 5. Number of accredited entities and their potential areas of operations, as at 31 March 2022<sup>3</sup>**



ABBREVIATIONS: AF = AFRICA, AP = ASIA-PACIFIC, DAE = DIRECT ACCESS ENTITY, EE = EASTERN EUROPE, IAE = INTERNATIONAL ACCESS ENTITY, LAC = LATIN AMERICA AND THE CARIBBEAN, LDCs = LEAST DEVELOPED COUNTRIES, SIDS = SMALL ISLAND DEVELOPING STATES.

48. While the trend has been towards greater numbers of accreditation of private sector entities, out of the entire pool of AEs with fully effective AMAs only 14 entities or 18 per cent are private sector entities, with the majority being IAEs. This increases the reliance on a few private sector IAEs to catalyse private investment flows and create trade-offs between the GCF-1 programming targets related to DAEs and private sector flows. As shown in figure 6, SIDS have no national or regional private sector entities and Eastern Europe and Latin America and the Caribbean have only one each. The LDCs have two national and one regional DAE that are private sector, and the Asia-Pacific and African States regions have the most national private sector entities with six each. The decisions by the Board to prioritize from 2016 to 2018 DAEs, as well as private sector entities, have contributed to this increase in proportion, shaping the AE network to what it is today.<sup>4</sup> However, the pipeline even with such prioritization has primarily reflected public sector DAEs and private sector IAEs.

**Figure 6. Number of private sector accredited entities and their potential areas of operations, as at 31 March 2022<sup>5</sup>**



ABBREVIATIONS: AF = AFRICA, AP = ASIA-PACIFIC, DAE = DIRECT ACCESS ENTITY, EE = EASTERN EUROPE, IAE = INTERNATIONAL ACCESS ENTITY, LAC = LATIN AMERICA AND THE CARIBBEAN, LDCs = LEAST DEVELOPED COUNTRIES, SIDS = SMALL ISLAND DEVELOPING STATES.

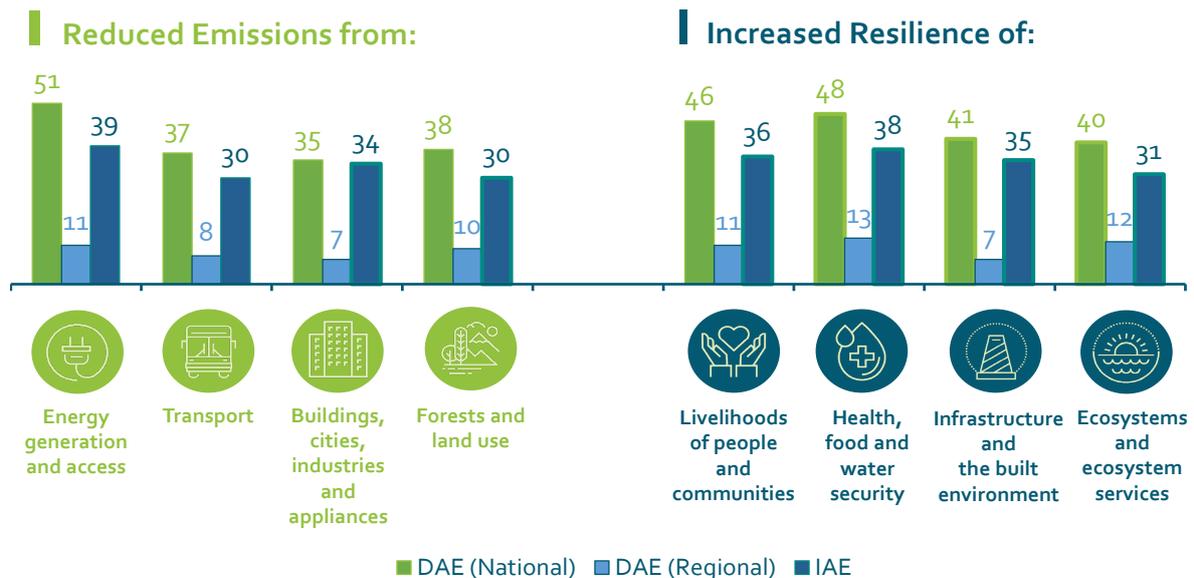
<sup>3</sup> The areas of potential operations are based on the AEs' mandates. The figure includes AEs that are seeking re-accreditation to GCF during which the accreditation term has lapsed. AEs with lapsed AMAs will be able to resume their fully operationalized engagement with GCF once re-accredited and their amended AMA accounting for re-accreditation has been signed and made effective.

<sup>4</sup> Decisions B.14/08, para. (d)(i), B.18/04, para. (c) and B.19/13, para. (c), as well as decision B.21/16, para. (a); B.23/11, para. (b) and B.24/11, para. (e).

<sup>5</sup> The areas of potential operations are based on the AEs' mandates. The figure includes AEs that are seeking re-accreditation to GCF during which the accreditation term has lapsed. AEs with lapsed AMAs will be able to resume their fully operationalized engagement with GCF once re-accredited and their amended AMA accounting for re-accreditation has been signed and made effective.

49. Noting there is no standard of accreditation requiring systems, capacities and track record related to GCF results areas as indicated in section 1.1.1 above, figure 7 presents the number of AEs that indicated and provided examples of their project experience in the GCF results areas, divided by national DAEs, regional DAEs and IAEs. There are both DAEs and IAEs that have experience across all of the GCF results areas, suggesting that countries have theoretical access to AEs for projects/programmes in all results areas for any fiduciary functions, project/programme size, and E&S risk level.

**Figure 7. Number of accredited entities with past project experience in results areas at the time of accreditation, as at 31 March 2022<sup>6</sup>**



ABBREVIATIONS: DAE = DIRECT ACCESS ENTITY, IAE = INTERNATIONAL ACCESS ENTITY.

50. As shown in figure 8 below, in terms of utilizing the full range of GCF's financial instruments, equity and guarantees (as compared to grants and loans) have the fewest number of entities with that capacity (43 and 50, respectively), followed by loans (65). Grants have the largest number of entities accredited for that capacity with managing project grants having the most (100) followed by the grant award mechanism (65).<sup>7</sup>

51. For the subset of private sector entities, the trend is reversed with the largest number of entities having the capacity for loans (26), followed by guarantees (20), equity (19), grants under project management (16) and awarding grants (5).

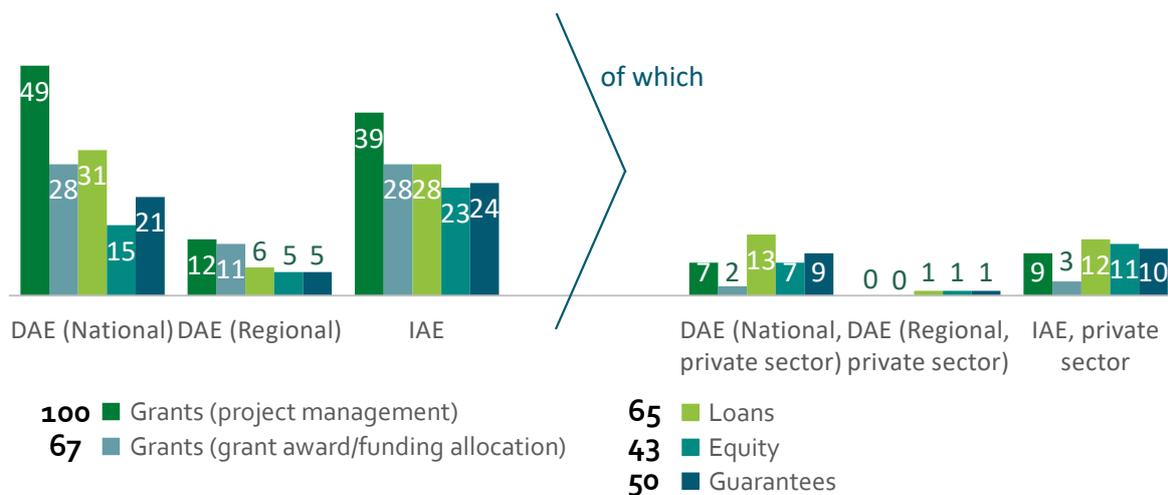
52. While GCF's range of financial instruments includes grants, loans, equity and guarantees, other instruments such as insurance and bonds are not yet included, the accreditation framework does not account for assessing whether entities are able to work with such instruments. However, some applicants, particularly private sector entities, have indicated as part of their accreditation application to GCF their past experience of working with these and other innovative instruments. Such innovative instruments, while minimally applied in GCF's portfolio thus far, are critical tools to support GCF in implementing its strategy and achieving its programming targets to catalyse private sector investment flows and scaling up adaptation financing.<sup>8</sup>

<sup>6</sup> Includes AEs that are seeking re-accreditation to GCF during which the accreditation term has lapsed. AEs with lapsed AMAs will be able to resume their fully operationalized engagement with GCF once re-accredited and their amended AMA accounting for re-accreditation has been signed and made effective.

<sup>7</sup> Note that numbers add up to more than 113 as most AEs are accredited for capacity across multiple specialized fiduciary standards to work with a range of financial instruments and financing modalities.

<sup>8</sup> At B.32 the Board will be considering a review of the initial private sector facility modalities and the private sector strategy, and guidance on the approach and scope for providing support to adaptation activities.

**Figure 8. Financial instruments that may be provided by types of accredited entities, as at 31 March 2022<sup>9</sup>**

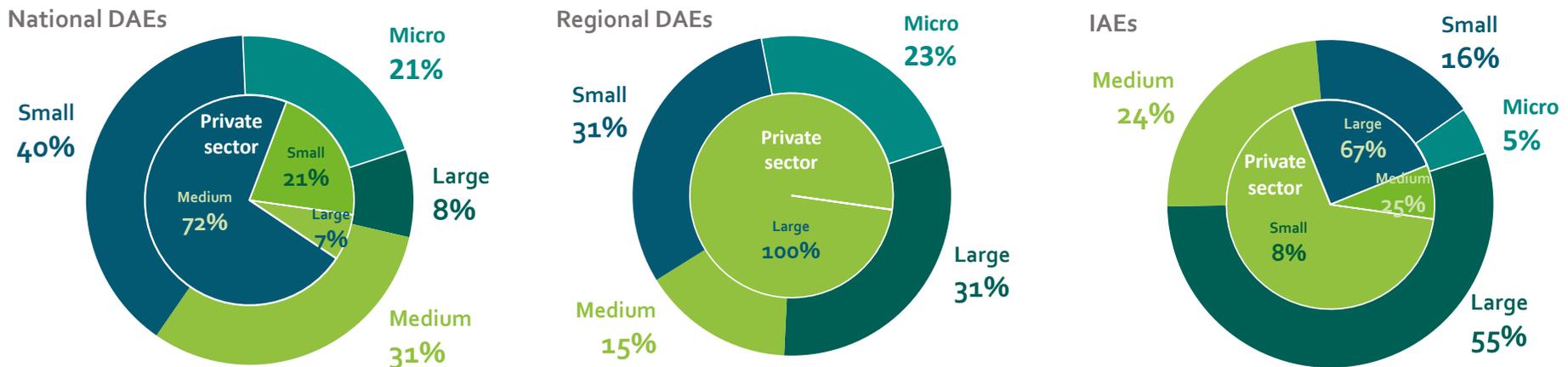


ABBREVIATIONS: DAE = DIRECT ACCESS ENTITY, IAE = INTERNATIONAL ACCESS ENTITY.

<sup>9</sup> Includes AEs that are seeking re-accreditation to GCF during which the accreditation term has lapsed. AEs with lapsed AMAs will be able to resume their fully operationalized engagement with GCF once re-accredited and their amended AMA accounting for re-accreditation has been signed and made effective.

53. IAEs have the greatest concentration of entities with the capacity to undertake large projects at 55 per cent, followed by regional DAEs at 31 per cent, and national DAEs at only 8 per cent, as shown in figure 9 below. The majority of national DAEs accredited (71 per cent) are accredited for small and medium-sized projects/programme activities. Increasingly, there are more nominations by NDAs/focal points of national private sector entities and NDBs that often have a greater capacity to channel larger amounts of funding, as well as use a range of financial instruments. This is evidenced by the fact that out of the private sector national DAEs 79 per cent have the capacity to undertake medium and large projects versus 39 per cent for the entire national DAE pool.

**Figure 9. Range of accredited entities by accreditation scope for the maximum project and programme activity size categories, as at 31 March 2022<sup>1</sup>**

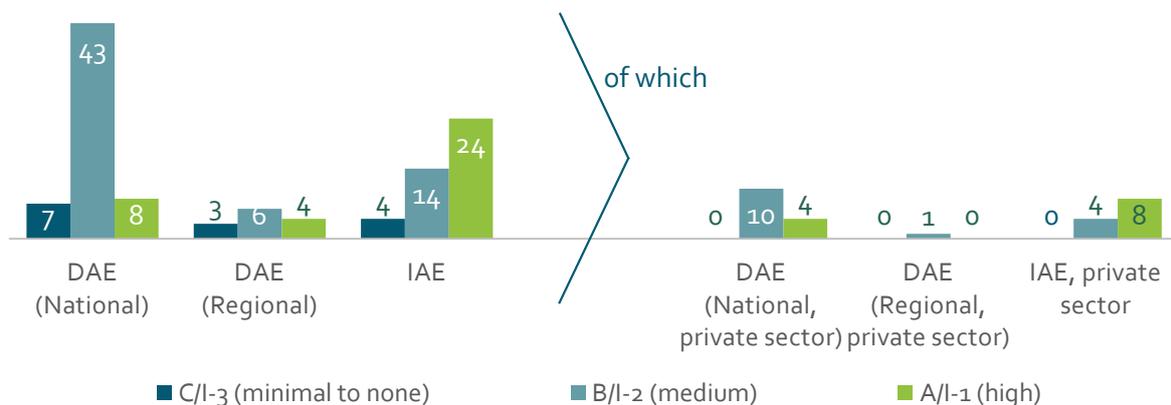


ABBREVIATIONS: DAE = DIRECT ACCESS ENTITY, IAE = INTERNATIONAL ACCESS ENTITY.

<sup>1</sup> Includes AEs that are seeking re-accreditation to GCF during which the accreditation term has lapsed. AEs with lapsed AMAs will be able to resume their fully operationalized engagement with GCF once re-accredited and their amended AMA accounting for re-accreditation has been signed and made effective.

54. In terms of E&S risk level, 12 per cent of all AEs have only the capacity to undertake minimal to no E&S risk projects, while the majority (56 per cent) having the capacity for up to a medium E&S risk category. The remaining 32 per cent have the capacity to undertake up to high E&S risk projects and programmes. Within the subset of high E&S risk project capacity, IAEs make up 67 per cent of the entities with that accreditation scope. For high E&S risk projects there are only 12 DAEs – which are primarily NDBs and private sector DAEs – with that capacity; this is a clear gap for DAEs to be able to undertake high E&S risk projects. Across private sector entities, all 27 AEs have the capacity for undertaking medium to high E&S risk projects (see figure 10).

**Figure 10. Range of accredited entities by accreditation scope for the maximum environmental and social risk level, as at 31 March 2022<sup>1</sup>**



ABBREVIATIONS: DAE = DIRECT ACCESS ENTITY, IAE = INTERNATIONAL ACCESS ENTITY.

## 2.2 Accredited entity network and progress against the GCF-1 portfolio and targets

55. This section presents an analysis of the strengths and gaps in coverage of the AE network's capabilities through the lens of the GCF portfolio, enabling the Fund to meet its GCF-1 portfolio targets.

56. Table 3 below shows the number of AEs that have submitted and approved funding proposals with GCF compared to the total number of AEs accredited by the Board regardless of the status of the AMA, noting that only AEs with signed AMAs may have their funding proposals submitted to the Board for consideration. The numbers of funding proposals approved, including for the breakdown by access modality, during the IRM period of five years has nearly been matched in the first two years of the GCF-1 period. From the IRM to GCF-1 periods, there was an increase in the number of new AEs submitting their first funding proposals, particularly direct access: 5 national DAEs (including 1 private sector), 2 regional DAEs and 2 IAEs (including 1 private sector). There were also 21 AEs that further expanded their portfolios with GCF through additional funding proposals having been approved during GCF-1: 2 national DAEs, 4 regional DAEs and 15 IAEs, each also including a private sector entity. There are also 14 AEs that had their funding proposals approved during IRM that do not yet have additional funding proposals submitted and approved during GCF-1: 7 national DAEs, 2 regional DAEs and 4 IAEs (including 1 private sector).

<sup>1</sup> Includes AEs that are seeking re-accreditation to GCF during which the accreditation term has lapsed. AEs with lapsed AMAs will be able to resume their fully operationalized engagement with GCF once re-accredited and their amended AMA accounting for re-accreditation has been signed and made effective.

**Table 3: Number of accredited entities by type that have an approved funding proposal, as at 31 March 2022**

Number of approved funding proposals	IRM portfolio (5-year period from 2015 to 2019, as at 31 December 2019)	GCF-1 portfolio (2.5-year period for 2020 up to 31 March 2022)	Portfolio as at 31 March 2022
Total funding proposals	121 <sup>a</sup>	71 <sup>a</sup>	192
AEs	37 of 95 (39%)	32 of 113 AEs (28%)	48 of 113 (42%)
National DAEs	11 of 43 (26%)	9 of 58 (16%)	17 of 58 (29%)
Regional DAEs	7 of 13 (54%)	5 of 13 (38%)	9 of 13 (69%)
IAEs	19 of 40 (48%)	18 of 41 (44%)	22 of 41 (54%)
Private sector AEs	National, private sector DAEs: 1 of 9 (11%) Regional, private sector DAEs: 1 of 2 (50%) IAEs, private sector: 1 of 9 (11%)	National, private sector DAEs: 1 of 15 (7%) Regional, private sector DAEs: 1 of 2 (50%) IAEs, private sector: 3 of 11 (27%)	National, private sector DAEs: 2 of 15 (13%) Regional, private sector DAEs: 1 of 2 (50%) IAEs, private sector: 4 of 11 (36%)

*Abbreviations:* AE = accredited entity; DAE = direct access entity; GCF-1 = first replenishment period of the GCF; IAE = international access entity; IRM = initial resource mobilization.

<sup>a</sup> The figure shown here reflects the total number of projects approved by the Board. To date, Board approval has lapsed for seven projects: FP029 by the Development Bank of Southern Africa as of 23 October 2017; FP006 and FP030 by the Inter-American Development Bank as of 26 September and 28 July 2018, respectively; FP054 by the Corporación Andina de Fomento as of 27 June 2019; FP065 by the International Bank for Reconstruction and Development and International Development Association as of 16 February 2020; FP038 and the equity component of FP026 by the European Investment Bank as of 13 June 2020; and FP104 by the Africa Finance Corporation as of 13 February 2021. FP026 is continuing through the grant component implemented by Conservation International Foundation.

57. The majority of funding proposals from AEs have been single-country projects. There have been some multi-country proposals within a single region, and some global programmes covering multiple regions: 18 funding proposals approved as at 31 March 2022 are multi-country programmes (6 from DAEs and 12 from IAEs), of which only 4 are global (all from IAEs). Given that national DAEs are often mandated to operate only within the country that they are based in, their accreditation scope reflects their ability to work within the same country. On the other hand, regional DAEs and IAEs with broader geographic mandates are in a position to develop multi-country and multi-region programmes. National DAEs may, however, still have a role in the programmes contributing their local expertise and on-the-ground presence.

58. In addition to the portfolio of GCF-approved projects, 93 AEs (82 per cent) of the 113 Board-approved AEs are developing or have submitted at least one project idea, concept note or funding proposal, or – in the case of relevant DAEs – are receiving project preparation technical assistance from the Secretariat to support project development. Further analysis would need to consider the status of the proposed project/programme (i.e., active and inactive), alignment of the proposal with country and GCF programming directions given that submissions include those from IRM as well as GCF-1, and quality of the proposal, among other considerations, in order to determine the extent to which AEs are delivering on programming.

59. A further nine AEs (eight DAEs and one IAE), bringing the total to 90 per cent, have discussed with the Secretariat potential projects/programmes and are in the early phases of project development although they have yet to submit a potential project/programme. The Secretariat has engaged in discussions with DAEs on whether any Project Preparation Facility or project preparation technical assistance support may be needed. As at 31 March 2022, two of the AEs (both DAEs) have effective AMAs.<sup>2</sup> One AE has signed the AMA, yet to become effective.<sup>3</sup> Another three AEs (two DAEs and one IAE) have reached a working level agreement on their AMA with GCF, but have yet to start their first or second term of accreditation as it is contingent upon AMA approvals pending constitution of the Risk Management Committee of the Board before the AMA can be signed and made effective to start said terms. The remaining three AEs are in the process of discussing legal arrangements with GCF.

60. Nine AEs (9 per cent) have yet to submit projects/programmes under any of the aforementioned stages of project development to GCF. This includes eight DAEs (including four private sector DAEs) and one IAE (private sector). Of these AEs, two (both DAEs) have effective AMAs with GCF. The remaining six AEs have yet to conclude legal arrangements with GCF.

61. While AEs are at various stages of programming development, the current capacity of AEs to develop quality climate funding proposals at entry – and during the course of their partnership with GCF – may need to be further analysed. Capacity requirements to meet GCF's standards at pipeline entry and subsequent project stages will also need to be assessed, along with the limited incentive provided by a low AE to project ratio. This could inform further discussion on whether climate project preparation capacity may need to be taken up further during the accreditation and re-accreditation processes, noting that while indicative programming is sought during accreditation, there is no requirement for applicants to submit concept notes or funding proposals alongside the application. Such a combined approach will be piloted under PSAA.

### 2.2.1 Accredited entity network and progress against GCF-1 portfolio targets

62. Table 4 below includes both programming to date against the portfolio target of a 50/50 split between mitigation and adaptation as well as a breakdown of AEs with the requisite experience across the GCF results areas.

**Table 4. Accredited entity network and progress against GCF-1 portfolio targets on the 50:50 balance of adaptation and mitigation funding as at 31 March 2022 (in grant equivalent terms)**<sup>4</sup>

<b>GCF-1 portfolio target:</b> 50:50 balance of adaptation and mitigation funding over time, while seeking to deliver portfolio-level mitigation and adaptation outcomes exceeding IRM outcomes		
<b>IRM outcomes as at 31 December 2019</b>	<b>GCF-1 portfolio as at 31 March 2022</b>	<b>Portfolio as at 31 March 2022</b>
<p><b>Project portfolio:</b></p> <p>Adaptation: 55% and 164 million beneficiaries reached per USD billion invested in adaptation</p> <p>Mitigation: 45% and 269 MtCO<sub>2</sub>eq per USD billion invested in mitigation</p>	<p><b>Project portfolio:</b></p> <p>Adaptation: 42% and 149.1 million beneficiaries reached per USD billion invested in adaptation</p> <p>Mitigation: 58% and 348.6 MtCO<sub>2</sub>eq per USD billion invested in mitigation</p>	<p><b>Project portfolio:</b></p> <p>Adaptation: 49% and 158.6 million beneficiaries reached per USD billion invested in adaptation</p> <p>Mitigation: 51% and 317.6 MtCO<sub>2</sub>eq per USD billion invested in mitigation</p>

<sup>2</sup> After 31 March 2022, another AE made their AMA effective bringing this total to 3.

<sup>3</sup> After 31 March 2022, this AE made their AMA effective bringing this total to zero.

<sup>4</sup> Decision B.27/06, para. (j): Reaffirms that allocation parameters should be determined in grant equivalents.

<b>GCF-1 portfolio target:</b> 50:50 balance of adaptation and mitigation funding over time, while seeking to deliver portfolio-level mitigation and adaptation outcomes exceeding IRM outcomes		
<b>IRM outcomes as at 31 December 2019</b>	<b>GCF-1 portfolio as at 31 March 2022</b>	<b>Portfolio as at 31 March 2022</b>
<p><b>AE network:</b></p> <p>91 AEs have experience in an adaptation results area, of which 17 are private sector entities</p> <p>42 AEs have experience in an adaptation results area, and are accredited for medium or large size categories and to intermediate GCF funding through loans, equity and/or guarantees</p> <p>90 AEs have experience in a mitigation results area, of which 20 are private sector entities</p>	<p><b>AE network:</b></p> <p>An additional 17 AEs have experience in an adaptation results area, of which 5 are private sector entities</p> <p>7 AEs have experience in an adaptation results area, and are accredited for medium or large size categories and to intermediate GCF funding through loans, equity and/or guarantees</p> <p>An additional 19 AEs have experience in a mitigation results area, of which 7 are private sector entities</p>	<p><b>AE network:</b></p> <p><b>108 AEs have experience in an adaptation results area, of which 22 are private sector entities</b></p> <p><b>49 AEs have experience in an adaptation results area, and are accredited for medium or large size categories and to intermediate GCF funding through loans, equity and/or guarantees</b></p> <p><b>113 AEs have experience in a mitigation results area, of which 27 are private sector entities</b></p>

*Abbreviations:* AE = accredited entity; GCF-1 = first replenishment period of the GCF; IRM = initial resource mobilization.

63. As of 31 March 2022, the split between adaptation and mitigation across the project portfolio is 49:51. This correlates to 159 million targeted beneficiaries per USD billion invested in adaptation and 318 MtCO<sub>2</sub>eq per USD billion invested in mitigation. A total of 108 AEs have experience with adaptation results areas, of which 22 are private sector entities. This is an increase over IRM of 19 per cent of AEs with adaptation results area experience and a 29 per cent increase in private sector entities. In terms of coverage across the GCF results areas, a total of 49 AEs currently have past project experience in one or more adaptation results areas and are able to deliver on programming at scale (through medium to large size projects and intermediation of GCF funding through loans, equity and/or guarantees). This includes 24 DAEs comprising 19 national DAEs (both public and private sector), and 5 regional DAEs. The numbers of entities with adaptation capabilities presents opportunities for the currently accredited AE network to address adaptation programming opportunities, with the subset number of AEs that can programme adaptation projects at scale using a range of financial instruments trending upward.

64. Table 5 presents data on the project portfolio as it relates to the minimum allocation floor of 50 per cent adaptation allocation for SIDS, the LDCs and African States. The portfolio has consistently maintained an above 50 per cent allocation to adaptation for the targeted regions. As of 31 March 2022, the network of AEs has also increased, including for DAEs, in the targeted regions. The number of DAEs in SIDS have increased by 15 per cent from IRM to GCF-1; similar increases have been seen for DAEs in the LDCs (35 per cent) and African States (28 per cent). The number of private sector DAEs has also increased by 40 per cent in African States and was maintained over the IRM to GCF-1 periods for those in LDCs. There are, however, no private sector DAEs in SIDS.

**Table 5. Accredited entity network and progress against GCF-1 portfolio targets on the minimum adaptation allocation floor, as at 31 March 2022 (in grant equivalent terms)**

<b>GCF-1 portfolio target:</b> Minimum allocation floor of 50% adaptation allocation for SIDS, LDCs and African States, while aiming to build on IRM outcomes		
<b>IRM outcomes as at 31 December 2019</b>	<b>GCF-1 portfolio as at 31 March 2022</b>	<b>Portfolio as at 31 March 2022</b>
<b>Project portfolio: 69%</b>	<b>Project portfolio: 59%</b>	<b>Project portfolio: 65%</b>
<p><b>AE network:</b></p> <p>13 DAEs that are based or have operations in SIDS (including 5 national DAEs and 8 regional DAEs), of which none are private sector entities</p> <p>17 DAEs that are based or have operations in LDCs (including 10 national DAEs and 7 regional DAEs), of which 3 are private sector entities</p> <p>18 DAEs that are based or have operations in African States (including 13 national DAEs and 5 regional DAEs), of which 5 are private sector entities</p>	<p><b>AE network:</b></p> <p>An additional 2 DAEs (both national) that are based or have operations in SIDS, of which neither are private sector entities</p> <p>An additional 5 DAEs that are based or have operations in LDCs (including 4 national DAEs and 1 regional DAE), of which 1 is a private sector entity</p> <p>6 DAEs (all national) that are based or have operations in African States, of which 3 are private sector entities</p>	<p><b>AE network:</b></p> <p><b>15 DAEs that are based or have operations in SIDS</b> (including 7 national DAEs and 8 regional DAEs), of which none are private sector entities</p> <p><b>23 DAEs that are based or have operations in LDCs</b> (including 15 national DAEs and 8 regional DAEs), of which 3 are private sector entities</p> <p><b>23 DAEs that are based or have operations in African States</b> (including 19 national DAEs and 4 regional DAEs), of which 7 are private sector entities<sup>5</sup></p>

*Abbreviations:* AE = accredited entity; DAE = direct access entity; GCF-1 = first replenishment period of the GCF; IAE = international access entity; IRM = initial resource mobilization; LDCs = least developed countries; SIDS = small island developing States.

65. Table 6 presents the amount of funding channelled through DAEs to support the GCF-1 portfolio target to significantly increase funding channelled through DAEs. The increase in funding has gone from 12 per cent for IRM outcomes to 23 per cent in the GCF-1 portfolio. Even more significant is the increase in the DAE network during GCF-1 to include NDBs and local financial institutions (LFIs), including private sector DAEs. There has been a 37 per cent increase in the number of DAEs that can work with loans, equity and/or guarantees, a 50 per cent increase in the number of private sector DAEs and a 32 per cent increase in the number of DAEs that are accredited for medium or large size projects/programmes.

<sup>5</sup> Acumen Fund, Inc. was originally accredited as a regional DAE in Africa in decision B.09/07, para. (b). The AE was re-accredited for its second term in decision B.31/06, para. (f), as an IAE. The number of regional DAEs and private sector DAEs in LDCs and African States has decreased by one.

**Table 6. Accredited entity network and progress against GCF-1 portfolio targets on funding channelled through DAEs, as at 31 March 2022 (in grant equivalent terms) <sup>6</sup>**

<b>GCF-1 portfolio target:</b> Significantly increase funding channelled through DAEs		
<b>IRM outcomes as at 31 December 2019</b>	<b>GCF-1 portfolio as at 31 March 2022</b>	<b>Portfolio as at 31 March 2022</b>
<b>Project portfolio: 12%</b>	<b>Project portfolio: 23%</b>	<b>Project portfolio: 17%</b>
<p><b>AE network:</b></p> <p>56 DAEs (including 43 national DAEs and 13 regional DAEs), of which 11 are private sector entities</p> <p>22 DAEs (including 16 national DAEs and 6 regional DAEs), of which 8 are private sector entities, accredited for medium or large size projects/programmes</p> <p>33 DAEs (including 27 national DAEs and 7 regional DAEs), of which 3 are private sector entities, accredited for micro or small size projects/programmes</p> <p>19 DAEs that can on-lend</p> <p>17 DAEs that can undertake equity investments</p> <p>27 DAEs that can provide guarantees</p> <p>17 DAEs that can award grants</p>	<p><b>AE network:</b></p> <p>16 DAEs, (including 5 national DAEs and 1 regional DAEs), of which 5 are private sector entities</p> <p>7 DAEs (all national DAEs), of which 4 are private sector entities, accredited for medium or large size projects/programmes</p> <p>8 DAEs (including 7 national DAEs and 1 regional DAEs), of which 10 are private sector entities, accredited for micro or small size projects/programmes</p> <p>11 DAEs that can on-lend</p> <p>3 DAEs that can undertake equity investments</p> <p>7 DAEs that can provide guarantees</p> <p>2 DAEs that can award grants</p>	<p><b>AE network:</b></p> <p><b>71 DAEs, (including 58 national DAEs and 13 regional DAEs), of which 15 are private sector entities</b></p> <p><b>29 DAEs</b> (including 23 national DAEs and 6 regional DAEs), of which <b>8 are private sector entities, accredited for medium or large size projects/programmes</b></p> <p>41 DAEs (including 7 national DAEs), of which 3 are private sector entities, accredited for micro or small size projects/programmes</p> <p><b>37 DAEs that can on-lend</b></p> <p><b>20 DAEs that can undertake equity investments</b></p> <p><b>26 DAEs that can provide guarantees</b></p> <p>19 DAEs that can award grants</p>

*Abbreviations:* AE = accredited entity; DAE = direct access entity; GCF-1 = first replenishment period of the GCF; IAE = international access entity; IRM = initial resource mobilization.

66. From table 7, the allocation to the Private Sector Facility (PSF) of the GCF has remained relatively stable at around 16 per cent of the project portfolio. There is, however, an upward trend towards accrediting more private sector entities with a 35 per cent increase in private sector AEs from IRM outcomes through GCF-1 and a 100 per cent increase in the number of PSF projects approved and an 83 per cent increase by volume (in grant equivalent terms). In addition to private sector entities, more entities that work with the private sector are being accredited (such as NDBs), and they are bringing private sector funding proposals.

<sup>6</sup> Decision B.27/06, para. (j): Reaffirms that allocation parameters should be determined in grant equivalents.

**Table 7. Accredited entity network and progress against GCF-1 portfolio targets on the allocation to PSF as at 31 March 2022 (in grant equivalent terms)**

<b>GCF-1 portfolio target: Allocation to PSF exceeds 20%</b>		
<b>IRM outcomes as at 31 December 2019</b>	<b>GCF-1 portfolio as at 31 March 2022</b>	<b>Portfolio as at 31 March 2022</b>
<p><b>Project portfolio: 16%</b> Including 23 funded activities for USD 1.75 billion nominal and 536.3 million GE</p>	<p><b>Project portfolio: 15%</b> Including 16 funded activities for USD 1.662 billion nominal and 447.8 million GE</p>	<p><b>Project portfolio: 16%</b> Including 39 funded activities for USD 3.412 billion nominal and 984.1 million GE</p>
<p><b>AE network:</b> 20 private sector AEs, including 9 that are national DAEs and 3 regional DAEs  4 private sector AEs with 7 funded activities<sup>7</sup></p>	<p><b>AE network:</b> 7 private sector AEs, including 5 that are national DAEs and none are regional DAEs  6 private sector AEs with 8 funded activities<sup>8</sup></p>	<p><b>AE network:</b> 27 private sector AEs, including 14 that are national DAEs and 2 regional DAEs  7 private sector AEs with 15 funded activities<sup>9</sup></p>

*Abbreviations:* AE = accredited entity; DAE = direct access entity; GCF-1 = first replenishment period of the GCF; GE = grant equivalent terms; IRM = initial resource mobilization; LDCs = least developed countries; SIDS = small island developing States.

67. Building on the allocation to the private sector through PSF, the other related target is to significantly increase mobilized private finance at the portfolio level. During IRM, the ratio was 1:2.5 (co-financing only). This has improved during GCF-1 as at 31 March 2022 to 1:2.8 (GCF financing : co-financing). The ratio for the total portfolio as at 31 March 2022 is 1:2.7 (GCF financing : co-financing). However, the direct leveraging ratio is often multiplied by entrepreneurial equity and debt finance at the individual subproject level. For example, at B.21 the Board approved funding proposal 099, Climate Investor One (CIO), where GCF provided USD 100 million in reimbursable grants to catalyse over USD 720 million in co-financing for renewable energy projects. A case study on CIO carried out by Convergence highlighted that the GCF commitment enabled CIO to make its final close in terms of raising capital where every dollar of donor capital in the CIO structure was multiplied fourfold with commercial capital.<sup>10</sup>

68. The Secretariat is developing a methodology for better measuring mobilized private finance in line with the USP to galvanize private sector financing at scale, and will calculate mobilized private finance and start reporting to the Board thereafter. As the network of AEs grows with additions of private sector AEs (including DAEs and IAEs), as well as increases in the number of non-private sector AEs that can work with the private sector (such as through partnerships and in an executing entity capacity), the opportunities for mobilizing private finance should also increase. However, as reflected in the GCF project portfolio, both DAE and private sector AEs (including DAEs) are mostly engaged in mitigation projects, creating a potential trade-off between the GCF-1 programmatic targets for DAEs, adaptation and the private sector. Further analysis may be required to address this risk.

<sup>7</sup> Acumen FP005, FP078; XacBank FP028, FP046, SAP004; DB FP027; and MUFG FP115.

<sup>8</sup> Acumen FP148, CRDB FP179; NEFCO SAP013; XacBank FP153; PCA FP152, FP180, FP181; and MUFG FP128.

<sup>9</sup> Acumen FP005, FP078, FP148; CRDB FP179; DB FP027; NEFCO SAP013; XacBank FP028, FP046, SAP004, FP153; PCA FP152, FP180, FP181; and MUFG FP115, FP128.

<sup>10</sup> Convergence. 2021. *Case Study: Climate Investor One*.

## 2.3 Accredited entity network coverage and project portfolio

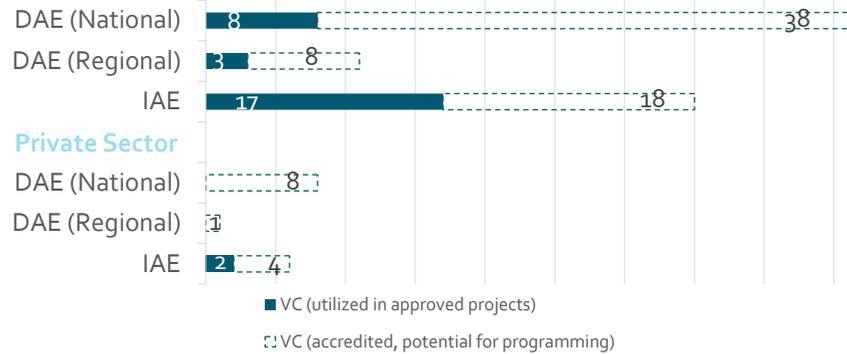
69. This section presents an analysis of the strengths and gaps in coverage of the AE network's capabilities through the lens of enabling the Fund to meet its GCF-1 portfolio targets.

70. Figure 11 below shows the comparison between the AE network's experience in terms of past projects that cover sectors reflecting the eight GCF results areas, and the GCF portfolio. The figure details the number of AEs that have utilized their experience with the relevant results area in their approved GCF projects/programmes, the number of AEs that have an approved GCF project/programme that does not address the results area that the AE has past project experience in, and the number of AEs that have past project experience in the sectors covered by the relevant GCF results area, but has yet to submit and have a funding proposal approved for that results area.

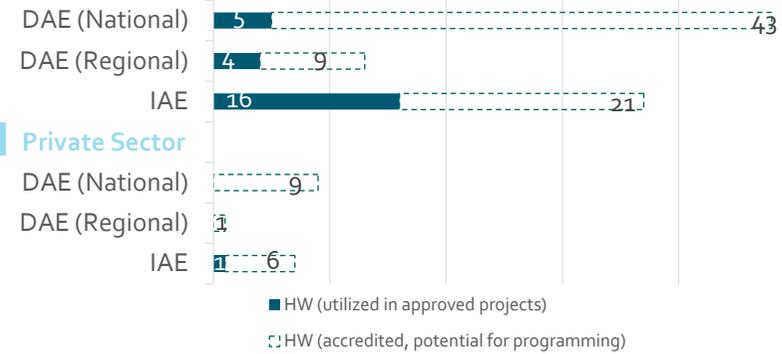
**Figure 11. Comparison of accredited entities' past project experience and GCF project portfolio: coverage of GCF results areas, as at 31 March 2022**



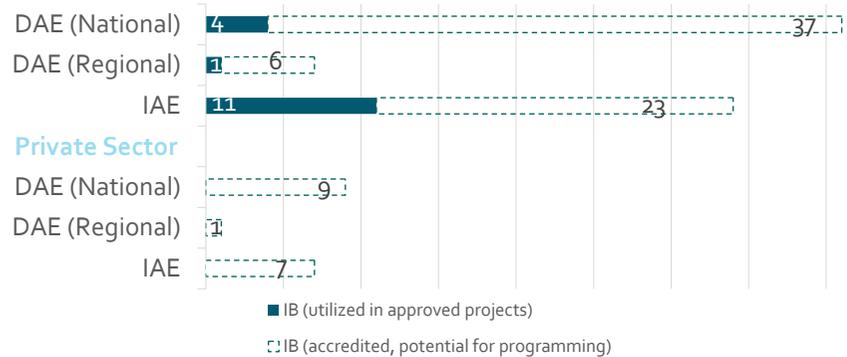
### Livelihoods of people and communities



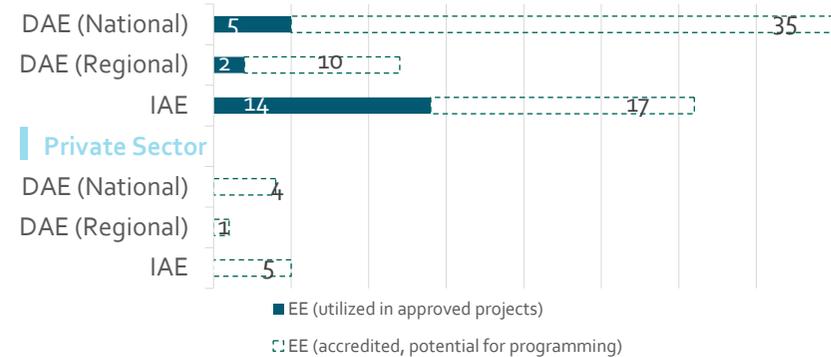
### Health, food and water security



### Infrastructure and the built environment



### Ecosystems and ecosystem services



**ABBREVIATIONS:** BA = BUILDINGS, CITIES, INDUSTRIES AND APPLIANCES, DAE = DIRECT ACCESS ENTITY, EE = ECOSYSTEMS AND ECOSYSTEM SERVICES, EP = ENERGY GENERATION AND ACCESS, HW = HEALTH, FOOD AND WATER SECURITY, IAE = INTERNATIONAL ACCESS ENTITY, IB = INFRASTRUCTURE AND THE BUILT ENVIRONMENT, LT = TRANSPORT, VC = LIVELIHOODS OF PEOPLE AND COMMUNITIES.

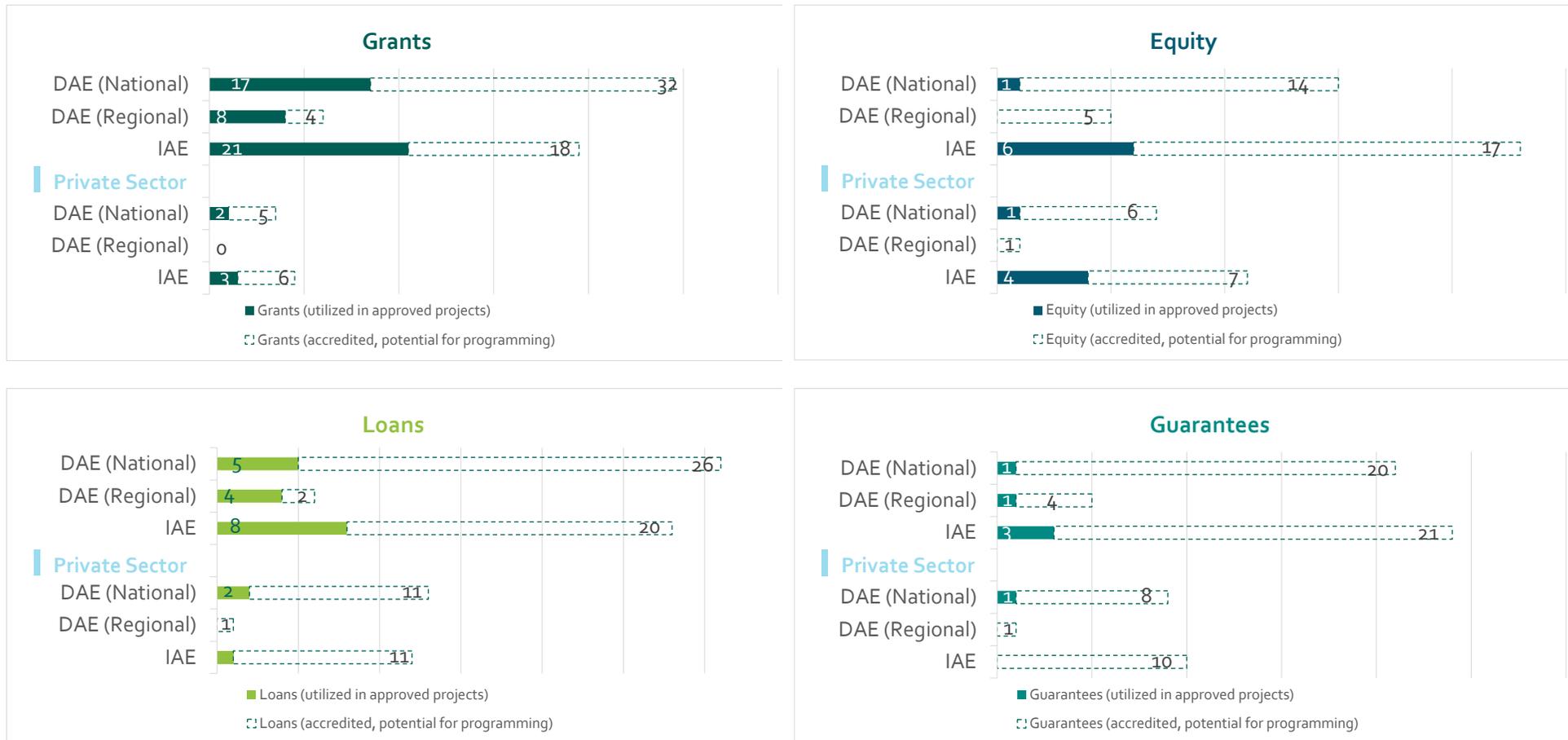
71. All results areas are reflected in the GCF project portfolio. Some results areas are triggered more often than others in funding proposals by AEs, including energy generation and access; livelihoods of people and communities; health, food and water security; infrastructure and the built environment; and ecosystems and ecosystem services. Yet, there remain programming gaps with respect to specific results areas, particularly at the more granular level when sectors and types of activities are considered.

72. In all results areas, there are opportunities to tap into the existing network of AEs that have past project experience in the relevant results areas. While the opportunities by results areas alone will not be a determining factor for a project/programme (noting that consideration of the AE's capabilities in terms of size category, financial instruments, E&S risk level, among others, are factors to be considered), the figures above demonstrate that there is an under-utilization of AEs across all access modalities, particularly national DAEs, with regard to funding proposals addressing each of the results areas.

73. There have also been more national DAEs accredited from the IRM to GCF-1 periods that can operate at scale with accreditation scopes for medium and large-size categories and for a variety of financial instruments (including loans, equity and guarantees) (particularly the NDBs and other LFIs such as commercial banks) that also have past project experience in the various results areas. Figure 12 below shows the comparison between the AE network's experience with the various GCF financial instruments. This includes the number of AEs that have utilized the relevant specialized fiduciary standard they are accredited for (i.e. project management, grant award and/or funding allocation mechanisms, and/or on-lending and blending for loans, equity and/or guarantees) in their approved projects/programmes, the number that have not utilized the various instruments in their portfolio, and those that have yet to submit and have a funding proposal approved that deploys such instruments.

74. Grants remain the primary financial instrument used across the GCF portfolio, with loans, equity and guarantees also used but to a lesser extent – particularly for the latter two. Nearly all AEs accredited to utilize grants through their accreditation for project management or awarding grants through competitive bidding mechanisms are deploying grants in their portfolios with GCF. While loans, equity and guarantees are deployed relatively less in the portfolio, figure 12 indicates that there are AEs – including national and regional DAEs and IAEs, as well as public and private sector entities – that are able to deploy the full range of GCF's financial instruments.

**Figure 12. Comparison of accredited entity capacity through its accreditation scope and GCF project portfolio: coverage of GCF financial instruments, as at 31 March 2022**



ABBREVIATIONS: DAE = DIRECT ACCESS ENTITY, IAE = INTERNATIONAL ACCESS ENTITY.

### III. Initial findings and further considerations

75. In the process of analysing the AE portfolio as at 31 March 2022, the need for further analysis has emerged in order to inform an accreditation strategy. Due to the limited time between decision B.31/06 mandating this analysis and presentation at B.32, further analysis of the AE portfolio will be presented for B.33 to expand on the aforementioned areas of this analysis. The initial findings and further areas for consideration include:

76. **The GCF AE network has evolved to include a diverse set of partners with capabilities to programme across any of the financing sizes, financial instruments, E&S risk levels and sectors that GCF offers, yet there are programming gaps.** The current analysis demonstrates that the GCF AE network provides developing countries with a range of national, regional and international, public and private entities that have the theoretical capacity to deliver on any type of project/programme across the GCF results areas using a range of financial instruments covering grants, loans, equity and guarantees, of all project/programme sizes, and at any E&S risk level. However, there are opportunities to further address the GCF-1 programming targets on increasing channelling of financing through DAEs (including through the RFP for EDA, MSME and MFS), increasing adaptation financing and increasing private sector programming (including through the RFPs for MSME and MFS). Without clear direction as to the programming direction and therefore the AE attributes needed to meet GCF's strategic objectives, gaps in the project portfolio and pipeline, as well as gaps in the AE skill sets and capabilities to deliver programming, may continue with an under-utilization of the existing AE network.

77. At the same time, there is an opportunity to expand the AE network with DAEs (including private sector) that can programme adaptation projects/programmes of a medium or large size and using equity and guarantees beyond the few entities already accredited, noting that both DAE and private sector AEs (including DAEs) in the current network are mostly engaged in mitigation projects/programmes. Public development banks can play a critical role to align finance with sustainable development and foster the widespread adoption of new climate solutions in developing countries. However, only 58 NDBs in developing countries are accessing international capital markets to capitalize their operations. Developing the capacities, systems and standards of NDBs to undertake larger programming sizes and higher E&S risk projects would also strengthen their capacity to access capital markets.

78. **There are opportunities to align AEs' capacities with GCF's expectations to deliver on programming, aiming to improve the AE : project ratio and in doing so, incentivize investment to build institutional capacity.** The current GCF project portfolio of 192 projects totalling USD 10.2 billion in commitments and a total value of USD 37.3 billion is being delivered by 42 per cent of the AE network. With an average of 1 project of approximately USD 50 million per AE every five-year accreditation term based on the current programming and accreditation rates, there are limited incentives for AEs to invest in dedicated capacity to meet GCF's requirements at both the institutional and project levels. This, along with the absence of strengthened programming guidance, could lead to uneven quality of funding proposals and lack of alignment with GCF's objectives at pipeline entry and/or programming gaps. Providing programming directions and guidance could clarify which AE skill sets and capacities out of the existing diverse AE network are needed to deliver on such programming, as well as which skill sets and capacities may be further strengthened to support AEs in their programme delivery. For example, with the accreditation framework as currently structured focusing on safeguarding projects from financial, ESS and gender risks and impacts, there may be considerations as to whether climate project preparation capacity is specifically assessed during the accreditation and re-accreditation processes, noting that while indicative programming is

sought during accreditation, there is no requirement for applicants to submit concept notes or funding proposals alongside the application.

79. There are trade-offs in terms of time between using accreditation and re-accreditation to achieve institutional transformation and capacity-building, and the readiness of AEs to programme climate finance. The increase in AE capacities in the long run not only prepares them for accessing GCF but also prepares entities for accessing other sources of climate finance. Such long-term investment may require time to strengthen capacities, and this time is reflected either upfront during the accreditation process itself or once an AE is accredited leading to a longer lead-up time to funding proposal development and programming. However, with built capacity combined with clear directions on intended country-driven programming, the risk of projects not achieving their desired outcomes will be reduced and the long-term achievement of having a global network capable of programming climate finance at scale is a transformational shift.

80. In comparison with institutional accreditation, the structure of PSAA requiring a single funding proposal with the partnership application and combining the assessments of both aspects to jointly consider the entity's capacity fitted to the proposed project/programme is expected to yield a higher entity to project ratio.

81. **GCF must adapt its capacity to support the evolving AE network.** The capacity of GCF – specifically the Secretariat, the independent AP and the Board – needs to be commensurate to the challenge involved with processing more re-accreditation and accreditation applications and supporting the AEs, particularly the DAEs from inception to final evaluation of projects/programmes. It is also critical to ensure that the capacity is there to process the pipeline of AEs seeking re-accreditation, which is expected to be approximately 20 AEs in 2022 and grow to an average of 30 AEs per year seeking re-accreditation starting in 2023 and onward – against a current capacity for GCF to process 15 AEs (including re-accrediting existing AEs, upgrading existing AEs and new entities) to approval per year. Post-approval, sufficient GCF capacity is needed to complete legal arrangements in order for AEs to programme with GCF, and to on-board and support AEs throughout the partnership. While the updates to the accreditation framework adopted in decision B.31/06 have addressed the need to streamline the accreditation process and to establish a new and complementary modality for short-term, single interventions through the PSAA, they do not address the aforementioned findings on programming directions and evolving the AE network accordingly. The growing pipeline of re-accreditation and new accreditation applicants in the absence of such directions, coupled with the need to review all applications received despite limitations in capacity to process applications, only exacerbates the continued lengthening of processing times. This further creates reputational risks for GCF in being perceived as non-partner-oriented, cumbersome, and taking too long – risking GCF not being considered as the partner of choice for climate finance and action.

82. With clear programming directions (such as through strengthening programmatic guidance, systems and tools) and investment in the capacity of AE partners to meet GCF's standards at both the institutional and project levels, the AE network may be better aligned with and deliver upon GCF's evolving programming directions and priorities in order to achieve GCF's mandate and objectives.