

**GREEN
CLIMATE
FUND**

Policy on Fees for Accreditation

GCF/B.08/04

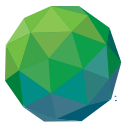
5 October 2014

Meeting of the Board

14-17 October 2014

Bridgetown, Barbados

Agenda item 6 (c)



Recommended action by the Board

It is recommended that the Board:

- (a) Take note of the information presented in document GCF/B.08/04 *Policy on Fees for Accreditation of the Fund*; and
- (b) Adopt the policy on fees for accreditation of the Fund presented in Annex II to this document.

Policy on Fees for Accreditation of the Fund

I. Introduction

1. At its May 2014 meeting, the Board requested the Secretariat to develop, in consultation with the Accreditation Committee, a policy on accreditation fees that takes into account the financial capacities of institutions (decision B.07/02, paragraph (i)).
2. This document presents the draft policy on fees for accreditation of the Fund for adoption by the Board.

II. Key elements to be addressed by the policy

3. A policy on fees for accreditation will address the following key issues:
 - (a) Tailoring of fees on the basis of financial capacities;
 - (b) Size of the fee;
 - (c) Currency;
 - (d) Timing of payment;
 - (e) Upgrading or downgrading accreditation.

III. Tailoring of fees on the basis of financial capacities - potential criteria

4. It is expected that the accreditation process in general, and particularly the consideration of individual applications for accreditation, will be cost-intensive. Costs associated with the accreditation process will include the cost of the Accreditation Panel review, cost of the decision-making process by the Board, and related costs undertaken by the Secretariat.
5. The policy on fees for accreditation of the Fund takes into account the financial capacities of institutions and aims at contributing to covering the costs from the accreditation process. Financial capacity is understood to be defined as the scale of intended activities, whether it be a single project or portfolio of projects, under the Fund.
6. Taking into account the financial capacities of entities requires a certain type of tailoring of fees on the basis of some specific financial indicators or information. Potential indicators are:
 - (a) Amount of requested contribution from the Fund for an individual project or activity to be undertaken, where one or more thresholds may be defined; or
 - (b) Amount of requested contribution from the Fund for a portfolio of activities to be proposed to the Fund for funding, where, similar as in (a) above, some specific thresholds may be applied.
7. Other potential criteria for financial indicators that were considered were:
 - (a) Size of assets, as disclosed in the balance sheet of the entity;
 - (b) Total income before (or after) taxes, as disclosed in the income statement of the entity;
 - (c) Net cash flow of the entity, as disclosed in the latest cash flow statement.

IV. Size of the fee and modalities of payment

8. The proposed draft policy considers levels applied by other relevant funds (e.g. GEF)¹ to provide useful context.
9. Building on this context and taking into account the financial capacities of institutions, the policy proposes a specific level or levels, which will also apply to accreditation under the fast-track process. Four levels are considered for a simplified fee structure (micro, small, medium and large).
10. With regards to modalities of payment, the policy will define whether the fee will apply to all institutional capacities to be accredited, or to specific institutional capacities being accredited.
11. For example, one option requires a basic fee for accreditation of the basic fiduciary standards and ESS, and an additional fee for each of the three specialized fiduciary standard (e.g. project management, grant award and/or funding allocation mechanisms, and on-lending and/or blending) for which accreditation is being pursued.
12. In addition to this, other fees will be applied to contribute to covering the cost of extensive interaction between the Accreditation Panel and the applicant entity. This will apply when the Panel is unable to obtain sufficient information or clarity in each submission of required information by the applicant, or if they require a review by the Secretariat or the Accreditation Panel more than twice. These other fees will be determined on a case-by-case approach by the Secretariat.
13. An alternative approach considered consisted of a single fee applying to an application for accreditation regardless of the number of specialized fiduciary standards for which accreditation is being pursued.
14. The basic fee, additional fee(s), and other fees are non-refundable, even if an applicant fails to receive accreditation.
15. Entities from small island developing states (SIDS), least developed countries (LDCs), and African States that apply for accreditation for the micro or small-sized funding activities will have their accreditation fees waived.

V. Currency

16. Currency will refer to two aspects:
 - (a) The currency in which the payment will be made
 - (b) The currency in which financial information is provided for the purpose of assessing financial capacity
17. Regarding paragraph 17 (a), all payments will be made in US\$, which is the basic currency for financial accounting and reporting in the Trust Fund of the Fund. Alternatively, convertible currencies other than US\$ are also accepted.
18. With respect to paragraph 17 (b), financial information submitted by applicants, in particular for the purposes of assessment of financial capacities and consistency and comparability across applicants, will be required to be submitted in one single currency (e.g. US\$), or, alternatively, officially recognized exchange rates.

¹ The accreditation fee charged by the GEF is US\$ 25,000 for each application. See http://www.thegef.org/gef/agencies_accreditation.

VI. Timing of payment

19. The policy also indicates the timing of the payment to be made. Different options were considered:

- (a) At the time of submission of the application (Stage I of the Accreditation Process);
- (b) At the time of progression to Stage II of the Accreditation Process;
- (c) Before progression to Stage III of the Accreditation Process;
- (d) In order to conclude Stage III of the Accreditation Process.

20. Given the considerations in paragraph 5 above, it is recommended that the fee is paid in full under one scenario at Stage I [the scenario described in paragraph 20 (a) is considered to effectively induce carefully prepared applications for accreditation].

21. An alternative approach considered was that the fee is paid in part at various stages. For example, 50 per cent of the fee is paid in the stage referred to in paragraph 20 (a) and 50 per cent is paid in the stage described in paragraph 20 (b).

VII. Upgrading or downgrading accreditation

22. An entity accredited for certain fiduciary standards may apply for an upgrade or downgrade in their accreditation status (e.g. an entity accredited under the Fund's basic fiduciary and ESS standards for small-scale projects or activities may choose to upgrade to the basic fiduciary and ESS standards for medium-scale projects or activities, or an entity may choose to downgrade their accreditation from medium-scale project activities to small). The following fee structure applies to upgrading or downgrading accreditation for already-accredited entities.

- (a) For the basic fiduciary standards and ESS, the basic fee to be paid by the entity for applying to upgrade their activity contribution size (e.g. micro, small, medium or large) equals the difference between the basic fee set for the activity contribution size the entity is applying to upgrade to and the basic fee level the entity paid for their existing accreditation;
- (b) For the specialized fiduciary standards, the additional fee to be paid by the entity for applying to upgrade their activity contribution size equals the additional fee set for the activity contribution size that the entity is applying to upgrade to;
- (c) For the basic fiduciary standards and ESS, or the specialized fiduciary standards, there is no refund of the basic fee or additional fee, either in part or whole, paid by the entity requesting to downgrade their accreditation.

Annex I: Decision of the Board

The Board, having reviewed document GCF/B.08/04 *Policy on Fees for Accreditation of the Fund*:

- (a) Approves the policy on fees for accreditation of the Green Climate Fund set out in Annex II; and
- (b) Requests the Secretariat to initiate, no later than three years from the date of approval of the draft policy, a review, based on lessons learned, of the policy on fees for accreditation of the Fund.

Annex II: Policy on fees for accreditation of the Fund

I. Purpose

1. The purpose of the policy on fees for accreditation is to define the payments to be made by entities seeking accreditation to the Fund. The policy takes into account the financial capacities of institutions and aims at contributing to covering the costs from the accreditation process.

II. Tailoring of fees on the basis of financial capacities

2. The policy on fees for accreditation to the Fund taking into account the financial capacities of institutions is based on the amount of the requested contribution from the Fund for a portfolio to be undertaken, for which one or more thresholds are defined.

3. Financial capacity is understood as the scale of intended funding proposals for individual projects or activities to be submitted to the Fund by the applicant in the event of accreditation.

4. Following on from this understanding, four thresholds are hereby established in relation to the financial capacities of institutions:

- (a) Micro;
- (b) Small;
- (c) Medium;
- (d) Large.

5. The micro threshold refers to applications for a maximum contribution from the Fund of up to and including a threshold of US\$1 million for any financial instrument for an individual project or activity. There is no fee level for the basic fiduciary standards and ESS; however, there is a fee level of US\$ 500 for each specialized fiduciary standard to be accredited.¹

6. The small threshold refers to applications for a maximum contribution from the Fund above US\$1 million and up to and including US\$10 million for any financial instrument for an individual project or activity. There is no fee level for the basic fiduciary standards and ESS, however, there is a fee level of US\$ 1,000 for each specialized fiduciary standard to be accredited.

7. The medium threshold refers to applications for a maximum contribution from the Fund above US\$10 million and up to and including US\$50 million for any financial instrument for an individual project or activity. The fee level for this threshold will be US\$ 10,000 for basic fiduciary standards and US\$ 3,000 for each specialized fiduciary standard.

8. The large threshold refers to applications for a contribution from the Fund above US\$ 50 million for any financial instrument for an individual project or activity. The fee level for this threshold will be US\$ 25,000 for basic fiduciary standards and US\$7,000 for each specialized fiduciary standard.

¹ Specialized Fiduciary Standards refer to: 1) project management, 2) grant award and/or allocation mechanisms, and 3) on-lending and/or blending.

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9. In cases where the Accreditation Panel needs to review the application more than twice, due to lack of completeness in the information or clarity in the documentation provided, additional fees will be determined on a case-by-case approach by the Secretariat.
 10. The basic fee (for basic fiduciary standards and ESS), the additional fee(s) (for each specialized fiduciary standard), and other fee (for applications requiring more than two reviews by the Secretariat or Accreditation Panel) are non-refundable, even if an applicant fails to receive accreditation.
 11. Entities from small island developing states (SIDS), least developed countries (LDCs), and African States that apply for accreditation for the micro or small-sized funding activities will have their accreditation fees waived.
 12. A summary of the fee structure is provided in the following table:



Table 1: Structure of fees for accreditation of the Fund

Financial capacity category	Threshold for the contribution requested from the Fund	Fee Level for accreditation application for undertaking activities related to Basic Fiduciary Standards and ESS	Fee Level for accreditation application for undertaking activities related to each Specialized Fiduciary Standard ²	Other Fees
Micro	Funding contribution requested less than or equal to US\$ 1 million for any financial instrument for an individual project or activity	US\$ 1,000	US\$ 500 each	Other fees may apply if the application is reviewed by the Secretariat or Accreditation Panel more than twice. The amount of the fee is to be determined on a case-by-case approach by the Secretariat.
Small	Funding contribution requested above US\$ 1 million and up to and including US\$ 10 million for any financial instrument for an individual project or activity	US\$ 5,000	US\$ 1,000 each	
Medium	Funding contribution requested above US\$ 10 million and up to and including US\$ 50 million for any financial instrument for an individual project or activity	US\$ 10,000	US\$ 3,000 each	
Large	Funding contribution requested above US\$ 50 million for any financial instrument for an individual project or activity	US\$ 25,000	US\$ 7,000 each	
<ul style="list-style-type: none"> • Entities from small island developing states (SIDS) and least developed countries (LDCs) that apply for accreditation for the micro or small sized funding activities will have their accreditation fees waived. • Entities that are endorsed for receiving readiness support for accreditation from the Fund will have their accreditation fees waived. 				

² Specialized Fiduciary Standards refer to: 1) project management; 2) grant award and/or allocation mechanisms; and 3) on-lending and/or blending.

III. Currency

13. All payments will be made in US\$ or other convertible currencies approved by the Board.
14. For the purposes of assessment of financial capacities and consistency and comparability across applicants, financial information submitted by applicants will be required to be submitted in one single currency (i.e. US\$), or, alternatively, officially recognized exchange rates.

IV. Timing of payment

15. Payment of the fee for accreditation of the Fund will be made at the time of submission of the application (Stage I of the Accreditation Process).
16. Additional payments to cover excess costs to be incurred by the Accreditation Panel in reviewing the application more than twice, due to lack of complete information or clarity in the documentation provided by the applicant, will be done as instructed by the Secretariat to the applicant.

V. Upgrading or downgrading accreditation

17. An entity accredited for certain fiduciary standards may apply for an upgrade or downgrade in their accreditation status (e.g. an entity accredited under the Fund's basic fiduciary and ESS standards for small-scale projects or activities may choose to upgrade to the basic fiduciary and ESS standards for medium-scale projects or activities, or an entity may choose to downgrade their accreditation from medium-scale project activities to small). The following fee structure applies to upgrading or downgrading accreditation for already-accredited entities.
 - (a) For the basic fiduciary standards and ESS, the basic fee to be paid by the entity for applying to upgrade their activity contribution size (e.g. micro, small, medium or large) equals the difference between the basic fee set for the activity contribution size the entity is applying to upgrade to and the basic fee level the entity paid for their existing accreditation;
 - (b) For the specialized fiduciary standards, the additional fee to be paid by the entity for applying to upgrade their activity contribution size equals the additional fee set for the activity contribution size that the entity is applying to upgrade to;
 - (c) For the basic fiduciary standards and ESS, or the specialized fiduciary standards, there is no refund of the basic fee or additional fee, either in part or whole, paid by the entity requesting to downgrade their accreditation.
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