



GREEN
CLIMATE
FUND

Report on the Implementation of Legal and Formal Arrangements with Accredited Entities

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Report on the Implementation of Legal and Formal Arrangements with Accredited Entities

I. Introduction

1. By its decision B.07/02, the Board decided to adopt an accreditation process comprising three main stages, with Stage III including the conclusion of legal arrangements between accredited entities, and the Green Climate Fund (the Fund).

2. Decision B.09/08 called for the Fund to enter into agreements or other arrangements with entities upon their accreditation by the Board, taking into account certain considerations endorsed by the Board in relation to the form, structure and contents of such agreements or arrangements. It further authorized the Executive Director (or his/her designee), on behalf of the Fund, to negotiate and agree on the terms and conditions of such agreements with accredited entities, reflecting the scope of accreditation, and to enter into such agreements.

3. This document is a report to the Board on the status of the implementation of decision B.09/08.

II. Preparation of a draft template accreditation master agreement

2.1 Development of a template agreement

4. As endorsed by the Board, a working draft of the accreditation master agreement (AMA) template is being developed with input from all operational divisions of the Fund and the assistance of external counsel. In terms of its basic structure, the main text sets out the proposed general terms and conditions of services to be rendered by an accredited entity to the Fund under its accreditation, with a template “project confirmation” attached as an annex.

5. Consistent with the Fund’s fit-for-purpose approach to accreditation, the draft AMA seeks to reflect the particular conditions and standards for which each entity was accredited, and in that regard, it also includes separate annexes for:

- (a) Conditions precedent to disbursement imposed by the Board, if any, in its decision to accredit the entity;
- (b) The Fund’s interim fiduciary principles and standards against which the entity was assessed and the fiduciary functions for which it was accredited;
- (c) The Fund’s interim environmental and social safeguards against which the entity was assessed and environmental and social risk categories for which it was accredited; and
- (d) The size of an individual project or activity within a programme for which the entity was accredited.

2.2 Issues and considerations

6. As envisaged at the time of decision B.09/08, the working draft AMA takes into account precedents set by other climate funds, bearing in mind the specifics of the Fund, as well as lessons learned by entities working with those other climate funds.

7. In terms of policies and practices of the Fund referenced in the draft, they include the following:

- (a) Initial guiding framework for the Fund's accreditation process (decision B.07/02, Annex I);
 - (b) Initial fiduciary principles and standards of the Fund (decision B.07/02, Annex II);
 - (c) Interim environmental and social safeguards of the Fund (decision B.07/02, Annex III);
 - (d) Interim information disclosure practice (decision B.05/15, Annex XX);
 - (e) Initial investment framework (decision B.07/06, Annex XIV and decision B.09/05, Annex III);
 - (f) Initial results management framework of the Fund (decision B.07/04);
 - (g) Initial proposal approval process, including the criteria for programme and project funding (decision B.07/03);
 - (h) Initial no-objection procedures (decision B.08/10, Annex XII);
 - (i) Initial best-practice options for country co-ordination and multi-stakeholder engagement (decision B.08/10, Annex XIV); and
 - (j) Gender policy for the Green Climate Fund (decision B.09/11, Annex XIII).
8. Given the nascent nature of the Fund, and mindful of the fact that many of the existing policies and practices referenced in the working draft AMA have been adopted or endorsed on an interim basis, the document allows that they may be updated or replaced with successor documents through future decisions of the Board.
9. With regard to topics for which there is currently no policy or practice in place, appropriate placeholders have been included, which will be completed once there is further guidance from the Board, or general principles based on internationally accepted best practices and/or precedents from other funds and organizations have been proposed. These topics include:
- (a) A monitoring and accountability framework;
 - (b) Fees for accredited entities; and
 - (c) General principles on fraud, corruption and prohibited practices.

2.3 Status of consultations with accredited entities

10. Under decision B.09/08, it was envisaged that the AMA would be developed in consultation with accredited entities, so that their concerns could be addressed at an early stage and that the Fund could benefit from their experience of working with other funds. In that regard, the Fund invited all of the entities accredited under decision B.09/07 to participate in individual discussions to address the following matters:
- (a) Key considerations in preparing the draft AMA;
 - (b) Questions and issues that accredited entities would like to raise, and
 - (c) An approach forward and next steps.
11. The issues raised by accredited entities during these consultations tended to reflect the particular nature of the entity concerned (i.e., international vs. subnational/national/regional). Common issues, however, included:
- (a) Compliance with the policies and practices of the Fund:
It is proposed that the issue of compliance be addressed in a manner that is consistent with the Fund's fit-for-purpose approach to accreditation, taking into account the fact that each accredited entity was assessed on the basis of:

- (i) The conformity of its policies and procedures with the Fund's policies and standards, specifically the Fund's fiduciary principles and standards, environmental and social safeguards, and gender policy; and
 - (ii) The specific accreditation type or scope sought by the entity in terms of fiduciary function, environmental and social risk category, and size of project or programme;
- (b) Fees for accredited entities:
- As indicated above, it is intended that the AMA will have a placeholder for this topic pending adoption by the Board of a policy on fees for accredited entities, potentially as part of the monitoring and accountability framework for accredited entities. The option is also left open to deal with the fees on a case by case basis in the Confirmation.
12. After considering the issues raised by accredited entities, the Secretariat intends to circulate an initial discussion draft of the AMA in template form to the seven entities accredited under decision B.09/07 later in June 2015 for their initial review and feedback. The intent is to have face to face discussions with the entities in July.

III. Next steps

13. It is intended that the working draft AMA will be refined and revised during the next few weeks based on continued discussions with accredited entities. During the course of these discussions, certain issues may require particular time and attention in order for them to be addressed in a balanced and consistent manner. They include the following:
- (a) The compatibility of an accredited entity's project or programme approval cycle with that of the Fund, and whether the entity should be required to have in place all necessary approvals prior to submission of the relevant funding proposal to the Board;
 - (b) The ability of the Fund to conduct reviews or spot checks on an accredited entity's use of funds in connection with an approved project or programme, as well as audits to ensure general compliance;
 - (c) The extent of an accredited entity's liability to the Fund, particularly in relation to third party acts or omissions;
 - (d) General principles on fraud, corruption and other prohibited practices. The Board may wish to consider a policy on this matter in 2016; and
 - (e) The applicable law.
14. As a result of the fit for purpose approach, there may be a need to develop a number of template AMAs and/or to tailor an AMA to the specific needs of an accredited entity. All these processes take time and it is too early to forecast the outcome of this ongoing process.
15. Given the different types of accredited entities involved, with their specific internal review and approvals procedures, the time required to finalize individual AMAs may vary significantly. For example, based on the Fund's discussions to date, it may take six months or more for some entities to secure internal clearances. At the same time, other entities have expressed their willingness to prioritize and expedite this matter given that they already have project or programme proposals that they would like to submit to the Fund. Based on such indications, it is hoped that, by the eleventh meeting of the Board, there will be a number of finalized and executed AMAs with accredited entities.
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