



GREEN
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Initial Monitoring and Accountability Framework for Accredited Entities (Progress Report)

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Initial Monitoring and Accountability Framework for Accredited Entities (Progress Report)

I. General mandate

1. The Board, at its eighth meeting in decision B.08/02, requested the Secretariat to develop a monitoring and accountability framework, which will include policies on the suspension and cancellation of accreditation to complement the operational guidelines approved in Annex I to document GCF/B.07/11 and the Fund's other relevant accountability mechanisms, for consideration by the Board at its ninth meeting.
2. The Board, at its ninth meeting, in decision B.09/08, requested the Secretariat to include in the draft monitoring and accountability framework a proposal on the potential fixed term of the accreditation decisions.
3. The initial guiding framework for the Fund's accreditation process, which was adopted by the Board at its seventh meeting, states that a monitoring and accountability framework will be developed, which will include policies on the suspension and cancellation of accreditation to complement these operational guidelines and the Fund's other relevant accountability mechanisms. The contents of the accreditation master agreement (AMA) also include applicability of policies decided by the Board relevant to the operations of the Fund, including the role of accredited entities (AEs), monitoring and reporting.
4. The initial monitoring and accountability framework of the Fund draws on the experience gained through the evaluations of other financial institutions¹ that showed the importance of adopting an integrated approach that, on the one hand, monitor compliance with accreditation standards and, on the other hand, monitor performance and accountability in project implementation.
5. Based on these lessons learnt, the Fund's initial monitoring and accountability framework for accredited entities shall ensure that the AEs:
 - (a) Maintain the terms and conditions of their accreditation to the Fund as outlined in the legal and formal arrangements between the AEs and the Fund (AMA), including compliance with the Fund's fiduciary standards, environmental and social safeguards (ESS) and gender policy, when using resources from the Fund for projects/programmes; and
 - (b) Are made accountable to deliver results on Fund-supported projects.
6. The framework provides a feedback system to address emerging compliance issues that may arise during the validity of the accreditation and promotes the accountability of the entities towards the agreed deliverables for which they receive Fund resources.
7. The framework provides guidance on proactive remedies and corrective measures that can be undertaken by the AEs should the feedback system highlight the necessity to do so.
8. The framework, informed by experience gained from other peer institutions, clarifies the reporting procedures and their timing as well as the roles and responsibilities of the different actors and stakeholders that operate within the Fund structure and implementation

¹ For example, the 2014 *Independent Evaluation of the Climate Investments Funds*: https://ieg.worldbankgroup.org/Data/reports/cif_eval_final.pdf and the 2010 Advisory Note of the Office of the Compliance Advisor/Ombudsman for the International Finance Corporation (IFC), Multilateral Investment Guarantee Agency (MIGA), Members of the World Bank Group: *Review of IFC's Policy and Performance Standards on Social and Environmental Sustainability and Policy on Disclosure of Information*.

chain. It also highlights the importance of local monitoring through participatory and multi-stakeholders approaches.

9. In accordance with Board decision B.05/03, paragraph (h), that recognizes that the Fund is a continuously learning institution, the initial monitoring and accountability framework will be revised and improved once enough lessons from the implementation of projects and programmes are available.

II. Linkages with other documents

10. This document focuses on the mechanism that the Fund will establish for monitoring the maintenance of the accreditation and delivery standards of its AEs. As such, it is related to the overall framework of policies that the Fund has (and will have) concerning results management and monitoring. In addition, it will be linked to the future development of the Fund's ESS monitoring system. Concerning existing documents and policies, it has actual linkages with the following:

- (a) Document GCF/B.07/02 *Guiding Framework and Procedures for Accrediting National, Regional and International Implementing Entities and Intermediaries, Including the Fund's Fiduciary Principles and Standards and Environmental and Social Safeguards*;
- (b) Document GCF/B.08/02 *Guidelines for the Operationalization of the Fit-for-purpose Accreditation Approach*;
- (c) Document GCF/B.09/10 *Gender Policy and Action Plan*;
- (d) Document GCF/B.08/03 *Assessment of Institutions Accredited by Other Relevant Funds and Their Potential for Fast-track Accreditation*;
- (e) Document GCF/B.08/05 *Relevant International Private Sector Best-Practice Fiduciary Principles and Standards and Environmental and Social Safeguards*;
- (f) Document GCF/B.08/06 *Application Documents for Submissions of Applications for Accreditation*;
- (g) Document GCF/B.09/04 *Consideration of Accreditation Proposals*;
- (h) Document GCF/B.10/03 *Consideration of Accreditation Proposals*;²
- (i) Document GCF/B.09/03 *Legal and Formal Arrangements with Accredited Entities*;
- (j) Document GCF/B.07/06 *Investment Framework*;
- (k) Document GCF/B.07/04 *Initial Results Management Framework of the Fund*;
- (l) Document GCF/B.08/07 *Further Development of the Initial Results Management Framework*; and
- (m) Document GCF/B.10/04 *Recommendations for Further Accrediting National, Regional and Private Sector Entities*.³

11. This policy will have to be consistent with and make good use of the Fund's accountability mechanisms. In that respect, information provided by the Fund's Evaluation Unit, the Integrity Unit and the Redress Mechanism will be used appropriately in the monitoring of entities during the implementation of Fund-supported projects/programmes, as well as timely information on open cases regarding a given AE.

² To be considered by the Board at its tenth meeting.

³ To be considered by the Board at its tenth meeting.

III. Other funds

3.1 Multilateral Fund

12. The Multilateral Fund (MLF) of the Montreal Protocol operates its projects through agreements signed with four international implementing entities requiring the agencies to have fiduciary responsibility for MLF resources.

13. The MLF monitors the performance of implementing entities through periodic assessments of their activities. This includes an assessment of business plans on a meeting-by-meeting basis. The MLF also follows quantifiable outcome indicators related to the reduction of ozone-depleting substances, duration of implementation, and financial completion of projects and programmes.⁴

14. Country-level monitoring is exercised through national ozone units (NOUs) that are created and hosted by the relevant ministries. These NOUs collect project information and carry out data reporting, awareness raising and in-country coordination with the support of the implementing agencies.

3.2 Global Fund to Fight AIDS, Tuberculosis and Malaria

15. The Global Fund has a country-based allocation system designed upon determined eligibility criteria. As such, it does not have an established accreditation system for implementing entities. Its funding decisions are based on country-specific plans that are the result of country dialogues and country coordination mechanisms. In terms of monitoring, the Global Fund has established a performance-based management system. This is based on a few core indicators and a performance framework. It has also a “Global Fund Corporate Key Performance Indicator Framework” which has a three-level hierarchy: strategic key performance indicators, activity-specific key performance indicators and operational key performance indicators.⁵

3.3 Global Environment Facility

16. Since 2007, the Global Environment Facility (GEF) has a results-based management framework in place. In 2010, the GEF Council approved a revised monitoring and evaluation (M&E) policy that provides standards for project design, application of M&E at the project level, and project evaluation.⁶ Furthermore, in October 2014, the GEF Council approved a results-based management (RBM) action plan, which set out a way forward for the GEF to strengthen its RBM system in support of the objectives of the GEF 2020 strategy and the GEF-6 replenishment.⁷

⁴ Additional information is available at <<http://www.multilateralfund.org/70/English/1/7017.pdf>>; <<http://www.multilateralfund.org/71/English/1/7117.pdf>>; <<http://www.multilateralfund.org/73/English/1/7316.pdf>>; and <<http://www.multilateralfund.org/74/English/1/7410.pdf>>.

⁵ Additional information is available at <<http://www.theglobalfund.org/en/me/documents/>>.

⁶ The relevant GEF documents are available at <<https://www.thegef.org/gef/sites/thegef.org/files/documents/C.31.11%20Results%20Based%20Management%20Framework.pdf>>; <<https://www.thegef.org/gef/sites/thegef.org/files/documents/C.39.6.Rev.1%20RBM-KM-Workplan-Nov.16.pdf>>; and <<https://www.thegef.org/gef/Evaluation%20Policy%202010>>.

⁷ Additional information is available at <https://www.thegef.org/gef/sites/thegef.org/files/documents/13_EN_GEF.C.47.05_Results-based_Management_Action_Plan_0.pdf>.

17. Concerning GEF project agencies that were accredited under the GEF accreditation pilot, as per GEF accreditation policy approved by Council, there is currently no re-accreditation requirement or a requirement for GEF Secretariat to actively monitor agency compliance with the GEF's environmental and social safeguards after accreditation.⁸

3.4 Adaptation Fund

18. The Adaptation Fund has a results management framework (RMF) to guide its funded projects and programmes towards meeting agreed results, and it has a mechanism for monitoring and evaluating progress toward these results. The Adaptation Fund has a mechanism for periodically re-assessing the status of the accreditation of its entities (on a five-year basis) and – at any time, should issues of compliance and performance emerge – cases are analyzed and reported to its Board for consideration. The Board also reserves the right to review or evaluate the performance of implementing entities at any time during an implementing entity's accreditation period. Nonetheless, while compliance and performance of the entities is considered for decision on confirming the accreditation status, there is no set of predefined actions and cases are considered on a case-by-case basis.⁹

IV. Elements of a monitoring and accountability framework

4.1 Responsibilities of accredited entities

19. The AE is accountable to the Fund for its responsibilities listed in the AMA, including the following:

- (a) The AE shall at all times comply with its own policies and procedures that enable it to comply with the Fund's fiduciary standards;
- (b) The AE will also comply with the Fund's ESS and gender policy in all Fund-supported activities to the extent and scope of its accreditation;
- (c) The AE will, in collaboration with the national designated authority (NDA) or, if applicable, the focal point, have a process for multi-stakeholder engagement;
- (d) The AE shall be responsible for overseeing the overall management and implementation of activities financed by the Fund, including administering the use of funds from the Fund, as well as the monitoring, evaluation and reporting responsibilities as set forth in the relevant funding proposal; and
- (e) The Fund shall monitor the compliance of the AE with the Fund's accreditation standards as well as their performance in project implementation.

4.2 Monitoring of compliance with accreditation standards

20. The accreditation of an entity to the Fund is valid for a fixed term of five years or less, depending on the terms of accreditation. Before the expiration of this term, the entity will apply for a renewal of its accreditation. The Secretariat, in consultation with the Accreditation Panel

⁸ Additional information is available at <https://www.thegef.org/gef/sites/thegef.org/files/documents/C.40.09_Broadening_the_GEF_Partnership.04_26_11.pdf>.

⁹ Additional information is available at <https://www.adaptation-fund.org/sites/default/files/AF%20risk%20management%20framework_Board%20revised.pdf>.

(the Panel) will develop a procedure which will take into account the assessment of the entity's standards, policies and procedures and the record of compliance with the terms of the AMA.

21. During the five years of the term of accreditation, the Fund will monitor the compliance of the AE with the Fund's standards and their obligations under the AMA. The compliance review will be performed with the following periodicities:

- (a) On an annual basis, the AEs will provide a self-assessment of their compliance with the Fund's fiduciary standards, ESS and gender policy. In order to limit costs at the level of the Secretariat and the AE, it is envisaged to develop a simple and light web-based self-assessment tool for that purpose. It will be designed in such a way as to highlight any material change or breach of obligation that warrants the Fund's attention.
- (b) At the mid-term of the accreditation period, the Secretariat will undertake a mission to visit the accredited entity for a more thorough review of not only the standards but also the performance (refer to the next section). The terms of reference of the mid-term review will be developed by the Secretariat.
- (c) In addition, a compliance review can be initiated by the Fund in the following cases:
 - (i) If stipulated by the AMA;
 - (ii) If the Fund revises its guiding framework for the accreditation process or substantially revises the Fund's fiduciary standards, ESS and/or gender policy that are the requirements for accreditation; and
 - (iii) If there is evidence of a lack of compliance of the AE with the legal terms agreed with the Fund, its fiduciary standards, its ESS and/or gender policy and, in general, emerging indication of misuse of the entrusted financial resources.

22. The Secretariat will be responsible for programming the reviews, executing them with the support of necessary external resources and producing the relevant reports; some of them may be sent to the Board if relevant.

23. Once a year, a report will be prepared by the Secretariat to give an account of the reviews undertaken during the past fiscal year, with an indication of the level of execution of the programmed reviews, the key performance indicator being 100% of the programmed reviews undertaken.

4.3 Monitoring of performance in project implementation and environmental and social safeguards

4.3.1 First-level monitoring by accrediting entities

24. At the project funding proposal stage, the AEs are requested to indicate the activities, outputs, outcomes and results that they intend to achieve in relation to the results areas of the RMF and mitigation and adaptation performance measurement frameworks (PMFs). As per the guidance provided in Board decision B.08/07 regarding the RMF, the AE shall provide indicators at activity and output level and report on the PMF indicators at outcome and impact level.

4.3.2 Second-level monitoring by the Secretariat and national designated authorities

25. The Secretariat will undertake second-level monitoring by requesting the AEs to regularly report on the indicators mentioned above and other relevant project performance indicators. To facilitate this process and limit costs, the Fund is developing a simple web-based system in which indicators agreed at the time of appraisal would be pre-loaded and regular updates on actual performance will be uploaded.

26. In addition, during the mid-term reviews it will be verified that the AE has performed the required oversight on activities under the monitoring plans of projects financed by the Fund. These include periodic supervision missions, audit reviews, multi-stakeholder engagement, etc.

4.3.3 **Monitoring of Environmental and Social Management Plans**

27. Reviews of the evaluations of other institutions¹⁰ highlighted the importance of monitoring the implementation of environmental and social management plans (ESMPs), especially their environmental and social impacts on affected communities. Information will be developed for that purpose outlining the respective roles of the NDA/focal point and local agents the Fund may hire to support the NDA/focal point in that activity. This process will also take into account the upcoming development of the Fund's environmental and social management system.

4.3.4 **Accredited entity performance scorecard**

28. In addition to this project/programme level monitoring, the Secretariat will aggregate data to form and monitor performance indicators at AE level, such as the disbursement rate, the number of projects that the AE has submitted for consideration by the Board and the percentage of projects on schedule.¹¹ An AE scorecard could be developed to support this approach.

4.4 Remedies and corrective action

29. The reviews may identify instances of non-compliance, which will be rated either as non-critical or as critical. For non-critical items, the accredited entity will provide updates on the status of corrective actions in the annual self-assessment report. For critical items, corrective action will be agreed with the Secretariat with a deadline to execute a corrective action plan within 6 months and means of verification defined.

30. Reviews are meant primarily to identify weaknesses and to ensure swift action is taken to correct them. With the approval of NDAs/focal points, readiness support will be provided to direct access entities, when relevant, to correct identified non-compliance items and strengthen their systems. A lesson learnt from the International Finance Corporation review of policy and performance standards is that working with companies that start at lower levels of capacity is resource-intensive but has significant development impact potential. The critical factor is the commitment of the AE. For instance, systematizing readiness support to strengthen direct access AE fiduciary and environmental and social management systems will help the Fund achieve its mandate.¹²

31. As part of the portfolio management of the Fund, the Secretariat could develop procedures for an early warning system which will consist of a small set of red lights that could put either a project/programme or an AE on a watch list. A working group may be set up at the level of the Secretariat to periodically review the watch list. Red lights could include repeated delays or failure to report, or notable discrepancies between the indicators reported and those included in the funding proposals.

¹⁰ Review of IFC's Policy and Performance Standards on Social and Environmental Sustainability and Policy on Disclosure of Information (2010).

¹¹ The structure of the projects/programmes for monitoring and evaluation are being developed (section VI of document GCF/B.08/07 and paragraph (f) of decision B.08/07).

¹² Review of the IFC's Policy and Performance Standards on Social and Environmental Sustainability and Policy on Disclosure of Information (2010).

32. AEs on a watch list will be subject to putting forth and executing corrective action plans; reduced access to funding from the Fund; and more scrutiny from the Secretariat and the Board when considering funding proposals.
33. Ultimately, if all other means have failed, the downgrade or withdrawal of the accreditation of an entity may be recommended by the Secretariat and the Panel to the Board. In that situation, specific actions may be also recommended to assure that the implementation of ongoing projects funded through the entity is not negatively affected by the outcome of the review process.
34. The annual report prepared by the Secretariat will give a synthesis of the implementation of the monitoring and accountability framework during the year.
35. The information provided by monitoring the compliance and performance of the AEs will feed into the Fund's overall knowledge management system.
36. Early warnings of fiduciary issues that could emerge from audits and cases reported to the Fund will be promptly acted upon.

V. Institutional roles and responsibilities

5.1 Central monitoring

37. The Secretariat is responsible for operationalizing the monitoring and accountability framework through the preparation of the necessary information, tools and processes by making good use of web-based systems. This will include preparing the yearly monitoring programme, implementing it with the required resources and preparing relevant reports, including yearly reporting to the Board. The Secretariat will also organize and manage the warning systems at the level of the Secretariat to identify AEs and projects to put on a watch list.
38. Based on reviews of the Secretariat, the Panel can decide to provide recommendations to the Board on actions that might imply a downgrade or withdrawal of accreditation status or renewal of accreditation.
39. The Secretariat may also draw lessons from the reports and recommend adjustments in the accreditation framework.
40. The Board can decide if an entity's accreditation is downgraded, revoked or renewed after a fixed five-year term, or earlier if events justify it.

5.2 Local monitoring

41. AEs will be monitored at local level and through participatory approaches by multiple stakeholders in coordination with NDAs/focal points.
42. Firstly, a competent firm may be selected as a local agent to support the NDA or focal point in monitoring the performance of the AE in project implementation and ESS at the local level described above. The terms of reference of the agent may be developed and would include the monitoring of the ESMP, as well as spot checks, especially when a project is flagged by the early warning system. This approach will entail that the NDA or focal point may undertake site visits, if need be with the support of the local agent.
43. Secondly, civil society organizations and local communities will be engaged in the project and programme cycles by the NDA as required in the initial best practice options for

country coordination and multi-stakeholder engagement.¹³ In addition to these specific inputs, they can provide additional data, information and alerts on the implementation of the Fund's fiduciary standards, ESS and gender policy by the AEs. In this regard, the Secretariat will try to innovate and experiment locally with the use of modern tools like mobile-based technologies. This process will also take into account the upcoming development of the Fund's environmental and social management system.

44. The Fund's readiness programme will support NDAs/focal points to give them the capacity to fulfil the role in the monitoring and accountability framework.¹⁴

¹³ Decision B.08/10 (d).

¹⁴ This is in line with decision B.08/13 and Annex XIII of document GCF/B.08/45 page 89, section II, paragraph 7 (f).