



**GREEN  
CLIMATE  
FUND**

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**GCF/B.11/Inf.08**

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# Strategy on accreditation (progress report)

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## Summary

This document presents a progress report on the development of a strategy on accreditation of the Green Climate Fund (GCF), in line with the Board's decision B.10/06, paragraph (r), which requested the Accreditation Committee, with support from the Secretariat, to work on such a strategy. This document also examines issues including the efficiency, fairness and transparency of the accreditation process, as well as the extent to which current and future accredited entities enable the GCF to fulfil its mandate.

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\* The agenda item number will be determined when the final sequence of items in the provisional agenda is confirmed by the Co-Chairs.

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## I. Introduction

1. The accreditation process of the Green Climate Fund (GCF) has been defined and approved. The first seven entities were accredited at the ninth meeting of the Board; a further 13 entities were accredited at the tenth meeting; and a further nine entities are under consideration for accreditation by the Board at its eleventh meeting. The first funding proposals from the accredited entities are being considered by the Board at its eleventh meeting. The GCF process of operating through accredited entities has been successfully launched.

2. The Board, in decision B.10/06, paragraph (r), requested the Accreditation Committee (AC), with support from the Secretariat, to work on a strategy on accreditation, for consideration by the Board at its eleventh meeting. The Board further requested that the report examine issues including the efficiency, fairness and transparency of the accreditation process, as well as the extent to which current and future accredited entities enable the GCF to fulfil its mandate. This is the purpose of the present document.

## II. Linkages with other documents

3. This document has actual or potential linkages with the following documents:

- (a) “Guiding framework and procedures for accrediting national, regional and international implementing entities and intermediaries, including the GCF’s fiduciary principles and standards and environmental and social safeguards” (decision B.07/02);
- (b) “Guidelines for the operationalization of the fit-for-purpose accreditation approach” (decision B.08/02);
- (c) “Gender policy and action plan” (decision B.09/11);
- (d) “Assessment of institutions accredited by other relevant funds and their potential for fast-track accreditation” (decision B.08/03);
- (e) “Relevant international private sector best-practice fiduciary principles and standards and environmental and social safeguards” (decision B.08/05);
- (f) “Recommendations for further accrediting national, regional and private sector entities (progress report)” (document GCF/B.10/Inf.12);
- (g) “Further accreditation of national, regional, and private sector entities (progress report) (document GCF/B.10/Inf.12);
- (h) “Application documents for submissions of applications for accreditation” (decision B.08/06);
- (i) “Policy on fees for accreditation” (decision B.08/04);
- (j) “Consideration of accreditation proposals” (decision B.09/07);
- (k) “Consideration of accreditation proposals” (decision B.10/06);
- (l) “Consideration of accreditation proposals” (document GCF/B.11/03);<sup>1</sup>
- (m) “Legal and formal arrangements with accredited entities” (decision B.09/08);
- (n) “Initial monitoring and accountability framework for accredited entities (progress report)” (decision B.10/07);

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<sup>1</sup> To be considered by the Board at its eleventh meeting.

- (o) “Initial monitoring and accountability framework for accredited entities” (document GCF/B.11/05);<sup>2</sup> and
- (p) “Strategic plan for the Green Climate Fund (progress report)” (document GCF/B.11/Inf.07).<sup>3</sup>

### III. Strategic orientation

#### 3.1 Objectives

4. The objectives of the GCF are clearly defined in the Governing Instrument for the GCF (December 2011):

- (a) “Given the urgency and seriousness of climate change, the purpose of the GCF is to make a significant and ambitious contribution to the global efforts towards attaining the goals set by the international community to combat climate change.”
- (b) “The GCF will contribute to the achievement of the ultimate objective of the United Nations Framework Convention on Climate Change. In the context of sustainable development, the GCF will promote the paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change, taking into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change.”
- (c) “The GCF will be guided by the principles and provisions of the Convention. The GCF will operate in a transparent and accountable manner guided by efficiency and effectiveness. The GCF will play a key role in channelling new, additional, adequate and predictable financial resources to developing countries and will catalyse climate finance, both public and private, and at the international and national levels. The GCF will pursue a country-driven approach and promote and strengthen engagement at the country level through effective involvement of relevant institutions and stakeholders. The GCF will be scalable and flexible and will be a continuously learning institution guided by processes for monitoring and evaluation. The GCF will strive to maximize the impact of its funding for adaptation and mitigation, and seek a balance between the two, while promoting environmental, social, economic and development co-benefits and taking a gender-sensitive approach.”

5. In the period since December 2011, the guidance of the Governing Instrument has been complemented by a series of Board decisions aiming to provide a framework for the start-up operations of the GCF. The GCF’s objectives and ambitions have now been translated into a set of strategic targets, together with a uniquely flexible combination of operational modalities, in particular:

- (a) **Scale and ambition.** The GCF is an operating entity of the Financial Mechanism of the Convention and will be an important instrument in the agreed global effort to respond to climate change. The GCF will aim to promote a paradigm shift in investments that have a significant expected impact and potential.

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<sup>2</sup> To be considered by the Board at its eleventh meeting.

<sup>3</sup> To be presented to the Board for its eleventh meeting.

- (b) **Importance of adaptation.** In order to address the persistent imbalance between climate finance available for mitigation and adaptation, the GCF has committed itself to aiming for half of its financing for adaptation across the GCF portfolio.<sup>4</sup>
- (c) **Priority to vulnerable States.** Small island developing States (SIDS), the least developed countries (LDCs) and African States are particularly vulnerable to the effects of climate change. The GCF has committed itself to directing at least 50 per cent of its adaptation support towards these particularly vulnerable countries.<sup>5</sup>
6. In the strategic plan for the GCF to be discussed at the eleventh meeting of the Board, the proposed objectives for the GCF in the short term include engaging the private sector effectively and ensuring a broad coverage of developing countries, especially SIDS, LDCs and African States.

## 3.2 Key principles and modalities

7. The key principles guiding the accreditation process are: country ownership; diversity and balance; and fit-for-purpose accreditation.
8. **Country ownership.** The principle of country ownership has been translated into the following operational modalities:
- (a) **National designated authorities or focal points.** The role of national designated authorities (NDAs) and focal points is now clearly defined, including the nomination of NDAs and the 'no-objection' procedures. Among other things, NDAs are responsible for nominating direct access entities to apply for accreditation, and for ensuring that Fund-supported projects and programmes are strongly aligned with their national strategies. A network of NDAs is developing, with the objective of learning from their respective experiences.
- (b) **Direct access.** The Board, in decision B.09/07, paragraph (g), requested the Secretariat to aim to achieve a balance of diversity, including equitable representation of different geographical/regional areas, in the list of entities considered for accreditation between direct access entities, including some operating at scale, private entities and international entities.<sup>6</sup>
- (c) **Enhanced direct access.** The Board will consider additional modalities that further enhance direct access, including through funding entities, with a view to enhancing country ownership of projects and programmes.<sup>7</sup> At its tenth meeting, the Board approved a pilot phase for enhancing direct access to allow for an effective operationalization of modalities with the potential to enhance access by subnational, national and regional public and private sector entities to the GCF. This will include devolved decision-making to direct access entities and stronger local multi-stakeholder engagement.
9. **Diversity and balance.** The GCF has set itself strategic allocation objectives for shares of resources directed towards mitigation, adaptation, particularly vulnerable States, and geographical balance. The GCF has no explicit sectoral or regional targets for its future portfolio. The composition of the portfolio will be guided by successive Board decisions on approval of

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<sup>4</sup> Decision B.06/06.

<sup>5</sup> Decision B.06/06.

<sup>6</sup> The Board further decided that, recalling decision B.06/06 and pursuant to decision B.09/07, paragraph (g), the Secretariat will actively support applications for accreditation received from subnational, national and regional public and private sector entities in order to ensure a balance of diversity, including between entities under the direct access and international access modalities, in the list of entities being considered for accreditation by the Board.

<sup>7</sup> Governing Instrument, paragraph 47.

funding proposals. The GCF's accreditation process has been designed to accredit entities that will enable the GCF to fulfil its mandate:

- (a) **Fit-for-purpose accreditation.** The fit-for-purpose approach is innovative and flexible, allowing for a broad range of very diverse institutions to act as implementing entities and intermediaries for the GCF: large and small; international and direct access; grant-only and with a full range of financial instruments; and limited and deep operational experience with safeguards.
  - (b) **Global best practices.** The GCF standards build on best practices of other global institutions. The Board makes accreditation decisions. An initial framework for monitoring and accountability of accredited entities is being considered by the Board at its eleventh meeting.
  - (c) **Broad range of financial instruments.** The GCF aims to promote a paradigm shift, not only in the choice of technologies, but also in the way in which mitigation and adaptation investments are financed. To that end, the GCF offers a broad array of financial instruments, including: grants; loans with varying degrees of concessionality; equity; and guarantees.
  - (d) **Role of the private sector.** The GCF aims to leverage its resources significantly by working closely with the private sector, using all of the financial instruments at its disposal. The Private Sector Facility (PSF) is an integral part of the GCF's design. Accrediting a wide range of private sector entities is a crucial first step to enable the PSF to scale up its contribution to fulfilling the mandate of the GCF.
10. **Support to accreditation applicants.** Support to the accreditation process should come from three sources:
- (a) In-kind support from the Secretariat (ongoing);
  - (b) Advisory services financed from activity area 3 of the GCF readiness programme (ongoing and being scaled up);<sup>8</sup> and
  - (c) Future in-kind support from international accredited entities to direct access entities (in accordance with Board decision B.10/06, paragraph (i)).<sup>9</sup> All three types of support may be deployed before, during and after the Board's decision to accredit a particular entity:
11. The Secretariat provides in-kind support to NDAs and focal points to help them identify applicants for direct access accreditation;
- (a) The readiness programme has competitively selected a global service provider to help accreditation applicants identify the gaps that they would need to fill before submitting an application;
  - (b) The readiness programme will also finance post-accreditation advisory support to a newly accredited entity to help it meet the conditions recommended by the Accreditation Panel (AP) and included as a part of their accreditation, as decided by the Board;
  - (c) The Secretariat is now in the early stages of designing a post-accreditation capacity-building programme, intended to strengthen accredited entities, mainly through

<sup>8</sup> Further details can be found in document GCF/B.11/06 titled "Implementation of readiness and preparatory support programme (progress report)".

<sup>9</sup> Decision B.10/06, paragraph (i): "Further decides that, recalling decision B.08/03, all international entities, as an important consideration of their accreditation application, shall indicate how they intend to strengthen capacities of, or otherwise support, potential subnational, national and regional entities to meet, at the earliest opportunity, the accreditation requirements of the GCF in order to enhance country ownership and that they report annually on these actions".

interaction with their peers, including in some cases support to enable them to graduate to higher categories of fit-for-purpose accreditation;

- (d) Over the coming year, international access accredited entities will be gearing up to meet their obligation to help potential subnational, national and regional entities to meet the accreditation requirements of the GCF. Initial reporting on the support provided by international accredited entities to such entities is contained in document GCF/B.11/03 titled “Consideration of accreditation proposals”, to be considered at the eleventh meeting of the Board.

#### IV. Early lessons learned from the accreditation process

12. As requested by the Board, the following sections of the report will examine early lessons learned on the efficiency, fairness and transparency of the accreditation process and on the GCF ability of the GCF to fulfil its mandate by operating through the entities that have been accredited thus far. These lessons draw on the experience of the Secretariat, the AP and the AC of the Board.

13. By way of background, 20 entities have been accredited by the Board to date. The 20 accredited entities demonstrate a variety of accreditation types through the application of the fit-for-purpose approach, and reflect a geographical and institutional balance to the extent possible within the number of cases. More detailed and up-to-date information on the composition of the pool of accredited entities is available in document GCF/B.11/03 to be considered at the eleventh meeting of the Board.

14. The current pool of accredited entities is too small to draw statistically significant conclusions about whether the emerging pool of accredited entities will enable the GCF to fulfil its mandate. The ongoing accreditation process will result in a wide variety of experiences over the coming year. At that point, it should be possible to formulate a longer-term strategy, including explicit targets for key objectives of the accreditation process.

15. Firstly, the *efficiency* of the accreditation process. More than 80 accreditation applications have been received to date. The AP and the Secretariat, through the use of best efforts, were able to propose 20 entities to the Board for accreditation in two consecutive Board meetings (the ninth and tenth meetings of the Board). Many observers believe that the process should be accelerated from 10 to at least 15 entities per Board meeting. To meet this target, the workload involved in the assessment process would need to be reduced. The Board may wish to consider options for introducing such efficiencies into the current framework, including through the use of third-party evidence.

16. Considerable progress has been made thus far in accrediting the larger international and regional institutions, such as the multilateral development banks, United Nations agencies and other international organizations. This was fully expected in the start-up phase of the GCF. Given that these larger institutions have sought accreditation in the highest categories of fit-for-purpose accreditation, this has required a considerable due diligence effort on the part of the AP and the Secretariat.

17. Since the launch of the accreditation application process in November 2014, the Secretariat has actively supported applications from direct access entities. Often, however, the direct access entities applying for accreditation have been relatively small. Entities operating at scale, both private and public, have been slow to submit accreditation applications and slower to respond to questions raised by the AP. Attracting a greater number of such entities will require further outreach. The Board may wish to discuss the following approaches: (i) working more closely with NDAs and their national banking associations to identify suitable entities

operating at scale in their country; and/or (ii) launching targeted calls for proposals for accreditation, in parallel with the ongoing spontaneous applications approach.

18. Based on the experience of the accreditation process thus far, the AP has suggested that:

- (a) The AP be given more time to formulate its findings and recommendations at stage II of the accreditation process;
- (b) The accreditation checklists be clarified and simplified;
- (c) A set of operational guidelines be prepared to clarify the application of fit-for-purpose criteria;
- (d) The AP be mandated to consult with rating agencies and regulators; and
- (e) The Board consider allocating additional resources to the AP and/or the Secretariat's accreditation team.<sup>10</sup>

19. The Board may also wish to discuss possible measures to streamline the accreditation process in two specific areas:

- (a) Expanding the fast-track accreditation process to a broader range of applicants; and
- (b) Significantly expanding the range of information for which third-party evidence is accepted in an accreditation application.

20. Secondly, the *fairness* of the accreditation process. The question of fairness relates not so much to the technical aspects of the accreditation process itself, but more to what occurs when demand for accreditation exceeds the capacity of the AP and the Secretariat to process the applications in a timely manner (i.e. the criteria for prioritization).

21. The Secretariat continues to actively provide in-kind support applications from direct access entities. Additionally, readiness support for accreditation applicants has been launched to support entities in identifying and meeting the GCF accreditation standards. To-date, seven entities are accessing this support.

22. As regards the applicants' point of view, most entities applying for accreditation consider that the level of due diligence required is heavy and demanding but fair, provided that it leads to accreditation with acceptable reporting requirements. The entities currently negotiating their accreditation master agreement (AMA) with the GCF are reserving judgement on this point until they are able to view the Board's decision on the initial monitoring and accountability framework (document GCF/B.11/05, to be considered by the Board at its eleventh meeting), which will be incorporated by reference into their AMA.

23. Thirdly, the *transparency* of the accreditation process. Transparency requires a balance between the needs of the applicants and the needs of the stakeholders of the GCF. On the one hand, for reputational reasons, many accreditation applicants are reluctant to agree to public disclosure of certain categories of information, in particular the areas in which they have passed or failed the GCF's accreditation criteria.<sup>11</sup> On the other hand, public inputs on the GCF monitoring and accountability framework indicate that civil society organizations would like

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<sup>10</sup> The question of staffing and resources is addressed in two additional documents to be considered by the Board at its eleventh meeting: (i) "Consideration of accreditation proposals" (document GCF/B.11/03); and (ii) "Status of resources and the execution of the administrative budget" (document GCF/B.11/Inf.06).

<sup>11</sup> Many private sector applicants consider that information required for the GCF accreditation process should remain confidential.



there to be a greater degree of public disclosure of – and public participation in – all steps of the accreditation process.<sup>12</sup>

24. Disclosure of accreditation information is currently governed by the GCF Interim Information Disclosure Practice (IIDP).<sup>13</sup> While the Board will be considering the “Information Disclosure Policy” (document GCF/B.11/10) at its eleventh meeting, which is intended to address disclosure across various aspects related to the GCF (not only accreditation), following inputs from Board members and other stakeholders, the Co-Chairs with support from the Secretariat proposed an amendment to the IIDP in document GCF/BM-2015/10 in advance of the Information Disclosure Policy to be considered. The amendment proposed to increase transparency in the accreditation process by disclosing the names and countries of entities at the time that entities are recommended by the Accreditation Panel for accreditation in a public document published on the GCF website, rather than later at the time of the accreditation by the Board, as stated in the IIDP. The amendment was proposed for consideration by the Board as a decision between meetings on a no-objection basis. An objection was raised during the period of consideration from one Board member and therefore the amendment was not adopted as a decision. While the applicants being recommended for accreditation in this paper have been consulted and most were in principle agreeable to releasing their name in this paper at the time of their recommendation, the names and countries of the entities could not be included because the amendment to the IIDP was not adopted and the IIDP still applies. Fourthly, the **effectiveness** of operating through the entities that have been accredited so far. Among other things, observers have raised questions regarding the potential of the current pool of accredited entities to facilitate efforts to achieve the following objectives of the GCF: allocating 50 per cent of resources to adaptation; allocating 50 per cent of adaptation resources to SIDS, LDCs and African States; leveraging large volumes of private climate finance; and maintaining a geographical balance.

25. What measures and incentives could the GCF provide to achieve a ‘high-performing’ portfolio of accredited entities? The measures could be factored into the accreditation (and re-accreditation) process, and in the overall engagement between the GCF and its accredited entities.

26. In cases where a direct access accredited entity may wish to grow and graduate into higher categories of fit-for-purpose accreditation, what measures could the GCF take to help them do so? A structured programme could be developed to facilitate the operationalization of the support from international access entities to subnational, national and regional entities, and to promote south-south learning and cooperation. The overall process could be supported by the resources of the readiness programme.

27. How could the GCF facilitate more systematic peer-to-peer learning between accredited entities? Peer-to-peer learning will start spontaneously as soon as accredited entities begin reporting information and results on the GCF’s website. Details of reporting requirements and their disclosure are contained in the companion paper titled “Initial monitoring and accountability framework for accredited entities” (document GCF/B.11/05, to be considered by the Board at its eleventh meeting). However, newly accredited entities could also benefit from direct and confidential advice from their peers.

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<sup>12</sup> The call for public inputs was published on 30 July 2015 and is available at [http://www.gcfund.org/fileadmin/00\\_customer/documents/Accreditation/2015-7-30\\_Call\\_for\\_Public\\_Input\\_-\\_M\\_A\\_Framework.pdf](http://www.gcfund.org/fileadmin/00_customer/documents/Accreditation/2015-7-30_Call_for_Public_Input_-_M_A_Framework.pdf).

<sup>13</sup> Decision B.05/15.

## V. Next steps

28. Based on the Board's feedback on the issues raised for discussion in the present progress report, the AC and the Secretariat will submit a full decision paper to the Board at a time to be indicated by the Board. The strategy will be further developed following the objectives, key principles and modalities, and lessons learned, as contained in this document. The strategy may also include further information based on the accredited entities and accreditation applicants, such as the distribution of the types of entities, access modalities (for subnational, national and regional entities under direct access and international access) and application criteria (size of an individual project or activity within a programme, fiduciary functions, and environmental and social risk and impact category), in an effort to inform the further development of the accreditation strategy with regard to the types of partners the GCF requires in order to achieve its objectives.

29. The strategy may include an analysis and recognition of the role of national and regional institutions in driving the transition towards low-carbon and climate-resilient economies. International entities contribute valuable technical expertise and their inclusion is important, but without a strong role of national and regional institutions the GCF will not be able to fulfil its mandate to create a paradigm shift. In particular, the fit-for-purpose accreditation framework has been designed to allow national and regional entities to grow their capacities while working with the GCF in a learning-by-doing manner. Therefore, ideas and options for growing the role of national and regional entities should be at the core of the accreditation strategy.

30. Furthermore, the strategy may include an implementation plan that outlines the roles of the different bodies (the AC, the AP and the Secretariat, as defined by their terms of reference in decision B.07/02) in the implementation of the strategy, and milestones and high-level indicators to measure progress in the implementation of the GCF's accreditation process.

31. In further developing the strategy, the AC may wish to liaise with the Private Sector Advisory Group (PSAG) on issues relating to the accreditation of private sector entities. In particular, there could be a joint virtual meeting between the PSAG and the AC to discuss approaches to private sector entity accreditation.

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