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# Strategy on accreditation

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## **Summary**

In decision B.12/21, the Board deferred its consideration of the strategy on accreditation to the thirteenth meeting of the Board. This document presents a proposal for the strategy on accreditation for consideration by the Board.

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## I. General mandate

1. In decision B.12/21, paragraph (b), the Board decided to defer its consideration of the strategy on accreditation to the thirteenth meeting of the Board, taking note of the report of the Accreditation Committee (AC) on its progress towards developing a strategy on accreditation (para. (a) of the same decision).
2. This document presents the proposal for the GCF strategy on accreditation.

## II. Linkages with decisions and 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 Fund’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” (annex I to decision B.08/02);
  - (c) “Gender policy and action plan” (decision B.09/11);
  - (d) “Assessment, including gap analysis, of institutions accredited by other relevant funds” (decision B.08/03);
  - (e) “Identification of relevant potential international private sector best-practice fiduciary principles and standards and environmental and social safeguards” (decision B.08/05);
  - (f) “Application documents for submissions of applications for accreditation” (decision B.08/06);
  - (g) “Policy on fees for accreditation” (decision B.08/04);
  - (h) “Comprehensive information disclosure policy of the Fund” (decision B.12/35);
  - (i) “Consideration of accreditation proposals” (decisions B.09/07, B.10/06 and B.12/30);
  - (j) “Legal and formal arrangements with accredited entities” (decision B.09/08);
  - (k) “Report on the implementation of legal and formal arrangements with accredited entities” (document GCF/B.11/Inf.09);
  - (l) “Accreditation master agreements” (decision B.12/31);
  - (m) “Investment framework” (decision B.07/06);
  - (n) “Initial results management framework of the Fund” (decision B.07/04);
  - (o) “Initial results management framework of the Fund” (decision B.08/07);
  - (p) “Use of other financial instruments” (decision B.08/12);
  - (q) “Private Sector Facility: working with local private entities, including small and medium-sized enterprises” (decision B.09/09);
  - (r) “Private Sector Facility: potential approaches to mobilizing funding at scale” (decision B.09/09);
  - (s) “Recommendations for further accrediting national, regional and private sector entities (progress report)” (document GCF/B.10/Inf.12);
  - (t) “Interim policy on fees for accredited entities” (annex II to decision B.11/10);

- (u) “Initial monitoring and accountability framework for accredited entities” (decision B.11/10);
- (v) “Strategic plan for the Green Climate Fund” (decision B.12/20);
- (w) “Report of the Accreditation Committee on progress on developing a strategy on accreditation” (annex II to decision B.12/21); and
- (x) “Progress and outlook report of the Readiness and Preparatory Support Programme” (document GCF/B.13/24).<sup>1</sup>

### III. Preparation of the strategy on accreditation

4. In its report on the progress on developing a strategy on accreditation, the AC identified the purpose of the strategy; stated that it will be an integral part of the strategic plan of the GCF and will have guiding principles; and indicated that the AC, based on the experience of the first year of operation of the accreditation framework and when preparing the strategy, will provide guidance on a series of questions and will engage with relevant stakeholders.

5. The AC, with the support of the Secretariat, has prepared the draft strategy on accreditation contained in annex II for consideration by the Board. In the development of the strategy, the AC:

- (a) Held multiple virtual meetings;
- (b) Met with members of the Accreditation Panel to discuss matters related to improving the efficiency and effectiveness of the accreditation process;
- (c) Took into account lessons learned by the Accreditation Panel and the Secretariat, and information on the accreditation portfolio of entities from the Secretariat;
- (d) Invited members of the Board and alternate members of the Board, observers, accredited entities, national designated authorities or focal points, and delivery partners to provide inputs for the strategy on accreditation in a public call for inputs on the AC report from 19 April to 6 May 2016;<sup>2</sup>

6. In line with the objectives of the GCF, based on the accreditation portfolio of entities and taking into account stakeholder input lessons learned, the AC has developed a strategy on accreditation (see annex I) in order to help to guide future Board decisions to ensure that the substance and process of GCF accreditation enable the GCF to achieve its objectives as laid out in the Governing Instrument.

7. Regarding the type of entities that the GCF should accredit in the future and following a direct request from the Accreditation Panel (AP), the AC has noted that there is a need for further guidance on the criteria and principles that should be applied, which would also signal to potential applicants whether their nature and purpose is aligned with GCF objectives.

8. Currently, the 33 entities accredited to the GCF cover the following categories:

- (a) Governmental agencies (3);<sup>3</sup>
- (b) Government ministries (2);
- (c) Local and regional non-governmental organizations (5);

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

<sup>2</sup> Annex II to decision B.12/21.

<sup>3</sup> Governmental agencies are defined as bodies providing a specific service for a government or other organization, while a government ministry is a government department headed by a minister.

- (d) National and regional financial institutions (4);
- (e) Private investment funds (1);
- (f) International commercial banks (3);
- (g) International non-governmental organizations (2);
- (h) Bilateral development finance institutions (2);
- (i) Multilateral development banks (7); and
- (j) United Nations agencies (4).

9. In order to respond to the request for guidance, the AC has envisaged the option to provide a principles-based approach to accreditation keeping in mind the GCF strategic plan and overall objectives. In that regard, as the accreditation process includes an institutional assessment of applicants in Stage 1,<sup>4</sup> the Secretariat would apply, when determining which applications should be referred to the AP, the following criteria consistent with the GCF fiduciary principles and standards, as well as environment and social safeguards to measure the applicant's alignment with the objectives and guiding principles of the GCF:

- (a) A demonstrated commitment to sustainable development;
- (b) A track record of setting and enforcing robust fiduciary, environmental and social standards/safeguards (on par with GCF standards);
- (c) In the case of public institutions, a core mandate that is related to development, the environment or climate change;
- (d) A high degree of transparency in all non-confidential project/investment information;
- (e) A record of deploying finance through open untied procurement;
- (f) A proven capacity to implement projects effectively; and
- (g) Progress towards low-emission and sustainable corporate practices.

10. The AC has also considered providing greater clarity to the Secretariat and the AP as well as more certainty to potential applicants, by recommending in the strategy document that the following entities be deemed ineligible to partner with the GCF through the accreditation modality. This would not, however, preclude such entities from seeking more appropriate ways in which to partner with the GCF, as the Board may determine:

- (a) Individuals;
- (b) Consultancies;
- (c) Consortiums and industry groups or associations;
- (d) Think tanks;
- (e) Export-import banks or agencies;
- (f) Non-governmental organizations and foundations that do not implement projects/programmes;
- (g) Academic institutions; and
- (h) Municipalities.

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<sup>4</sup> Decision B.07/02, annex 1, paragraphs 29 and 30 (document GCF/B.07/11, annex 1, paragraphs 29 and 30).

11. The Board is invited to consider the strategy document in annex I, which reflects a broad consensus among the stakeholders consulted in this process, captures most of the lessons learned and provides recommendations for future action related to the accreditation framework. In addition, the Board is invited to discuss the above-mentioned options and, as a consensus was not reached on that question, provide guidance regarding the types of entities that the GCF should accredit in the future.

## Annex I: Strategy on accreditation

### I. Objectives of the accreditation strategy

#### 1.1 Context and scope

1. As an operating entity of the Financial Mechanism, the GCF provides support to developing countries and Parties to the Convention and the Paris Agreement to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change. As stated in its Governing Instrument, access to GCF resources will be through national, regional and international implementing entities accredited by the Board.<sup>1</sup>
2. The Board set up an Accreditation Committee (AC) composed of members of the Board, approved an accreditation framework and appointed an independent Accreditation Panel, composed of technical experts, to undertake an assessment of prospective accredited entities. An Online Accreditation System was developed by the Secretariat and opened to applicants on 17 November 2014. As a result and with a fit-for-purpose approach,<sup>2</sup> 33 entities have been accredited as of the twelfth meeting of the Board, representing national, regional and international institutions, public as well as private.
3. Given the role of accredited entities (AEs) in delivering the GCF mandate and channelling climate finance, the Board requested the AC, with the support of the Secretariat, to prepare an accreditation strategy that will “examine issues including efficiency, fairness and transparency of the accreditation process, as well as the extent to which current and future accredited entities enable the Fund to fulfil its mandate”.<sup>3</sup>
4. The present strategy is intended to set broad objectives and principles that will guide the continuous improvement of the accreditation process. The strategy is the result of extensive consultations and discussions at the Board level, and inputs received from stakeholders following a public call that was launched on 18 April 2016. It also incorporates stocktaking, lessons learned and recommendations from the AC, the Accreditation Panel (AP) and the Secretariat.
5. The timeframe of the strategy will be three years with the AC providing reports on the progress of the implementation of the strategy to the Board.
6. The AC, the AP and the Secretariat intend to further develop the areas of the strategy that are important for enhancing the efficiency, fairness and transparency of the accreditation process based on a continuous monitoring and evaluation process.

#### 1.2 Roles and responsibilities of accredited entities

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<sup>1</sup> Governing Instrument for the GCF, paragraph 41.

<sup>2</sup> Decision B.08/02, Annex I, paragraphs 2 and 5 states: “The fit-for-purpose accreditation approach recognizes the role of a wide range of entities, which differ in the scope and nature of their activities, as well as their capacities,” and “The accreditation process will take into account the scale of funding that the entity intends to access, its track record in undertaking climate-related projects and activities, as well as the nature of its intended activities. This approach will ensure that the assessment of the applicant entity’s conformity with the fiduciary standards, and relevant capacities related to the Fund’s ESS, in the accreditation process is commensurate with the level of fiduciary and nonfinancial (e.g. environmental and social) risk to which the Fund will be exposed through the activities of implementing entities and intermediaries.”

<sup>3</sup> Decision B.10/06, paragraph (r).

7. The GCF and its network of AEs will be responsible for the delivery of financing to developing countries in order to meet internationally agreed climate goals at scale, while also meeting GCF standards and safeguards. Accreditation of entities is central to the GCF business model and is a means to an end, which is delivering on GCF objectives.
8. The GCF relies on the due diligence and the risk assessment performed by AEs.<sup>4</sup> They will be responsible for the overall management, implementation and supervision of activities financed by the GCF and are expected to administer funds disbursed with at least the same degree of care as they use in the administration of their own funds.
9. Direct access entities are important for promoting country ownership and understanding national priorities and contributions towards low-emission and climate-resilient development pathways.
10. AEs will engage with international and national private sector entities, particularly in developing countries, to support GCF objectives, including the promotion of the paradigm shift towards low-emission and climate-resilient development pathways. Together with international and regional entities, AEs can provide additional choices of partners.
11. The GCF is responsible for fostering meaningful relationships, collaborations, and knowledge exchange among AEs. Therefore, the GCF will support the network of AEs to foster the sharing of lessons learned, institution-building and continuous learning. AEs must demonstrate a commitment to sustainable development through a track record of implementing high social and environmental standards, transparency, internationally competitive and open procurement, untied aid, and low-carbon investments.
12. The GCF will seek to incentivize AEs to transform their overall portfolio beyond assets financed by the GCF so as to contribute to meeting the objectives of the GCF, the Convention and the Paris Agreement, particularly Article 2, paragraph 1, which calls for:
  - (a) Holding the increase in the global average temperature to well below 2 °C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5 °C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change;
  - (b) Increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production; and
  - (c) Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate resilient development.

## II. Guiding principles of accreditation

13. This strategy was informed by the following guiding principles:
  - (a) Promotion of country ownership;<sup>5</sup>
  - (b) Ability to contribute to the GCF mandate of supporting a paradigm shift;
  - (c) Balance and diversity;
  - (d) Efficiency in terms of cost, time and resources; and

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<sup>4</sup> Annex XXVII to decision B.12/31.

<sup>5</sup> Decision B.10/10.

- (e) Fairness, effectiveness and transparency through its activities. The GCF accreditation strategy is also consistent with the principles as outlined in the Governing Instrument.

## 2.1 Effectiveness in supporting a paradigm shift

14. The accreditation of AEs is expected to promote the leverage of finance, to mainstream climate considerations across project pipelines, to continually engage with the GCF, and to build on comparative advantages and value added.
15. GCF engagement with the private sector, including small- and medium-sized enterprises from developing countries, is important to meet the goal of paradigm shift. The accreditation process should be efficient and effective in order to attract a wide variety of private sector actors that actively support the vision and goals of the GCF.
16. AEs, including direct access entities, may apply for upgraded accreditation in size and risk categories as their capacities and track record develop, in order to further facilitate delivery at scale.

## 2.2 Enhancing country ownership

17. The accreditation process can be an effective way of setting high standards in country ownership. National designated authorities (NDAs) are encouraged to engage with the Secretariat in order to identify which entities are a good fit to advance GCF objectives and which should be nominated in their countries. When reviewing their applications, the Secretariat should encourage NDAs to develop guidelines that facilitate inter-agency coordination and coherence at the national level, as well as to engage in effective and broad stakeholder engagement. This approach is to ensure that projects and programmes are consistent with country priorities and accurately reflect their commitments to climate change agreements.

## 2.3 Ensuring balance and diversity

18. Through balance and diversity in the portfolio of AEs, the strategy seeks to achieve an optimal geographic and thematic coverage, but also in terms of environmental and social risk categories, and in the use of various instruments, recognizing that further guidance will need to be developed in order to operationalize these principles. This strategy provides for future accreditation to be based on the quality and 'value added' nature of new entrants, allowing some entities to be prioritized in order to fill existing and potential future gaps based on continuous monitoring.
19. The Secretariat will engage countries in dialogues to determine the types and size of AEs that are most needed for accessing GCF resources. The Secretariat will track a variety of indicators on the portfolio of AEs and pipeline of applicants so as to monitor coverage, and will report these to the AC on an annual basis.

## 2.4 Efficiency in terms of cost, time and resources

20. The accreditation process will aim at reaching efficiency in terms of cost, time and resources to the GCF and AE. The Secretariat and AEs are expected to provide accurate information on the financial and non-financial costs of accreditation and the time taken for the process.

21. In addition, the cost of accreditation will include the continuous cost to AE and the Secretariat of post-accreditation processes and relationship management. For direct access AEs, this will also include support to entities seeking to be upgraded or strengthened or to meet the conditions or recommendations of their accreditation.
22. The number of entities in the portfolio and pipeline has an implication in terms of the GCF budget. It is estimated that one Accredited Entities Specialist will be needed to manage and support the relationship between the GCF and approximately 10 AEs. This ratio may vary in order to tailor relationship management to the level of support needed. Also, more Secretariat staff resources will be needed to support the readiness, and monitoring and accountability functions as the number of AEs grows. In addition, direct access AEs may need substantial capacity-building support once they are accredited to be able to build strong pipelines of projects.
23. Furthermore, while the accreditation process currently reviews applications on a rolling basis in order to ensure fairness and transparency, this approach may have a significant impact on the time taken and therefore the cost to the AE related to accreditation. Henceforth, there may be circumstances in which some entities will be reviewed on a priority basis in order to meet the objectives of the GCF strategy or certain mandates (e.g. call for proposals).
24. As the GCF develops and matures, it is expected that the accreditation process will require only occasional and high-level guidance from the Board.

## 2.5 Fit-for-purpose

25. The fit for purpose accreditation approach permits an entity to be accredited based on the nature, scale and risks of the activities it will propose to the GCF. Therefore the entity is assessed through the accreditation process as fit or not to implement GCF standards commensurate with the nature, scale and risks of such activities. The accreditation strategy recognizes that there is a need for the process to accommodate the diversity of entities with respect to type, size, experience, risk and other factors, while ensuring that the standards against which entities are measured are the same for everyone applying for a given level of risk. Fit-for-purpose is a hallmark of the GCF and it recognizes that there is a need to have a bespoke approach to the accreditation process, while preserving the rigor of the standards and safeguards.

## 2.6 Strong monitoring and accountability framework

26. The efficiency of the accreditation process and the application of principles relies on a strong monitoring and accountability framework, which should inform re-accreditation and de-accreditation decisions and serve as a tool to identify gaps and areas for improvement. Those improvements should be undertaken in consultation with national designated authorities. In addition, the GCF should provide AEs with a flexible qualitative and quantitative reporting framework in order to set out the nature of the portfolio evolution that AEs are expected to undertake as well as the data that AEs should provide.

## 2.7 Fairness and transparency

27. The GCF will ensure fairness and transparency throughout the accreditation process through a flexible and effective monitoring programme and feedback mechanism. Furthermore, the GCF may consider the role of observers and other stakeholders in the work of the AC. It is essential that the AP continues to be independent from the Board and the Secretariat, and that

its deliberations, research and recommendations be free from outside influences and pressures. It is also imperative that the panel continue to be a technical body composed of a well-rounded team of experts with all the relevant skills and expertise to do their job.

### III. Stocktaking and lessons learned

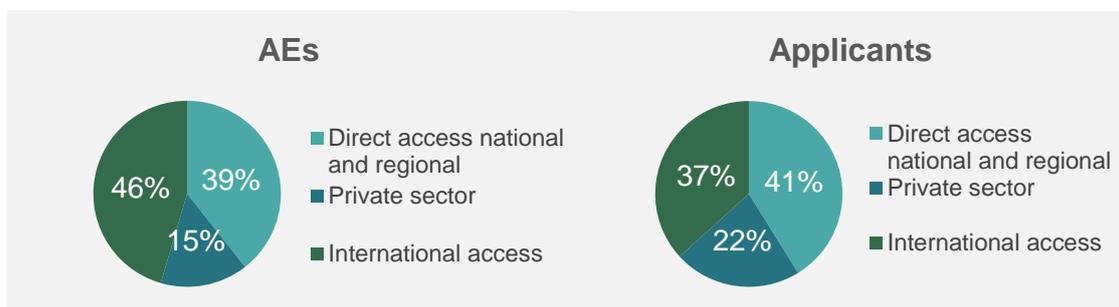
#### 3.1 Portfolio of accredited entities and pipeline of applicants

28. As at 30 April 2016, the GCF pipeline of entities is composed of 33 AEs, 11 applicants in Stage II (assessment by the AP), 57 applicants in Stage I (review by the Secretariat) and 65 entities in the process of completing their applications. The breakdown of entities by type is shown in figure 1 below.

29. Based on feedback from developing countries on the current pipeline and the list of AEs, there is a strong need for representation of national public sector and direct access entities as additional channels to access the GCF. Similar comments apply to private sector entities of all kinds, including those from developing countries (in particular financial institutions), and, in general, entities from the Pacific and Asian regions.

30. The current accreditation process is considered to be paperwork intensive and cumbersome. At the same time, it has been completed in record time when compared to processes of similar rigor at comparable institutions.

**Figure 1: Portfolio of entities (as at 30 April 2016)**



##### 3.1.1 Geographic and thematic coverage

31. GCF AEs cover all six geographic regions, but direct access can be further developed in the Eastern European and the Asia-Pacific regions. The Eastern European region does not yet have a direct access entity in the pipeline; however, it is believed that the region is well served by entities already accredited to the GCF.

32. The GCF is also aiming to have adequate coverage by region and financial instrument. Table 1 below provides insight, from a country perspective, on the coverage and range of options that a region has available to it when engaging the GCF. This information is important, because from the perspective of the countries served by the GCF, what is key to their capacity to use the fund effectively are the number, quality and diversity of partners available to execute GCF projects.

**Table 1: Range of options for partnering with the GCF per region: number of entities accredited in each type of capacity (as at 30 April 2016)**

Region	Grant award and funding allocation	Blended finance			E&S risk category			Micro and small sizes <sup>6</sup>	Medium and large sizes
		Loans	Equity	Guarantees	A	B	C		
Africa	4	13	11	12	12	19	25	10	15
Latin America and the Caribbean	4	11	9	10	10	15	20	7	13
Asia Pacific	2	12	10	11	10	14	19	5	14
Eastern Europe	2	8	7	8	8	11	14	3	11
SIDS	3	11	9	11	11	15	19	5	14
LDCs	4	12	10	11	11	17	22	8	14

\* Abbreviations: E & S = environmental and social, LDCs = least developed countries, SIDS = small island developing States

\*\* Annex I to decision B.07/02 (annex I to document GCF/B.07/11).

\*\*\* Annex I to decision B.08/02 (annex I to document GCF/B.08/45).

33. The intended areas of work provided in the applications of AEs span all eight results areas<sup>6</sup> of the GCF. However, this information only reflects the intentions of AEs and does not necessarily imply that they possess expertise in those particular fields or that they will develop projects in all of the GCF results areas. In order to reach the best possible thematic coverage by AEs, the GCF should give due consideration to entities coming forward with a strong track record in thematic areas that are underrepresented.

### 3.1.2 Costs and processing time

34. The total amount of accreditation application fees received from the 33 AEs was approximately US\$ 833,800 for a total cost estimated at US\$ 716,500, which includes staff costs for conducting reviews (the Secretariat, the AP and consultants). While the GCF, on average, is achieving cost recovery for the overall accreditation process of these 33 AEs, approximately half of the AEs fees did not cover the actual costs to accredit them (fees paid by entities vary from US\$ 500 to US\$ 46,000). This means that, in practice, the larger entities applying to be accredited for higher levels of risk are cross-subsidizing the smaller entities applying for lower levels of risk. Nevertheless, this statement has to be considered in light of the GCF policy on accreditation fees. As stated in annex VI to decision B.08/04 (annex VI to document GCF/B.08/45), the policy takes into account the financial capacities of institutions and aims to contribute to covering the costs from the accreditation process, recognizing that the actual costs of the accreditation process to the Secretariat and AEs themselves are expected to be higher than the amount recovered through fees. The question of full cost recovery will have to be addressed at the time of revision of the policy on fees.

35. The cost of the process to the AEs is not yet known, but needs to be estimated by the AEs, analysed by the Secretariat and provided to the AC in order for the strategy to be monitored. This information will be important as the cost incurred for direct access entities to

<sup>6</sup> Decision B.07/04: energy generation and access; transport; forests and land use; buildings, cities, industries and appliances; health, food and water security; livelihoods of the most vulnerable people, communities, and regions; infrastructure and built environment; and ecosystems and ecosystem services.

be accredited may impact the amount of resources needed and provided under the Readiness and Preparatory Support Programme.

36. The time to process applicants has varied greatly and depends on the entity’s capacity and the modalities it is applying for, in addition to factors such as resources available to process applications and workload from the growing pipeline of applicants. From opening an Online Accreditation System account to approval by the Board, it took between 2.3 and 14.7 months to accredit the 33 AEs, reflecting an average of 7.3 months. The average processing time by the Secretariat and the AP has been 4.5 months. The delays for the entities that have taken longest to be accredited were largely or entirely due to Board delays in considering their applications. Generally, the capacity and experience of international access entities have enabled them to complete their application for accreditation in a shorter timeframe. As a result, they are the most represented category.

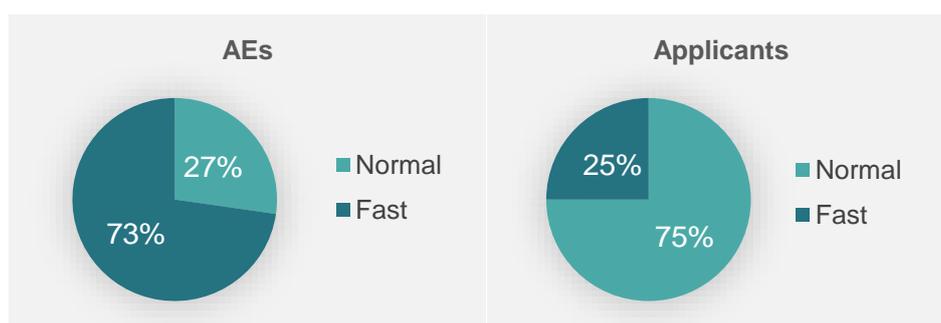
37. Based on the track record for accreditation to date, it will take approximately 2 to 4.5 years to process the applications that have already been submitted and about twice as much time to process entities that have not submitted their application yet, unless steps are taken to ensure that current procedures are further streamlined.

### 3.1.3 Normal and fast-track accreditation pipeline

38. The fast-track process was adopted in order to expedite the accreditation of entities that have already been accredited by relevant funds or institutions that have an accreditation process (i.e. the Global Environment Facility, the Adaptation Fund and the Directorate-General for International Development and Cooperation–EuropeAid), and whose fiduciary and environmental and social standards are found to be comparable in some way to the GCF fiduciary standards and the GCF environmental and social safeguards.

39. At this time, the fast-track approach has achieved its overall goal of efficiency, rapidly building the GCF network of AEs during the initial accreditation phase. As the proportion of entities within the pipeline that are eligible for fast track is reduced (refer to figure 2 below), the average processing time per entity is expected to increase.

**Figure 2: Normal and fast-track accreditation pipeline (as at 30 April 2016)**



*Abbreviation: AE = accredited entity.*

### 3.1.4 Accreditation type

40. Firstly, regarding the size of projects/activities within a programme, international entities have been accredited for larger size activities than direct access entities. For instance, 60 per cent of international entities are accredited for the large size category versus 11 per cent among direct access entities. This difference may be reduced as more entities are accredited, given that 38 per cent of direct access applicants are seeking accreditation for large projects, as

shown in figure 3 below. The ability to upgrade between size categories as entities develop a track record may further correct this difference.

**Figure 3: Project size category comparison among direct access accredited entities and applicants (as at 30 April 2016)**



Abbreviation: AEs = accredited entities.

41. Secondly, on-lending and on-granting is mostly done through international access entities as 65 per cent of AEs with intermediary capacities are international entities. However, this trend may shift in the future as only 12 per cent of entities applying as intermediaries are international entities, as shown in figure 4 below.

**Figure 4: Breakdown of entities with intermediary capacity (grant award and/or on-lending and blending) (as at 30 April 2016)**



Abbreviation: AEs = accredited entities.

42. Lastly, national and regional AEs are accredited mainly for the minimal to no environmental and social risk Category C/Intermediation 3 and may need readiness support to upgrade their level in order to scale up activities. However, more direct access applicants are seeking accreditation for higher levels of environmental and social risk as shown in figure 5 below.

**Figure 5: Breakdown of environmental and social risk categories for accredited entities and applicants (as at 30 April 2016)**



Abbreviations: AE = accredited entities, E & S = environmental and social.

## 3.2 Lessons learned

43. Greater functional collaboration between the independent Technical Advisory Panel and the AP would avoid the duplication of work, reduce transaction costs and allow for a feedback mechanism to assess AE performance during project implementation as well as for re-accreditation.

44. The incorporation of third-party evidence could be particularly relevant for private sector and direct access entities, and is potentially one way to expedite the process for these entities, without compromising standards.

45. The AP has indicated that it would benefit from further guidance on how to assess the fitness of direct access entities, and the verification of country ownership. In addition, it has requested guidance from the Board on whether, and how, to consider for accreditation novel types of entities, including individuals, think-tanks, export credit entities and business associations.

46. There should be a more refined method for prioritization of entities that are in the queue for accreditation, based on guidance from the AC. It should be made clear who is responsible for applying this methodology. The prioritization should ensure that gaps in coverage are addressed. As for the basis for prioritization, including the possibility of proactive engagement with applicants, the AP observes that there should be a three- to five-year vision of the size and composition of the pool of AEs. The situation in this regard should be monitored and reviewed at appropriate intervals.

47. As the size of the pool of AEs continues to grow, more financial and staff resources will be required by the Secretariat for support, monitoring, readiness and relationship management functions. In order to budget for those resources and recruit the necessary staff, the GCF would benefit from a process that generates more certainty about the rate of growth and the ultimate expected size of the AE pool. This would also assist entities considering the best time to submit their accreditation applications. In the absence of such planning, an open-ended process of permanent expansion is likely to be unsustainable and will make staffing and support challenging.

48. For LDCs and other countries with constrained capacity, accreditation of national entities may not be the most efficient way to access GCF funding in all cases. Regional and/or international AEs may offer the most cost-effective channel through which to tap into financing quickly and with low costs. Countries should engage with the Secretariat to best determine which channels make the most sense for each country.

49. The fast-track process has been a very useful and cost-effective approach for the GCF. This approach should therefore be carefully reviewed and modified, if necessary, in an effort to continue to meet efficiency and other targets.

## IV. Strategic guidance to the accreditation framework

### 4.1 Process recommendations

50. The current accreditation process has proven to be robust and effective. There are, however, areas of where additional efficiency could be introduced, while maintaining the integrity of the process. To this end, the Secretariat, in consultation with the AP and AEs is requested to undertake the following actions:

- (a) Review relevant procedures and decisions, in particular decision B.08/06 on the content of applications for accreditation in order to further streamline the accreditation process without compromising standards and to ensure that the GCF is meeting its goals and objectives during this critical operationalization phase by the sixteenth meeting of the Board;
- (b) Review the fast-track process with a view to expanding eligibility, if necessary, in response to the declining proportion of entities in the accreditation pipeline that are eligible for fast-tracking;
- (c) Develop modalities for the use of third party evidence, including from regulators, listing agencies, rating companies, corporate social responsibility rating bodies and existing intermediated financing systems, among others, when conducting the assessment of an entity for accreditation, in particular for the private sector and direct access entities;
- (d) Produce an internal manual consisting of terms related to the accreditation framework; and
- (e) Develop a set of operational guidelines that clearly outlines the roles of respective actors in the accreditation process, the steps required for accreditation; and the expectations of each in order to identify, and take advantage of, opportunities for reducing duplication and streamlining at all levels.

## 4.2 Reporting recommendations

51. In order to monitor and evaluate the alignment of the portfolio of AEs with the GCF mandate, the Secretariat will use the indicators that the Board deems necessary to track: the types of entities applying to the GCF, the climate financing they undertake, and the standards they apply.

52. In addition, the data monitored will include: the coverage across sectors, results areas, geography, financial instruments, and access modalities as well as the costs and personnel time used in each step of the process. This information will be important, among other things, so as to assess requests for upgrades and re-accreditation and to manage strategically the overall size and composition of the pool of AEs. This information will be reviewed by the AC prior to each Board meeting.

53. The AP, with the support of the Secretariat and guided by submissions for the accreditation strategy on this subject, will report at the fourteenth meeting of the Board on progress made towards establishing a baseline for the whole portfolio of AEs in accordance with decision B.12/30. This baseline will allow for an assessment of the extent to which the overall portfolios of activities of the AEs, beyond those funded by the GCF, have evolved during the accreditation period.<sup>7</sup>

54. The monitoring and evaluation indicators will be designed to assist any prioritization of accreditation applications and, where necessary, the setting of periodic time-bound (interim) goals and targets for accreditation. The indicators monitored will be reviewed on an annual basis by the AC and reported to the Board. This approach is considered an open and transparent

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<sup>7</sup> Decision B.11/10, annex I, paragraph 35, states, "In accordance with decision B.10/06, paragraph (j), to advance the goal of the GCGF to promote the paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development, the re-accreditation decision by the Board will take into account the Secretariat and Accreditation Panel's assessment of the extent to which the AE's overall portfolio of activities beyond those funded by the GCF has evolved in this direction during the accreditation period".

way by which to provide guidance to the Secretariat and the AP on the categories of entities to prioritize.

- (a) To close the current coverage gaps identified in chapter 3 (stocktaking and lessons learned), the AC recommends that the applications of private sector entities, including those in developing countries, national direct access entities and entities in the Asia and Pacific regions should be prioritized in 2016; and
- (b) In addition, the GCF will prioritize the application of entities responding to requests for proposals issued by the GCF. At the moment, those include:
  - (i) A pilot phase for enhancing direct access;<sup>8</sup>
  - (ii) A pilot programme to support micro-, small-, and medium-sized enterprises;<sup>9</sup> and
  - (iii) A pilot programme to mobilize resources at scale in order to address adaptation and mitigation.<sup>10</sup>

### 4.3 Additional policy guidance to be developed

55. The AC is aware that the needs of countries are paramount and the feedback from AEs and NDAs is invaluable to the accreditation process. The issue of country ownership is, however, much wider than accreditation. It is therefore important that the AC take an active role in the development of the Board's approach to country ownership and ensure that the AP is aware of the decision taken on this matter.

56. The notion of balance and diversity, including the ultimate size and composition of the pool of AEs, is not as yet defined and may need further elaboration in order to capture the different views of GCF stakeholders, and the cost and other implications for the Secretariat.

57. The fit-for-purpose strategy and approach may require detailed elaboration under the guidance of the AC, in consultation with the AP, and upon feedback from AEs.

58. The AC, in consultation with relevant stakeholders, will develop, if necessary, additional detailed policy documents that further elaborate the principles outlined within this strategy for future consideration of the Board. Priority areas include:

- (a) The setting of interim targets that aim to achieve full coverage;
- (b) An interim approach to improving the efficiency and effectiveness of the accreditation process; and
- (c) Ways to strengthen the openness, transparency and role of observers in the work of the AC.

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<sup>8</sup> Decision B.10/04, paragraph (a).

<sup>9</sup> Decision B.10/11, paragraph (a).

<sup>10</sup> Decision B.10/11, paragraph (a).