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CLIMATE  
FUND**

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**GCF/B.14/09**  
28 September 2016

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# Strategy on accreditation

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## **Summary**

In decision B.13/19, the Board deferred its consideration of the strategy on accreditation to the fourteenth meeting of the Board. This document presents a proposal for the strategy on accreditation for consideration by the Board. .

## Table of Contents

I.	General mandate	1
II.	Recommended action by the Board	1
III.	Linkages with decisions and other documents	1
IV.	Preparation of the strategy on accreditation	2
	Annex I: Draft decision of the Board	4
	Annex II: Strategy on accreditation	5

## I. General mandate

1. In decision B.13/19, paragraph (b), the Board decided to defer its consideration of the strategy on accreditation to the fourteenth meeting of the Board (B.14), taking note of the work of the Accreditation Committee (AC) in developing a strategy on accreditation (para. (a) of the same decision).
2. This document presents the proposal for the GCF strategy on accreditation.

## II. Recommended action by the Board

3. It is recommended that the Board:
  - (a) Takes note of the information presented in document GCF/B.14/09 titled “Strategy on accreditation”; and
  - (b) Approves the draft decision presented in annex I to this document.

## III. Linkages with decisions and other documents

4. This document has actual or potential linkages with the following decisions and 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” (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 GCF” (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 GCF” (decision B.07/04);
  - (o) “Initial results management framework of the GCF” (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) “Strategy on accreditation” (decision B.13/19).

#### **IV. Preparation of the strategy on accreditation**

5. 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.

6. 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; and
- (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>1</sup>

7. In line with the objectives of the GCF, based on the accreditation portfolio of entities and taking into account stakeholder input and lessons learned, the AC has developed a strategy on accreditation in order to help 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 for the GCF. The Board is invited to consider the accreditation strategy document contained in annex II, 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.

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<sup>1</sup> Annex II to decision B.12/21.

8. In line with decision B.13/28, paragraph (b), the AC is developing a document that discusses issues that require further development, as well as guidance from the Board, including on the types of entities that the GCF should accredit in the future.

## **Annex I: Draft decision of the Board**

The Board, having considered document GCF/B.14/09 titled “Strategy on accreditation”,

- (a) *Adopts* the strategy on accreditation contained in annex II to this document; and
- (b) *Requests* the Secretariat to implement the strategy on accreditation and to report to the Board at each Board meeting on the progress made towards implementation of the strategy, including information on the GCF portfolio of accredited entities.

## Annex II: Strategy on accreditation

### I. Objectives of the accreditation strategy

#### 1.1 Context and scope

1. As an operating entity of the Financial Mechanism of the United Nations Framework Convention on Climate Change and the Paris Agreement, 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 the Governing Instrument for the GCF, 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 (AP), 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 had been accredited as of the thirteenth meeting of the Board (B.13), 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 AP and the Secretariat.
5. The time frame 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.

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<sup>1</sup> Paragraph 41 of the Governing Instrument.

<sup>2</sup> Decision B.08/02, annex I, paragraphs 2 and 5, state: “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).

## 1.2 Roles and responsibilities of accredited entities

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.
12. AEs must demonstrate a commitment to climate change and 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.
13. 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.

## 1.3 Other ways to engage with the GCF

14. In addition to accreditation, there are other ways for entities to partner with the GCF, which may include, but are not limited to:
  - (a) Acting as the executing entity for an already accredited entity, implementing its projects funded by the GCF;
  - (b) Co-financing projects with an already accredited entity; and

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



- (c) Acting as a readiness delivery partner, provided that the entity can demonstrate relevant expertise, experience and ability to implement.<sup>5</sup>

## II. Guiding principles of accreditation

15. This strategy was informed by the following guiding principles:
- (a) Ability to contribute to the GCF mandate of supporting a paradigm shift;
  - (b) Promotion of country ownership,<sup>6</sup>
  - (c) Balance and diversity;
  - (d) Efficiency in terms of cost, time and resources; and
  - (e) Fairness, effectiveness and transparency through its activities.
16. The GCF accreditation strategy is also consistent with the principles as outlined in the Governing Instrument.

### 2.1 Effectiveness in supporting a paradigm shift

17. 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.
18. 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.
19. 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

20. 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.
21. 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.
22. Country ownership includes ownership by local communities, civil societies, women's groups, indigenous peoples organizations, municipal-/village-level governments, etc. Meaningful input provided by such stakeholders should be used, as necessary, during the identification of entities to be accredited. This approach aims to ensure that AEs nominated by NDAs have a high potential to bring forward projects and programmes that demonstrate high

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<sup>5</sup> Decision B.08/11.

<sup>6</sup> Decision B.10/10.

country ownership, are consistent with country priorities and accurately reflect their commitments to climate change agreements.

## 2.3 Ensuring balance and diversity

23. 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 (E&S) 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.

24. 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

25. 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.

26. In addition, the cost of accreditation will include the continuous cost to the 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.

27. 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.

28. 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).

29. 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

30. 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 rigour of the standards and safeguards.

## 2.6 Strong monitoring and accountability framework

31. 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 NDAs. 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

32. 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

33. As at 31 July 2016, the GCF pipeline of entities is composed of 33 AEs, 15 applicants in Stage II (assessment by the AP, including 5 entities recommended at B.13 for which consideration was deferred to B.14),<sup>7</sup> 60 applicants in Stage I (review by the Secretariat) and 72 entities in the process of completing their applications. The breakdown of entities by type is shown in figure 1 below.

34. 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.

35. 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 rigour at comparable institutions.

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<sup>7</sup> Decision B.13/28.

**Figure 1: Portfolio of entities (as at 31 July 2016)**



Abbreviation: AE = accredited entity.

### 3.1.1 Geographic and thematic coverage

36. 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.

37. 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 GCF 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 31 July 2016)\***

Region	Fiduciary functions**					E&S risk category**			Size of an individual project or activity within a programme***	
	Project management****	Grant award and/or funding allocation*****	Blended finance			A	B	C	Micro and small sizes	Medium and large sizes
			Loans	Equity	Guarantees					
Africa	12	12	13	11	12	12	19	25	25	15
Latin America and the Caribbean	9	12	11	9	10	10	15	20	20	13
Asia-Pacific	7	11	12	10	11	10	14	19	19	14
Eastern Europe	6	8	8	7	8	8	11	14	14	11
SIDS	8	12	11	9	11	11	15	19	19	14
LDCs	10	12	12	10	11	11	17	22	22	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).

\*\*\*\* The specialized fiduciary standard for project management is contained in annex II to decision B.07/02, available at [http://www.greenclimate.fund/documents/20182/319135/1.6 - Fiduciary\\_Standards.pdf/083cfe10-46f4-4a73-b603-8d7bfd2a35bd](http://www.greenclimate.fund/documents/20182/319135/1.6 - Fiduciary_Standards.pdf/083cfe10-46f4-4a73-b603-8d7bfd2a35bd). Project management underlying principles are: ability to identify, formulate and appraise projects or programmes; competency to manage or oversee the execution of approved funding proposals (including those financed through grants), including the ability to manage executing entities or project sponsors and to support project delivery and implementation; and capacity to consistently and transparently report on the progress, delivery and implementation of the approved funding proposal.

\*\*\*\*\*The specialized fiduciary standard for grant award and/or funding allocation mechanisms is contained in annex II to decision B.07/02, available at [http://www.greenclimate.fund/documents/20182/319135/1.6 - Fiduciary\\_Standards.pdf/083cfe10-46f4-4a73-b603-8d7bfd2a35bd](http://www.greenclimate.fund/documents/20182/319135/1.6 - Fiduciary_Standards.pdf/083cfe10-46f4-4a73-b603-8d7bfd2a35bd). Specific capacities for grant award and funding allocation mechanisms of grants in the context of programmes require: transparent eligibility criteria and an evaluation process; a grant award decision and procedures; public access to information on beneficiaries and results; transparent allocation and implementation of financial resources; and a good standing with regard to multilateral funding.

38. The intended areas of work provided in the applications of AEs span all eight results areas of the GCF.<sup>8</sup> 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**

39. The total amount of accreditation application fees received from the 33 AEs was approximately USD 833,800 for a total cost estimated at USD 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 AE fees did not cover the actual costs to accredit them (fees paid by entities vary from USD 500 to USD 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 the 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.

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

41. 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

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<sup>8</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.

complete their application for accreditation in a shorter time frame. As a result, they are the most represented category.

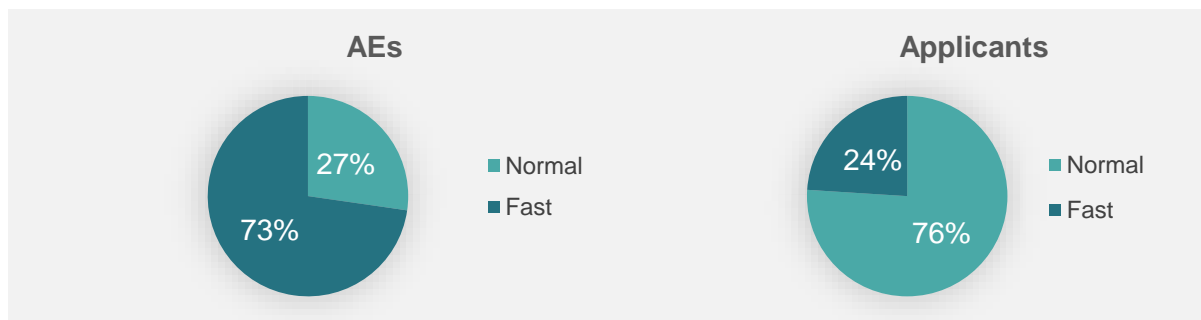
42. Based on the track record for accreditation to date, it will take approximately 2 to 4.5 years to process the applications that have already been submitted and about twice as much time to process entities that have not submitted their application yet, unless steps are taken to ensure that current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

### 3.1.3 Normal and fast-track accreditation pipeline

43. 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 E&S standards are found to be comparable in some way to the GCF fiduciary standards and the GCF E&S safeguards.

44. 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 31 July 2016)**

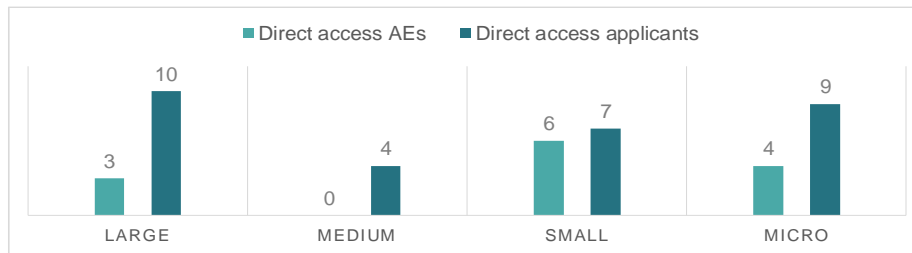


*Abbreviation:* AE = accredited entity.

### 3.1.4 Accreditation type

45. 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 23 per cent among direct access national and regional entities. This difference may be reduced as more entities are accredited, given that 33 per cent of direct access national and regional 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 31 July 2016)**



Abbreviation: AE = accredited entity.

46. Secondly, on-lending and on-granting is mostly done through international access entities as 69 per cent of AEs with intermediary capacities are international entities. However, this trend may shift in the future as only 16 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 on-lending and blending) (as at 31 July 2016)**



Abbreviation: AE = accredited entity.

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

**Figure 5: Breakdown of environmental and social risk categories for accredited entities and applicants (as at 31 July 2016)**



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

## 3.2 Lessons learned

48. 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.

49. 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.

50. 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.

51. 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.

52. Beyond applications from potentially accredited entities, the Secretariat and the AP are also working to review:

- (a) Information submitted by AEs to address and close their conditions of accreditation, as well as recommendations and remarks. Conditions of accreditation have been generally placed within the following time frames:
  - (i) Prior to first disbursement;
  - (ii) On an annual basis for a certain number of years; and
  - (iii) Ongoing, to be addressed either at the institutional level or at the project/programme level; and
- (b) Applications for AEs seeking an upgrade in their accreditation type (i.e. project/programme activity size category, fiduciary function and E&S risk category). Such upgrade applications are submitted under the same accreditation process, whereby the applicant completes the sections of the application relevant to the criteria for which it is seeking an upgrade. Many AEs, particularly direct access entities, seek to upgrade their accreditation type to higher E&S risk categories (e.g. upgrading from minimal to no risk (Category C/Intermediation 3) to medium risk (Category B/Intermediation 2)). In relation to the pilot phase for enhancing direct access, which requires that entities are accredited for on-granting and/or on-lending and/or blending,<sup>9</sup> many direct access entities not yet accredited for such criteria have expressed an interest in seeking an upgrade in their accreditation type.

53. 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

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<sup>9</sup> Decision B.10/04, paragraph (a).



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.

54. The current status of accreditation suggests that countries seeking to access GCF funding can already benefit from AEs accredited for a wide a range of functions. Countries are encouraged to engage with the Secretariat to determine which channels may best suit their needs.

55. 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**

56. The current accreditation process has proven to be robust and effective. There are, however, areas 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) Further develop communication on the purpose of accreditation, its value added to the applicant, as well as other ways besides accreditation in which entities could engage with the GCF;
- (b) 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;
- (c) 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;
- (d) Develop modalities for the use of third-party evidence, including from regulators, listing agencies, rating companies, corporate social responsibility rating bodies, existing intermediated financing systems, civil society groups and local communities, when conducting the assessment of an entity for accreditation, in particular for the private sector and direct access entities;
- (e) Produce an internal manual consisting of terms related to the accreditation framework; and
- (f) Develop a set of operational guidelines that clearly outline 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.

57. The AC may consider ways to improve the efficiency and effectiveness of the accreditation process, for example by:

- (a) Ensuring consistency with the decisions from B.13 on the Project Preparation Facility and the Readiness and Preparatory Support Programme; and

- (b) Considering setting a requirement for AEs to submit a funding proposal within a certain time frame following accreditation.

## 4.2 Reporting recommendations

58. 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.

59. 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.

60. The AP, with the support of the Secretariat and guided by submissions for the accreditation strategy on this subject, will report at the fifteenth 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>10</sup>

61. The monitoring and evaluation indicators will be used 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 way by which to provide guidance to the Secretariat and the AP on the categories of entities to prioritize.

62. To close the current coverage gaps identified in section III of this document (stocktaking and lessons learned), the AC recommends that:

- (a) 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 2017; and
- (b) The GCF should 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>11</sup>
  - (ii) A pilot programme to support micro-, small- and medium-sized enterprises;<sup>12</sup> and
  - (iii) A pilot programme to mobilize resources at scale in order to address adaptation and mitigation.<sup>13</sup>

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<sup>10</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 GCF 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".

<sup>11</sup> Decision B.10/04, paragraph (a).

<sup>12</sup> Decision B.10/11, paragraph (a).

<sup>13</sup> Decision B.10/11, paragraph (a).

63. The AC further recommends that the AP prioritizes the review of the fulfilment of conditions and requests for upgrades, in particular those for which the AP recommended that entities seek upgrades.

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