



**GREEN  
CLIMATE  
FUND**

**Meeting of the Board**  
5 – 6 July 2017  
Songdo, Incheon, Republic of Korea  
Provisional agenda item 18(b)

**GCF/B.17/Inf.10**

**5 July 2017**

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# Matters related to accreditation framework and policy

## Report of the Accreditation Committee

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### **Summary**

This document presents updates by the Accreditation Committee that further develop the accreditation framework, in particular matters related to the types of entities to be accredited to the GCF, in accordance with decision B.13/28.

## I. Background

1. The purpose of this document is to present options for the further development of the accreditation framework, in line with decisions B.13/28, paragraph (b), and B.14/08, paragraph (c). It was prepared by the Accreditation Committee (AC) with the support of the Secretariat and in consultation with the Accreditation Panel (AP).

## II. Preparation of the document

2. In preparing this document, the AC, with the support of the Secretariat:
  - (a) Held virtual meetings;
  - (b) Held meetings with members of the AP to discuss their views on how to further develop the accreditation process, wherein the AP requested further guidance on the types of entities that could be accredited to the GCF; and
  - (c) Took into account lessons learned by the AP and the Secretariat, and discussions during and since the thirteenth meeting of the Board.
3. The Board is invited to consider the indicative further development of the accreditation framework identified in this document.

## III. Indicative further development of the accreditation framework

4. In decision B.07/02, the Board established the initial guiding framework for the GCF accreditation process. The general objective of this guiding framework is to enable a coherent integration of the initial fiduciary principles and standards<sup>1</sup> and the interim environmental and social safeguards<sup>2</sup> with the accreditation process of the GCF and its related operational systems and procedures, including the organizational structure and governance system dedicated to supporting it.
5. This framework serves as the basis for the accreditation process that has been operationalized since the launch of the Online Accreditation System on 17 November 2014, and is applied with a fit-for-purpose approach.<sup>3</sup>
6. As at 31 January 2017, the operationalization of the accreditation framework as adopted in decision B.07/02 had led to 48 entities being accredited, 5 entities being in the Stage II (Step 1) review by the AP, 71 entities being in Stage I and a further 76 entities preparing their applications for submission to become an accredited entity (AE).

### 3.1 Types of entities eligible for accreditation

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<sup>1</sup> Annex II to decision B.07/02 (annex II to document GCF/B.07/11).

<sup>2</sup> Annex III to decision B.07/02 (annex III to document GCF/B.07/11).

<sup>3</sup> In annex I to decision B.08/02 (annex I to document GCF/B.08/45), paragraphs 2 and 5, respectively, it is stated that: "The fit-for-purpose 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 GCF's ESS, in the accreditation process is commensurate with the level of fiduciary and nonfinancial (e.g. environmental and social) risk to which the GCF will be exposed through the activities of implementing entities and intermediaries."

7. In accordance with the Governing Instrument for the GCF, access to GCF resources will be through national, regional and international implementing entities accredited by the Board. For direct access, recipient countries will nominate competent subnational, national and regional implementing entities for accreditation to receive funding. For international access, recipient countries will be able to access the GCF through accredited international entities, including United Nations agencies, multilateral development banks, international financial institutions and regional institutions.
8. In accordance with the Governing Instrument, all entities shall be accredited based on specific accreditation criteria that reflect the fiduciary principles and standards and environmental and social safeguards of the GCF, as well as its gender policy. In order to respond to the request by the AP 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 I,<sup>4</sup> the Secretariat would provide an initial assessment of the applicant's alignment with the objectives and guiding principles of the GCF and conduct a completeness check of the overall application, when determining which applications should be referred to the AP, including:
- (a) A demonstrated commitment to sustainable development and sustainable corporate practices;
  - (b) A demonstrated commitment to and progress made in fostering low-emission and climate-resilient development;
  - (c) A high degree of transparency in all non-confidential project/investment information;
  - (d) A record of deploying finance through open untied procurement; and
  - (e) A proven capacity to implement projects effectively.
9. Beyond this, there have been different views expressed:
- (a) Some members have considered providing greater clarity to the Secretariat and the AP, as well as more certainty to potential applicants, by recommending that some 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. Such entities are as follows:
    - (i) Individuals: some members stated that individuals are not entities that can apply for accreditation; they cannot have their own fiduciary, environmental or social safeguards or standards. Further, accrediting individuals is not economical when one considers the resources and time required of the Secretariat, the AP and the Board to review and consider an application. Individuals are better suited to partner as service providers or advisors to GCF-funded activities;
    - (ii) Consultancies: one member stated that such entities are unlikely to have their own fiduciary, environmental or social safeguards or standards and are also unlikely to have a track record or capacity as implementing agencies. They are better suited to partner as service providers or advisors to GCF-funded activities;
    - (iii) Consortiums and industry groups or associations: one member stated that these institutions should not apply for accreditation because they do not implement activities on the ground. In particular, they would not have their own fiduciary, environmental or social safeguards or standards regarding project

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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).

- implementation. They are better suited to partner as service providers or advisors to GCF-funded activities;
- (iv) Think tanks: one member stated that these institutions should not apply for accreditation because they do not implement activities on the ground. In particular, they would not have their own fiduciary, environmental or social safeguards or standards regarding project implementation. They are better suited to partner as service providers or advisors to GCF-funded activities;
  - (v) Export–import banks or agencies: one member stated that these institutions are inappropriate AEs because of their core mandate focused on domestic export promotion. Consequently, export–import banks cannot display an adequate track record of deploying finance through open untied procurement. They are better suited to partner with the GCF as co-financiers;
  - (vi) Non-governmental organizations and foundations that do not implement projects/programmes: one member stated that non-governmental organizations and foundations that do not have a track record or capacity to implement projects effectively are not proper partners for the GCF, where the duty of an AE is to implement projects. They are better suited to engage with the GCF and its projects/programmes through stakeholder engagement processes;
  - (vii) Academic institutions: one member stated that these institutions should not apply for accreditation because they do not implement activities on the ground. In particular, they would not have their own fiduciary, environmental or social safeguards or standards regarding project implementation. They are better suited to engage with the GCF and its projects/programmes through stakeholder engagement processes, or potentially as service providers or advisors to GCF-funded activities; and
  - (viii) Municipalities: one member stated that these institutions should not apply for accreditation because they are very narrow in scope, only able to implement activities within a small, subnational geographic region. Municipalities should work through a national, regional or international entity that has the track record required to implement GCF projects.
- (b) Some members stated that the current list of AEs provided a precedent for accreditation decisions. However, should an entity that is included in the list outlined in paragraph 9 (a) above apply for accreditation, the Secretariat should bring this to the attention of the AC for guidance before sending its application on to the AP;
  - (c) Other members expressed their opposition to a list of inappropriate partners for the GCF as outlined in paragraph 9(a) above. Based on the Board’s discussion at its thirteenth meeting, while some Board members expressed interest in such an approach, there were also Board members who did not agree; and
  - (d) A member stated that to ensure consistency and fairness, the conformity of the 48 AEs with the criteria referred to in paragraph 8 above should be assessed and reported to the Board for consideration.

## 3.2 Access modalities

10. Regarding direct access, a member stated that they should implement projects in the nominating country or country's region<sup>5</sup> only, whereas another member indicated that this approach is not in line with decision B.09/07, paragraph (c), on the geographic scope of entities from recipient countries. Another member of the AC expressed a different view and considered that this decision pertains to a procedural issue and does not clarify the definition of direct access and international access. In that member's view, the lack of definition is a critical gap in the current framework and defining these categories will benefit the GCF and the countries it serves.

11. While the accreditation framework reaffirms the direct access and international access modalities, a few questions need guidance from the Board:

- (a) Which access modality should private sector entities take?<sup>6</sup>
- (b) What should the definition of private sector be?
- (c) How should the accreditation of an entity relate to its affiliates?

12. Some members expressed the opinion that potential options to address these issues could include:

- (a) Request the AP to align its accreditation modality recommendation with paragraphs 10 and 11 above;
- (b) Define direct access entities as those that implement projects in their home country or region only;
- (c) Define direct access entities as those that are based in developing countries with a strong focus on implementing activities in that same country or region;
- (d) Accredite private sector entities based on the geographic scope in which they work, which is determined by what they apply for, what the AP recommends and what the Board agrees to; and
- (e) Exclude private sector entities' affiliates from automatic accreditation unless they have been vetted by the AP and met the GCF standards.

## 3.3 Post-accreditation and upgrading

13. Post-accreditation and upgrading are to be processed under the existing accreditation framework and in accordance with the GCF accreditation standards (initial fiduciary standards, interim environmental and social safeguards and gender policy).

14. The AC notes that projects approved by the GCF for an AE are for the category for which that entity was accredited. It is therefore not clear on what basis they can demonstrate a track record and therefore be considered for an upgrade. This is particularly important for the categories of project/programme activity size and for the specialized fiduciary standard for grant award and/or funding allocation mechanisms and specialized fiduciary standard for on-lending and/or blending.

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<sup>5</sup> Regional definitions should align with the United Nations regional designations.

<sup>6</sup> One member stated that private sector entities should not be required to apply to the GCF as only a direct access or international access entity. The member further noted that private sector entities should apply based on their intended geographic scope of activities.

15. However, as different scenarios may arise depending on the AE accreditation type, further guidance may be necessary regarding the following elements:
- (a) The time requirements an AE must meet before applying for upgrade; and
  - (b) The considerations against which AEs will be assessed (i.e. successful track record of implementing the GCF standards and safeguards, use of readiness support, etc.).
16. Potential options to address the gaps include:
- (a) Allow one upgrade request per AE and per each replenishment cycle; and
  - (b) Develop a mentorship programme along with readiness support to allow direct access entities to programme GCF resources beyond their scope of accreditation, and use this result to consider a request for upgrade. This option was suggested by one member and was not explicitly discussed in detail by the AC.

#### **IV. Additional policy guidance to be developed**

17. As the GCF strives to achieve a balance and diversity in its portfolio of AEs, while acknowledging its operational capacity and budget, clarification on how balance and diversity may be defined should be provided.
18. 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.
19. Some members are of the view that a review of the categories of accreditation and the impact on accreditation demand should be conducted. For example, many direct access entities are accredited for the micro category and this will result in many small projects being proposed to the GCF. This also creates a demand for readiness support. Adjusting the ranges of financial volumes in the project/programme size categories (decision B.08/02) should be considered in order to facilitate more impactful and transformational project proposals.
20. The option that direct access entities from small island developing States and the least developed countries may submit projects beyond their scope of accreditation with additional support in the implementation of such projects should be further considered and was not explicitly discussed in detail by the AC. For instance, this could be undertaken through the Readiness and Preparatory Support Programme or through a partnership between the direct access entities and international access entities. This will further assist these countries to achieve the coverage they need using their national entities, which may be limited in terms of their accreditation type or capacities, and prepare for future upgrades in accreditation.
21. Regarding the suggestion in paragraph 19 above, some members of the AC mentioned that they do not support adjusting the accreditation framework's financial volumes at this time. One member is interested to hear more about the suggestion in paragraph 16(b) above. The members' understanding of this mentorship programme is that it would address the track record issue and therefore allow more direct access entities to grow their GCF portfolio and increase their accreditation levels over time.
22. The AC, in consultation with relevant stakeholders, will develop, if necessary, additional detailed policy documents in priority areas, including:
- (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.
23. In order to foster transparency, the Secretariat will provide statistics on the entities in the pipeline prior to each Board meeting and to the AC prior to broader release. Parameters for these statistics should include:
- (a) Category of entity (direct access, international access and private sector);
  - (b) Type of entity;
  - (c) Geographic scope;
  - (d) Size of an individual project or activity within a programme;<sup>7</sup>
  - (e) Fiduciary functions;<sup>8</sup> and
  - (f) Environmental and social risk category.<sup>9</sup>
24. The Secretariat may, in order to further support the activities of the AP, launch a call for public input in order to establish 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 portfolio of activities of the AEs, beyond those funded by the GCF, have evolved during the accreditation period.<sup>10</sup>

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<sup>7</sup> Size categories include micro, small, medium and large. Further information is contained in annex I to decision B.08/02 (annex I to document GCF/B.08/45).

<sup>8</sup> Fiduciary functions include project management; grant award and/or funding allocation; and on-lending and/or blending for loans, equity and/or guarantees. Further information is contained in annexes I and II to decision B.07/02 (annexes I and II to document GCF/B.07/11).

<sup>9</sup> Environmental and social risk categories include minimal or no environmental and social risks and impacts Category C/Intermediation 3, medium Category B/Intermediation 2, and high Category A/Intermediation 1. Further information is contained in annexes I and III to decision B.07/02 (annexes I and III to document GCF/B.07/11).

<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".