



**GREEN
CLIMATE
FUND**

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GCF/B.18/15
22 September 2017

Matters related to the accreditation framework and policy gaps: Co-Chairs' proposal

Summary

This document is in response to decision B.17/14 regarding matters related to the accreditation framework and policy gaps and presents the Co-Chairs' proposal.

I. General mandate

1. In decision B.17/14, the Board requested the Co-Chairs to undertake consultations with members and alternate members of the Board in relation to decision B.13/28, paragraph (b), and decision B.14/08, paragraph (c), and present a proposal on matters related to the accreditation framework and policy gaps for consideration by the Board at its eighteenth meeting.
2. This document presents the Co-Chairs' proposal regarding the next steps related to this decision.

II. Recommended action by the Board

3. It is recommended that the Board:
 - (a) Takes note of the information presented in document GCF/B.18/15 titled "Matters related to the accreditation framework and policy gaps: Co-Chairs' proposal"; and
 - (b) Approves the draft decision presented in annex I.

III. Linkages with decisions and other documents

4. This document has actual or potential linkages with the following items:
 - (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" (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) "Country programming, readiness and preparatory support" (decision B.13/32);
 - (g) "Application documents for submissions of applications for accreditation" (decision B.08/06);
 - (h) "Policy on fees for accreditation" (decision B.08/04);
 - (i) "Comprehensive information disclosure policy of the Fund" (decision B.12/35);
 - (j) "Consideration of accreditation proposals" (decisions B.09/07, B.10/06, B.12/30, B.14/09, B.14/10, B.14/11, B.15/09 and B.17/13);
 - (k) "Consideration of accreditation proposals" (GCF/B.18/09);¹
 - (l) "Legal and formal arrangements with accredited entities" (decision B.09/08);
 - (m) "Accreditation master agreements" (decision B.12/31);

¹ To be considered by the Board at its eighteenth meeting.

- (n) “Investment framework” (decision B.07/06);
- (o) “Initial results management framework of the Fund” (decisions B.07/04 and B.08/07);
- (p) “Use of other financial instruments” (decision B.08/12);
- (q) “Interim policy on fees for accredited entities” (annex II to decision B.11/10);
- (r) “Initial monitoring and accountability framework for accredited entities” (decision B.11/10);
- (s) “Strategic plan for the Green Climate Fund” (decision B.12/20);
- (t) “Strategy on accreditation” (decisions B.13/19 and B.14/08);
- (u) “Matters related to accreditation framework and policy: Report of the Accreditation Committee” (decision B.17/14);
- (v) “Readiness and Preparatory Support Programme: progress report” (GCF/B.18/07);²
- (w) “Policies related to prohibited practices, anti-money laundering and countering the financing of terrorism” (under preparation); and
- (x) “Revised policy on fees for accredited entities” (under preparation).

IV. Background

5. 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 standards³ and the interim environmental and social safeguards⁴ 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.

6. The accreditation process of the GCF is based on three main stages as follows:

- (a) Stage I: national designated authority or focal point nomination for accreditation application (for entities applying under the direct access track) and institutional assessment and completeness check;
- (b) Stage II: accreditation review and decision; and
- (c) Stage III: final arrangements.

7. As per paragraph 34 of annex II to decision B.07/02, the objective of Stage II is to conduct the actual review of the applications for accreditation submitted by the interested entities, with a view to determining their suitability for accreditation to the GCF. This process consists of two main steps:

- (a) Stage II (Step 1): the review of the application for accreditation to be conducted by the Accreditation Panel (AP); and
- (b) Stage II (Step 2): the decision on the application, to be made by the Board on the basis of the outcome of the review and recommendation of the AP.

8. In this context, the Board per decision B.07/02, paragraph (g), established the GCF’s AP as an independent technical panel to advise the Board on matters related to the accreditation of

² Ibid.

³ Annex II to decision B.07/02 (annex II to document GCF/B.07/11).

⁴ Annex III to decision B.07/02 (annex III to document GCF/B.07/11).

entities to the GCF. The AP is comprised of six expert members with balanced representation between developing and developed countries and the appropriate range of expertise, and is nominated by the Accreditation Committee (AC) for endorsement by the Board.

9. In the initial guiding framework on accreditation, the responsibilities of the AP include:
 - (a) The accreditation review process;
 - (b) Independent advice to the Board on applications for accreditation;
 - (c) Expert inputs for the further development of the GCF's fiduciary standards, environmental and social safeguards, the GCF's environmental and social management system, as well as to the review of the guiding framework of the GCF's accreditation process; and
 - (d) Expert advice and inputs for the development of the complementarity and coherence element of the guiding framework, its work programme as well as the criteria and assessment of entities already accredited to other relevant funds.
10. The scope of the AP's responsibilities are defined in the AP's terms of reference (annex V to decision B.07/02), which include:
 - (a) Independent technical advice to the Board on the results of the in-depth assessment and review of individual applications for accreditation;
 - (b) Expertise in good-practice fiduciary principles and standards, financial intermediation functions, intermediation regulations and oversight;
 - (c) Expertise in environmental and social safeguards, as well as in evaluating environmental and social management systems in order to ensure that applicant entities have the capacity to implement and oversee the GCF interim and subsequent environmental and social safeguards;
 - (d) Expertise in international and recognized good practices in accreditation procedures and systems; and
 - (e) Expert policy advice on developing countries' special circumstances, including sustainability and climate-related issues.
11. In the context of its role, the AP works primarily with the Secretariat and the AC:
 - (a) The role of the Secretariat is to support the systems, processes and procedures of the accreditation process. Its responsibilities regarding accreditation include, for example, the ongoing development of accreditation standards and criteria, operationalization of the procedures supporting the accreditation process, and conducting the Stage I check of accreditation applications.⁵ The AP and Secretariat work together in the review of applications; and
 - (b) The role of the AC includes providing policy guidance to the AP to facilitate the accreditation process without interfering with the technical assessments of the AP.⁶ The AC and the AP engage regarding accreditation policy matters.
12. 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

⁵ The role and mandate of the Secretariat is contained in paragraph 53 of annex II to decision B.07/02.

⁶ The role and mandate of the Accreditation Committee is contained in paragraph 51 of annex II to decision B.07/02. The terms of reference of the Accreditation Committee is contained in annex IV to decision B.07/02.

is applied with a fit-for-purpose approach.⁷ Since the opening of the call for applications for accreditation and up to 31 August 2017, 240 entities have been issued with accounts on the Online Accreditation System,⁸ the web-based portal through which applicants submit their applications for accreditation.⁹ Of these, 146 applications have been submitted, including those of the 54 AEs. Further details of the status of accreditation are contained in the “Consideration of accreditation proposals” (document GCF/B.18/09).

13. In decision B.10/06, paragraph (r), the Board requested the AC with the support of the Secretariat to work on a strategy on accreditation for consideration by the Board at its eleventh meeting. The report should 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 GCF to fulfil its mandate.

14. In the “Reports from committees, panels, and groups of the Board of the GCF” at the twelfth meeting of the Board (GCF/B.12/02), the report of the AC contained its report on progress on developing a strategy on accreditation. In decision B.12/21, the Board deferred its consideration of the strategy on accreditation to the thirteenth meeting of the Board.

15. The AC prepared the “Strategy on accreditation” (GCF/B.13/12) for consideration at the thirteenth meeting of the Board. 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).

16. Taking into account information on the portfolio of accredited entities and pipeline of applicants and lessons learned from the operationalization of the accreditation framework, the AC prepared a “Strategy on accreditation” (GCF/B.14/09), presented at the fourteenth meeting of the Board. In the document, the Accreditation Committee proposed process and reporting recommendations.

17. In paragraph 42 of annex II to document GCF/B.14/09, based on the track record for accreditation at the time of the document, it would 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.

18. The 54 Accredited Entities have been accredited by the Board as follows:

Table 1: Entities accredited by Board meeting number

	Board meeting					
	Ninth	Tenth	Twelfth	Fourteenth	Fifteenth	Seventeenth
Number of entities accredited	7	13	13	8	7	6

⁷ 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.”

⁸ Available at <<https://accreditation.gcfund.org/>>.

⁹ In decision B.07/02, paragraph (o), the Board requested the AP, in collaboration with the Accreditation Committee and the Secretariat, to report annually to the Board on the status of applications for accreditation.

19. Entities were recommended at the eleventh and thirteenth meetings of the Board.¹⁰ However, the Co-Chairs deferred the agenda item on the “Consideration of accreditation proposals” from the eleventh to the twelfth meeting of the Board.¹¹ In decision B.13/28, paragraph (a), the Board decided to defer the consideration of applicants 034 to 038, as contained in document GCF/B.13/23, until the fourteenth meeting of the Board.
20. Since the opening of the accreditation process on 17 November 2014 and up to the last decision on accreditation, an average of 20 entities per year have been accredited. As noted in the “Consideration of accreditation proposals” (GCF/B.18/09), the time taken to process applicants has varied and depends on the entity’s capacity and the modalities for which it is applying, in addition to factors such as resources available to process applications and the workload from the growing pipeline of applicants. Based on the dates of key milestones and not accounting for actual active time spent by the applicants or the GCF, from opening an Online Accreditation System account to approval by the Board, it took between 2.3 and 26.5 months to accredit the 54 AEs – noting that 36 of them were fast-tracked – reflecting an average of 12.0 months (see figure 3 of the document). This includes an average time frame for application review by the Secretariat and the AP of 10.5 months; however, the active time for review is less. There is an increasing number of applications under the normal-track accreditation process and those applying for more criteria or functions, which generally require more time for review than applications that are fast-track eligible and those applying only for project management functions.
21. While decision B.14/08, paragraph (d)(i), established a prioritization of entities applying for accreditation that has been applied in 2016 and 2017, this approach focuses on prioritizing entities amongst the current pipeline of applicants.
22. A review of the accreditation framework is set out in Section VIII of the accreditation framework (annex I to decision B.07/02). Noting that the accreditation framework will be an evolving process intended to ensure continuous improvement and alignment with international good practices and to reflect the experience gained by the GCF (paragraph 59 of said section), the Secretariat will be responsible for proposing to the Board, in collaboration with the AC and AP, the terms of reference for a comprehensive review of the guiding framework of the GCF’s accreditation process once the GCF has built up a track record of experience and lessons learned (paragraph 60).
23. In paragraph 61 of said section, the Secretariat, the AC, and the AP may also propose to the Board a focused review of specific elements of the guiding framework of the accreditation process, including the GCF’s initial fiduciary standards and initial environmental and social safeguards, as deemed necessary and in the context of the development of the GCF’s additional specialized fiduciary standards, its environmental and social safeguards, and its environmental and social management system.
24. Paragraph 22, “Evaluation of accreditation”, in annex I to decision B.08/03 on the fit-for-purpose approach to accreditation states that the accreditation framework will be reviewed every five years. The Secretariat or the AP may also recommend a focused review of specific elements of the fit-for-purpose accreditation approach as needed.
25. The Co-Chairs’ propose that without an intervention beyond the prioritization of entities applying for accreditation and requests for proposals, and based on a pipeline of 92 applications

¹⁰ Documents GCF/B.11/03, GCF/B.11/03/Corr.01 and GCF/B.11/03/Add.02 for the eleventh meeting of the Board and document GCF/B.13/23 for the thirteenth meeting of the Board.

¹¹ “Report of the eleventh meeting of the Board, 2-5 November 2015” (GCF/B.11/25) for the eleventh Board meeting and “ (GCF/B.13/33) for the thirteenth meeting of the Board.

under Stage I or Stage II (Step 1) as at 31 August 2017, some entities may only be accredited in four to five years.

Annex I: Draft decision of the Board

The Board, having considered document GCF/B.18/15 titled “Matters related to the accreditation framework and policy gaps: Co-Chairs’ proposal”:

- (a) Decides to commence the review of the accreditation framework; and
- (b) Requests the Secretariat to present a proposal for the revision of the accreditation framework that includes other modalities for institutions to work with GCF, as early as the nineteenth meeting of the Board.
