



**GREEN  
CLIMATE  
FUND**

**Meeting of the Board**  
27 February – 1 March 2018  
Songdo, Incheon, Republic of Korea  
Provisional agenda item 18

**GCF/B.19/28**  
9 February 2018

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# Further development of the accreditation framework

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## **Summary**

In line with decision B.18/04, paragraphs (a) and (b), this document presents an initial review of the accreditation framework and proposes a project-specific assessment approach as a complementary modality to accreditation in order to accelerate proposals submitted under the Simplified Approval Process and Request for Proposals approved by the Board. The document also includes next steps for completing the review of the accreditation framework and introduces potential other modalities to be analyzed further with a view to presenting it to the Board as early as its twentieth meeting.

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## I. General mandate

1. In decision B.07/02, paragraph (a), the Board adopted the initial guiding framework for the GCF's accreditation process. In decision B.18/04, paragraph (a), the Board decided to commence the review of the accreditation framework. In paragraph (b) of the same decision, the Board requested the Secretariat to present a proposal for the revision of the accreditation framework that includes other modalities for institutions to work with the GCF, as early as the nineteenth meeting of the Board.

2. This document presents a progress report on the review of the accreditation framework, including an initial review by the Secretariat and preliminary findings presented in annex III. The document also includes information on the development of potential other modalities for institutions to work with the GCF next steps for the review and analysis of these modalities, which is expected to be presented to the Board as early as its twentieth meeting. The full review of accreditation by an independent third party is expected to include a review of the accreditation framework and the process to operationalize it, as well as the broader scope of the partnership between the GCF and an Accredited Entity (AE), and consultations with stakeholders.

3. In this document, however, the Secretariat is presenting to the Board for its consideration a proposal on the project-specific assessment approach, which is described in section 6.3 and the parameters for operationalizing it is contained in annex II to this document. The approach is intended to be a complementary modality to accreditation, coexisting alongside it as an additional approach for institutions to access resources from the GCF albeit in a limited way. The Secretariat has brought forward this approach as an advance proposal for the Board's consideration even as the review of the accreditation framework is underway in order to address the urgent need to unlock the potential of the Request for Proposals (RFP) and the Simplified Approvals Process (SAP), as well as to unclog the accreditation pipeline of entities that are seeking to only engage under these special initiatives.

## II. Recommended action by the Board

4. It is recommended that the Board:
- (a) Takes note of the information presented in document GCF/B.19/28 titled "Further development of the accreditation framework"; and
  - (b) Adopt the decision included in annex I.

## III. Linkages with decisions and other documents

5. 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) “Comprehensive information disclosure policy of the Fund” (decision B.12/35);
- (i) “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, B.17/13 and B.18/05);
- (j) “Legal and formal arrangements with accredited entities” (decision B.09/08);
- (k) “Accreditation master agreements” (decision B.12/31);
- (l) “Investment framework” (decision B.07/06);
- (m) “Initial results management framework of the Fund” (decisions B.07/04 and B.08/07);
- (n) “Use of other financial instruments” (decision B.08/12);
- (o) “GCF risk management framework” (decision B.17/11);
- (p) “Interim Policy on Prohibited Practices” (decision B.12/31);
- (q) “Anti-Money Laundering and Countering the Financing of Terrorism Policy” (decision B.18/10);
- (r) “Interim policy on fees for accredited entities” (annex II to decision B.11/10);
- (s) “Additional modalities that further enhance direct access: Terms of reference for a pilot phase” (decision B.10/04);
- (t) “Private Sector Facility: working with local private entities, including small and medium-sized enterprises” (decision B.09/09);
- (u) “Private Sector Facility: potential approaches to mobilizing funding at scale” (decision B.09/09);
- (v) “Recommendations for further accrediting national, regional and private sector entities (progress report)” (document GCF/B.10/Inf.12);
- (w) “Policy matters related to the approval of funding proposals: Simplified approval process for certain small-scale activities” (decision B.18/06);
- (x) “Initial monitoring and accountability framework for accredited entities” (decision B.11/10);
- (y) “Strategic plan for the Green Climate Fund” (decision B.12/20);
- (z) “Strategy on accreditation” (decisions B.13/19 and B.14/08); and
- (aa) “Matters related to the accreditation framework and policy gaps: Co-Chairs’ proposal” (decision B.18/04).

#### **IV. GCF business model and architecture**

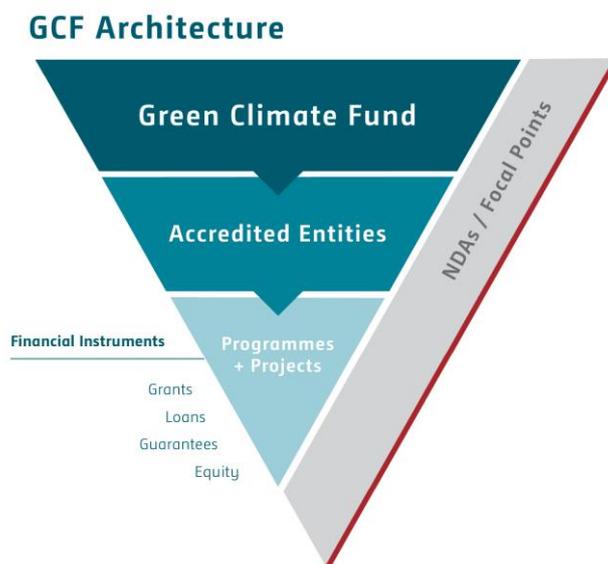
6. As an operating entity of the Financial Mechanism of the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement, the GCF provides support to developing countries and Parties to the UNFCCC and the Paris Agreement to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change.

7. The Strategic Plan of the GCF states that the GCF will support developing countries in the implementation of the ambitious Paris Agreement.<sup>1</sup> The Strategic Plan further states that based on its mandate defined in the Governing Instrument, the GCF will do so by promoting a paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development. Through country programmes, recipient countries via their national designated authority (NDA) or focal point can indicate country needs and priorities in addressing climate change. As per the Governing Instrument for the GCF, access to GCF resources will be through national, regional and international implementing entities accredited by the Board.<sup>2</sup> The diversity of AEs can provide recipient countries with choices of partners to meet the countries' needs and priorities.

8. In particular, direct access entities are important for promoting country ownership and understanding national priorities and contributions towards low-emission and climate-resilient development pathways. Private sector entities at all levels, particularly those in developing countries, can be important partners in promoting private sector climate action in developing countries. With GCF financing, they can help in de-risking the delivery of private capital and scaling up private sector investment flows for low carbon and climate resilient development.

9. The GCF and its network of partners, particularly 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.

**Figure 1: GCF architecture**



*Abbreviations:* NDAs = National Designated Authorities

10. Within GCF's architecture, AEs are expected to:
- (a) Cover the full project and programme cycle in engaging with the GCF, starting from engaging with developing countries via the NDA and focal point in order to respond to and align potential projects/programmes with country priorities, strategies, approaches and needs on climate change;

<sup>1</sup> Annex I to decision B.12/20.

<sup>2</sup> Paragraph 41 of the Governing Instrument.

- (b) Develop and periodically update an Entity Work Programme in order to deliver country-owned, high-impact proposals in a strategic manner;
- (c) Design projects and develop funding proposals to be considered by the GCF for financing; and
- (d) Implement and deliver results of such activities.<sup>3</sup>

11. The accreditation type of the AE, specifically the financing size category, financing modality (e.g. managing projects, awarding grants, on-lending, providing guarantees and/or undertaking equity investments) and environmental and social (E&S) risk category, govern the maximum scope within which the AE can submit a funding proposal for a project/programme.

12. The GCF relies on the primary due diligence and the risk assessment performed by AEs.<sup>4</sup> The AEs are responsible for the overall management, implementation and supervision of activities financed by the GCF and are expected to administer funds disbursed with the same degree of care as they use in the administration of their own funds. The Secretariat and the independent Technical Advisory Panel conduct second-level due diligence on funding proposals submitted by AEs.<sup>5</sup>

13. The GCF also seeks 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 UNFCCC and the Paris Agreement. To that end, the Board requested the Accreditation Panel, with the support of the Secretariat as necessary, to establish a baseline on the overall portfolio of accredited entities, including those already accredited at an earlier stage, that allows for an assessment of the extent to which the AE' overall portfolios of activities, beyond those funded by the GCF, have evolved in this direction during the accreditation period.<sup>6</sup>

## V. Progress report on the review of the accreditation framework

14. Accreditation of entities is central to the GCF business model. An accreditation process has been developed in accordance with the GCF initial guiding framework for accreditation,<sup>7</sup> and is applied with a fit-for-purpose approach.<sup>8</sup> The general objective of this guiding framework is to enable a coherent integration of the GCF's initial fiduciary principles and standards<sup>9</sup> and interim environmental and social safeguards<sup>10</sup> with the accreditation process of the GCF as well as related operational systems and procedures of the GCF.

15. In advance of the full review of the accreditation framework, the Secretariat conducted an initial analysis of GCF's approved project/programme portfolio, pipeline of submitted concept notes and funding proposals, entities accredited to date and the accreditation applicant pipeline. This initial review is contained in annex III to this document. The analysis undertaken

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<sup>3</sup> Annex IV to decision B.17/09, paragraph (n).

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

<sup>5</sup> In decision B.17/09, paragraph (o), the Board requested the Secretariat to define the nature, scope and extent of second-level due diligence and submit the same to the Board for its consideration no later than April 2018.

<sup>6</sup> Decision B.12/30, paragraph (d).

<sup>7</sup> Annex I to decision B.07/02 (annex I to document GCF/B.07/11).

<sup>8</sup> Annex I to decision B.08/02 (annex I to document GCF/B.08/45). 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>9</sup> Annex II to decision B.07/02.

<sup>10</sup> Annex III to decision B.07/02.

in the initial review delineates a number of challenges facing the current accreditation process, provides preliminary findings to be explored further, and outlines two potential modalities to pilot as a complement to the current accreditation framework.

16. The analysis of the GCF's approved portfolio demonstrates that the majority of GCF financing is being channelled through international access AEs, and that the current project/programme pipeline mirrors that same trend. The current approved portfolio is also heavily clustered around micro- to medium-sized projects and programme activities that utilize GCF financing mostly in the form of grants, with fewer involving loans, equity or guarantees. Even with the portfolio of AEs, it is evident that international access AEs dominate the portfolio of entities relative to direct access AEs as they are accredited to implement larger-sized, higher E&S risk projects utilizing a wide-range of financial instruments. Thus, countries that want to work through direct access entities are limited in the kinds of activities that they can pursue through such entities in order to address the major challenges of climate change. Certain challenges may require different financial instruments, larger amounts of financing and/or higher E&S risk interventions to create a paradigm shift than the current portfolio of direct access entities can undertake.

17. Another issue identified through this analysis is the difficulty NDAs face with the nomination process and finding institutions with a solid track record against each GCF standard. It is sometimes difficult for NDAs to find a national institution that has a track record across the entire spectrum of fiduciary, E&S and gender standards and institution-wide systems to identify, manage and mitigate related risks. For example, financial institutions tend to have stronger fiduciary standards compared to environmental and social standards; government agencies in some cases may have stronger environmental and social standards and gender policies as compared to the fiduciary standards or range of financial instruments. NDAs sometimes struggle to select between an entity that has fewer gaps against the GCF standards or one that aligns more closely to the country's programmatic priorities but may require further capacity building and time to build the experience in order to meet GCF standards.

18. Other challenges identified with the current model include:

- (a) Avoidable time lags in the development and implementation of projects due to the length of time taken for accreditation of applicants and duplication of reviews across the accreditation and funding proposal stages for AEs; and
- (b) The difficulty in having an accreditation system that aims to fit the diverse nature of institutions that countries would like to engage, including those that may intend to bring multiple proposals as well as those that only intend to bring one or two proposals to the GCF.

19. One of the benefits of having a broader range of AEs is that it enables countries to access a wider range of financing, whether through different types of institutions with various comparative advantages, financial instruments, E&S risk levels or project/programme activity sizes. The GCF is now at a stage where it can learn from its evolving portfolio and make changes to ensure countries have the ability to utilize both direct and international access modalities, as well as make use of the broad project types available.

## **VI. Improving the accreditation framework to meet the GCF's objectives**

### **6.1 Potential revision of the accreditation framework**

20. The current accreditation process provides a rigorous assessment of an entity's overall capabilities and processes as they relate to the GCF's fiduciary principles and standards,

environmental and social safeguards (ESS) and gender policy. An entity must also demonstrate a track record of the institution's capabilities, processes, and policies as well as its ability to comply with GCF's prohibited practices and transparency, anti-fraud policies, etc. However, it does not guarantee alignment between the AE and GCF for any specific project or programme.

21. The major roles of an AE are to shepherd a project from conception to closing; to ensure project implementation runs smoothly in all aspects of the project throughout the project cycle; and to provide oversight of executing entities. An AE is responsible and accountable for all activities under each stage of the project cycle including pre-concept discussion with the beneficiary countries, identification of potential projects, formulation of project concept notes, developing the full funding proposal, project implementation and supervision, project completion, financial closure for the project, and evaluation.

22. Given the level of responsibility of an AE, the accreditation process, even with a fit-for-purpose approach is time consuming and detailed. NDAs have complained about the length of time it takes for an organization to move through the process and the lack of clarity as to what type of entity should be put forward. While the fit-for-purpose approach has allowed for a level of tailoring the various GCF standards to the nature and broadly the types of activities the entity could undertake with the GCF, there are still certain standards that do not necessarily fit the business models of certain types of organizations.

23. There is also confusion as to how many and which entities would be ideal to be nominated. There are many countries that have yet to nominate a single entity, others that have nominated one or two entities, and some that have nominated seven or eight entities. To help provide clarity it might be helpful to develop an approach that provides geographic balance while also providing countries with sufficient options for accessing finance through the direct access modality.

24. **One option to streamline the accreditation process is to encourage countries to link the nomination of entities to their Country Programming plans by selecting those entities that would be best-suited to undertake their programming priorities.** Requiring, for example, the submission of a pipeline of potential project concepts with an accreditation application would necessitate a strategic discussion about what type of programming a nominated entity could provide to fulfil the country's needs.

25. **Another option would be to allow a hybrid approach of "accreditation with associated partners" as a way to address the conundrum that NDAs face of whether to select an entity that has fewer gaps against the GCF standards or to select an entity that aligns more closely to the country's programmatic priorities that may require further capacity building and time to build the experience in order to meet GCF standards.** This approach would provide flexibility to partners to meet the same standards but through a model that relies not just on its in-house capabilities but also its ability to draw on the comparative strengths of its partners.

26. In terms of structure and governance of the accreditation framework, there are issues related to applicants feeling that there is a duplication of review, as well as difficulties in having two sets of reviewers reviewing the same application. Even with a more strategic country selection process, the current two-stage accreditation review process is cumbersome and duplicative. While the Secretariat's review is supposed to only check whether an application is complete in Stage I, it is virtually impossible to do this without checking whether an entity at the very least has policies and processes in place for each of the application questions. In doing so, the Secretariat veers closer to the types of questions to be raised in Stage II (Step 1) by the AP, where the determination of whether an applicant has the systems, policies, procedures and track record in place to meet GCF standards. Similarly, it is time-consuming and inefficient for the AP members to focus on questions regarding completeness of an application as opposed to working from a complete application and focusing on meeting GCF standards.

27. Although the Secretariat and AP are working to develop a consolidated checklist to be applied in the Stage I and Stage II (Step 1) reviews of applications, a further option to help reduce the review process would be to combine the Stage I and Stage II (Step 1) into one review stage as any completeness check inevitably delves into a gap assessment. There are two potential options for achieving this:

- (a) *Option 1: Secretariat to undertake the review.* To achieve this the technical expertise and capacity of the Secretariat would need to be increased (and augmented with the use of consultancy firms or independent consultants) to conduct the assessments and additional staffing is likely required; or
- (b) *Option 2: AP to undertake the review.* To achieve this there would need to be an increase in AP membership, a review of the current governance and administration support structure for the AP, and an increase in the effort of AP members (currently budgeted part-time at around 8 to 10-person days per month).

28. Either option would have budgetary implications resulting in shifting of budget lines, but ultimately improving the efficiency of the accreditation process. The efficiencies gained by consolidating the accreditation review process into one stage would shorten the overall process and reduce any duplication in work. Option 1 (having the Secretariat undertake the review), would allow for a comprehensive review that is not limited to a check on standards but could utilize expertise across all units of the Secretariat and allow for stronger alignment between the accreditation process and the project-level due diligence process for funding proposals, thereby reducing duplication of reviews. On the other hand, option 2 (having the AP undertake the review) keeps the assessment of entities independent of the Secretariat leaving the Secretariat to focus on project/programme due diligence.

## 6.2 Expanding to other modalities

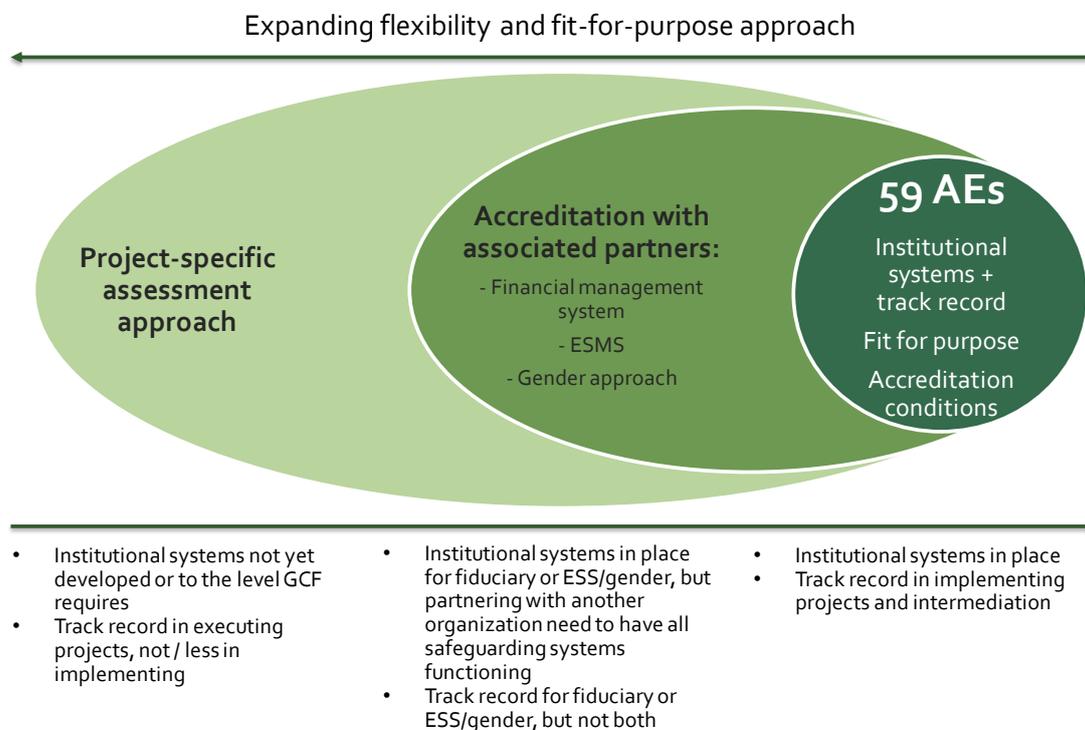
29. Currently, the accreditation framework – as a means-to-an-end of delivering on GCF’s objectives – and fit-for-purpose approach is in place to assess whether an entity has the institution-wide systems, policies and procedures in place to safeguard projects/programmes from fiduciary, environmental, social and gender-related risks and impacts, as well as track record in implementing such systems. The current requirements and standards try to balance the need to uphold all standards while at the same time trying to include the flexibility of a fit-for-purpose approach through different types of accreditation based on function and experience, as well as through conditions of accreditation that identify system, policy or procedure requirements to be in place by specified timeframes. Despite these approaches, further matching of the means to the end is needed.

30. Micro and small-size projects can be powerful catalysts for change and that these potentially lower environmental and social risk, grant-driven projects may be well-suited for local actors to further build their institutional capacity and manage larger funds. To channel larger amounts of funding in this direction, supporting entities that can manage projects under the RFPs for Enhanced Direct Access and Micro- and Small-Enterprises, as well as the SAP can serve accelerate funding through direct access entities for specific outcomes. To achieve these results would require a more nimble and efficient approach in the way the funding proposals submitted by potential entities under this approach and the entities themselves are assessed.

31. In the context of the preliminary review of the accreditation framework previously presented in this document, other modalities for engaging with the GCF besides accreditation as defined in decision B.07/02 may be created with the aim to provide additional options to developing countries to access GCF finance. Such options may include an accreditation of an organization with associated partners, as well as a project-specific assessment approach. In expanding to new modalities, options not only for engagement with the GCF, but also options for

entities to improve their institutional systems may be created in a way that matches the assessment needed of the entity to partner with the GCF with the scope and extent of activities the entity would partner with the GCF on (refer to figure 2 below).

**Figure 2: Potential expansion to other modalities for engaging with the GCF**



*Abbreviations:* AEs = Accredited Entities, ESMS = environmental and social management system, ESS = environmental and social safeguards.

32. In line with the Governing Instrument, national, regional and international, public and private sector entities could seek to engage with the GCF through the different modalities proposed below:

- (a) **Accreditation:** the accreditation process, fit-for-purpose approach and any related policies, would continue to be operational. This approach for engaging with the GCF will primarily be aimed at organizations that have a country-driven pipeline of climate change mitigation and adaptation projects and programmes that meet GCF’s mission and objectives, and have institutional systems in place that meet the GCF’s standards for accreditation related to fiduciary, environmental, social and gender requirements. The pipeline could be submitted to GCF as concept notes or funding proposals for the projects/programmes that fit within the accreditation scope of the entity;
- (b) **Accreditation with associated partners:** this approach could be taken for organizations that may have a focus and institutional strength with regards to some fiduciary, environmental, social or gender aspects, but that may not have institutional systems, policies or procedures in other aspects. For example, a financial institution may have strengths in terms of fiduciary systems that could meet GCF’s requirements, but may not have systems in place to consistently and address environmental and social risks and impacts in such a way that GCF’s current accreditation framework requires. This could also include examples of institutions that may be more focused on environmental, social and gender aspects, but may not have the systems in place regarding financial systems in order to provide a diversity of financial instruments and financing structures. In this approach, an organization could seek accreditation where they would be required to partner with other organizations to fill any institutional gaps,

thereby ensuring that for every GCF-financed project/programme that is proposed by the primary organization, it is safeguarded against the fiduciary, environmental, social and gender related risks and impacts either through its own systems, or via systems of associated partners; and

- (c) **Project-specific assessment approach:** this approach entails assessing a project and the entity (or entities) submitting a funding proposal for its ability to effectively undertake the proposed project. This approach could be applied to entities that have responded to the SAP pilot scheme<sup>11</sup> and entities that respond to and are selected for the RFPs issued by the GCF, for example including a pilot phase for enhancing direct access (EDA); a pilot scheme to support micro-, small-, and medium-sized enterprises (MSMEs); and a pilot programme to mobilize resources at scale in order to address adaptation and mitigation (MFS).

The RFP process lends itself well to a project-specific assessment approach as the objective of such calls is often to catalyze investment in specific activities in a short period of time. Moreover, due to the specialized nature of RFPs, the engagement with an entity responding to an RFP is likely to be for single project and may not lead to further projects with them. The assessment would focus on the organization's ability to implement the proposed project in accordance with GCF requirements, rather than an assessment of the entity's overarching systems, policies and procedures.

33. Based upon the options above, the overall approach to GCF safeguarding projects/programmes financed by the GCF is two-fold: first, the institutional level via accreditation and second, the project/programme level. By focusing assessments on the proposed projects that the entities aim to ultimately deliver rather than on broader institutional systems, as well as by contextualizing the assessment of the institution to the specific proposed project, the Secretariat believes that efficiencies across the overall assessment process would likely be increased and redundancies and gaps between the accreditation and funding proposal due diligence processes would be reduced.

### 6.3 Project-specific assessment approach

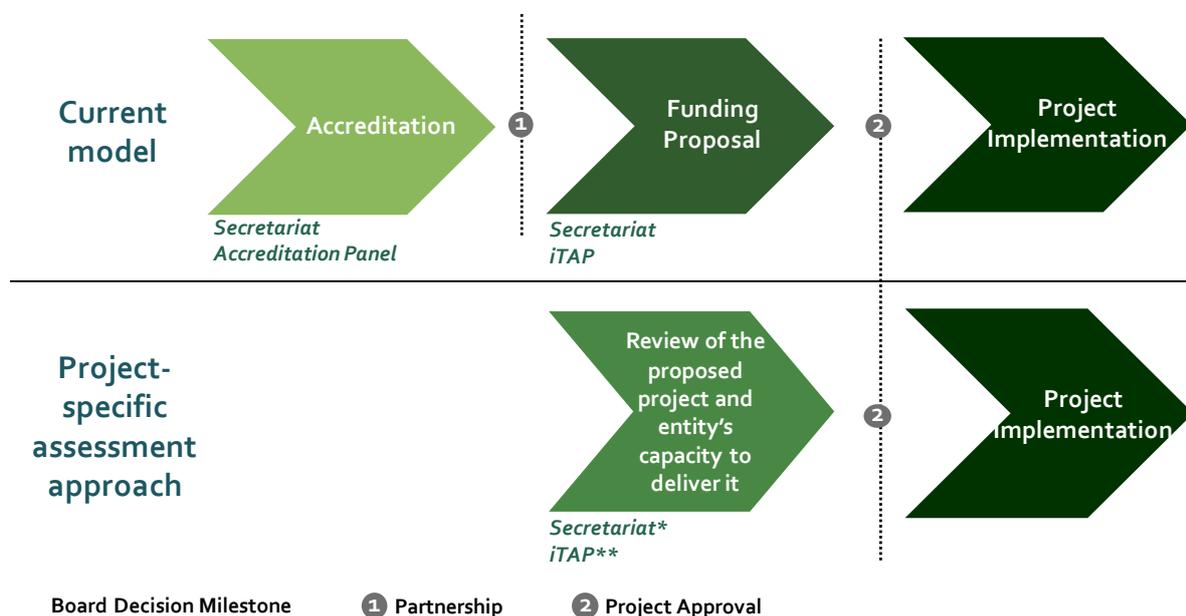
34. The general objective of the project-specific assessment approach is to streamline the assessment process that typically occurs during the accreditation process and the second level due diligence of funding proposals into a single assessment. Such an approach would enable a coherent integration of the GCF's fiduciary principles and standards, environmental and social safeguards and gender policy, related operational systems and procedures, and other operational policies and procedures into a single streamlined assessment process. Thus, the project-specific assessment approach differs from two-step assessments currently practiced through the accreditation and proposal approval processes (refer to Figure 3 below).

35. The project-specific assessment approach focuses on assessing the project/programmes as well as the organization's ability to implement or undertake the proposed project/programme. In doing so, this pilot approach aims to provide a more fit-for-purpose assessment approach with a focus on programming first and only assesses the entity in that context. Additionally, it will also broaden access to the GCF for entities for whom the institution-wide approach through the existing accreditation process does not as readily respond to the nature and number of projects they intend to develop with GCF support, and the higher transaction costs associated with the process.

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<sup>11</sup> Decision B.18/06, paragraph (a) and annex X to the decision.

**Figure 3: Overview of the accreditation framework and the proposed project-specific assessment approach**



\* The Secretariat will augment its capacity by using external experts, third party organizations and/or service providers to support it in undertaking such assessments on its behalf.  
 \*\* Independent Technical Advisory Panel (iTAP) review focused on the funding proposal, in line with its terms of reference per decision B.09/10, paragraph (a).

36. The parameters within which project-specific assessment approach will work is proposed in annex II to this document. As a pilot, the proposal is to limit the scope of this approach to the RFPs for EDA, MSMEs and MFS, as well as the SAP pilot scheme. The limited scope lends itself well to a project-specific assessment approach as the GCF is already receiving concept notes from entities not accredited to the GCF under these pilot schemes, the projects/programmes are for targeted activities, they present relatively lower risks, particularly for SAP, EDA and MSME, and have a limited funding envelopes. Thus, the approach will only apply to a small share of the GCF's overall programming in areas when the Board has signalled the need for accelerated programming through the RFPs.

37. The approach remains open to all entities, including accredited entities presenting proposals that may go beyond their current scope of accreditation. This helps to ensure a level playing field for all entities. Furthermore, a limit of three projects per entity has been proposed under this approach in order to limit its use thus preserving the value of accreditation as an approach for entities that are likely to bring multiple projects/programmes to the GCF. The limit also ensure efficiency in transaction costs for the entities as well as the GCF. Creating an avenue for institutions seeking to work with the GCF in a limited way would also help to unlog the accreditation pipeline thus allowing the accreditation process to focus on on-boarding institutions that intend to serve as long-term partners of the GCF.

38. This approach will involve an assessment by the Secretariat in accordance with all relevant GCF policies and procedures that would apply to the proposed project/programme. The specific considerations for operationalizing this approach for each RFP and the SAP will be developed further following a decision by the Board. This will also include considerations related to staffing and other resources needed to operationalize the project-specific assessment approach, including the use of third-party organizations and service providers to augment Secretariat capacity.

## VII. Next steps

39. To complete the review of the accreditation framework, the Secretariat is in the process of recruiting an independent consulting firm to conduct the full independent review. The review will further examine and analyze the preliminary findings and recommendations listed and is expected to be presented to the Board as early as its twentieth meeting. It will include a review of the accreditation framework and the process that operationalizes it, as well as the broader scope of the partnership between the GCF and AEs. As part of the review, the firm will be expected to undertake consultations with the various actors in the accreditation process and stakeholders, including the Board, Secretariat, NDAs/focal points, AC, AP, AEs, applicants, and observers. The review is expected to cover the full cycle of the process from the nomination of entities by the NDA and focal point through to the implementation of approved projects, including:

- (a) Accreditation application process, including the nomination by the NDA or focal point of direct access entities, the issuance of OAS accounts, the Stage I institutional assessment and completeness check by the Secretariat, the Stage II (Step 1) review by the AP, Stage II (Step 2) consideration of accreditation by the Board, Stage III legal arrangements between the GCF and an AE, and addressing accreditation-related conditions;
- (b) Efficiency and effectiveness of the accreditation process, including cost, time and resources;
- (c) Portfolio of AEs: including the countries, sectors and results areas the AEs intend to cover using GCF resources, that may be options that developing countries could access simultaneously;
- (d) Programming: including AEs that have prepared an Entity Work Programme,<sup>12</sup> AEs that have approved projects and programmes, AEs that have submitted concept notes or funding proposals, and AEs that have addressed project-related conditions; and
- (e) Portfolio implementation: including the implementation of approved projects and programmes, disbursement, and monitoring, reporting and evaluation.

40. Through the examination of the above areas the full review will build on the initial analysis presented in this document to elaborate on areas where efficiencies can be gained in the accreditation process. The review is also expected to offer recommendations to further develop the options for expanding and accelerating the modalities through which countries can engage with the GCF.

41. To operationalize the project-specific approach, the Secretariat requests adequate time to allow it to put in place the necessary systems and procedures, including staffing and other resources. Thus, it proposes to implement the approach within three months from the Board's decision to pilot this approach. The Secretariat will also monitor progress and capture lessons as it pilots this approach, and periodically update the Board.

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<sup>12</sup> One of the operational priorities of the initial strategic plan for the GCF, endorsed by the Board at its twelfth meeting, is ensuring that the GCF is responsive to developing countries' needs and priorities, including by enhancing country-led programming. As part of the action plan of the initial strategic plan, specific measures were identified to promote the implementation of the operational priorities, including the development of country programmes and entity work programmes. An entity work programme brief provides an overview of the areas of work of an AE, and its priority sectors and experience in implementing projects and programmes across the eight strategic impact areas of the GCF. It summarizes potential projects that the AE is likely to submit to the GCF for consideration and outlines an action plan for engagement with the GCF. For direct access AEs, it also addresses short- and long-term initiatives to build their institutional and project implementation capacity.

## Annex I: Draft decision of the Board

The Board, having considered document GCF/B.19/28 titled “Further development of the accreditation framework”:

- (a) Takes note of the progress report on the review of the accreditation framework included in annex III;
- (b) Also notes that the full report on the review of the accreditation framework with further recommendations will be presented to the Board as early as its twentieth meeting;
- (c) Decides to implement, on a pilot basis, a project-specific assessment approach that combines assessments undertaken during the existing accreditation and proposal approval processes in a fit-for-purpose manner, in accordance with the parameters set out in annex II;
- (d) Requests the Secretariat to operationalize the approach referred to in paragraph (c) above within three (3) months of the date of this decision with the objective of submitting funding proposals which are within the scope of the project-specific assessment approach for the Board’s consideration as early as possible; and
- (e) Further requests the Secretariat to report back to the Board at each Board meeting on the operationalization and implementation of the approach referred to in paragraph (c) above.

## Annex II: Parameters for a project-specific assessment approach

1. The project-specific assessment approach applies to any funding proposal submitted under the Simplified Approvals process<sup>1</sup> and the following Requests for Proposals approved by the Board:
  - (a) A pilot phase for enhancing direct access;<sup>2</sup>
  - (b) A pilot scheme to support micro-, small-, and medium-sized enterprises;<sup>3</sup> and
  - (c) A pilot programme to mobilize funds at scale.<sup>4</sup>
2. Entities submitting such funding proposals may include entities not yet accredited to the GCF, as well as accredited entities (AEs) who submit or have submitted funding proposals in relation to the pilot programmes referred to in paragraph 1 above which go beyond such AEs existing approved accreditation scope.
3. In accordance with the initial no-objection procedure per decision B.08/10, a no-objection letter from the national designated authority (NDA) or focal point is required for all funding proposals for a project/programme submitted in this pilot. Due to the nature of this approach NDAs/focal points are not required to also nominate direct access entities submitting funding proposals under this approach.
4. Each entity will be capped at a maximum of three approved funding proposals.
5. Unless stated otherwise in this annex, the Secretariat will undertake an assessment of the proposed project/programme and the entity submitting the funding proposal in a manner consistent with all relevant GCF policies, and will also build on assessments previously undertaken by the GCF, where applicable. The Secretariat will augment its capacity by using external experts, third party organizations and/or service providers to support it in undertaking such assessments on its behalf.
6. The results of the assessment along with the funding proposal and assessment by the independent Technical Advisory Panel (iTAP) will be presented to the Board for a funding decision.
7. The Board will also retain its decision-making authority to select the entity or entities of the proposed project/programmes when considering the funding proposal.
8. The entity or entities submitting a funding proposal to the GCF under this approach will carry the same responsibilities as an accredited entity were it to submit the same funding proposals, and such responsibilities will be codified in legal arrangements similar to the template accreditation master agreement and funded activity agreements, as may be relevant to the approved project/programme.

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<sup>1</sup> Decision B.18/06.

<sup>2</sup> Decision B.10/04.

<sup>3</sup> Decision B.10/11.

<sup>4</sup> Decision B.16/03.

## Annex III: Progress report on the review of the accreditation framework

### I. Introduction

1. This document presents a progress report on the review of the accreditation framework and development of potential other modalities for institutions to work with the GCF, in response to decision B.18/04, paragraph (a), wherein the Board decided to commence the review of the accreditation framework. For the purposes of the current analysis, all projects and programmes that have been approved since the first consideration of funding proposals by the Board in November 2015 through to 31 December 2017 are included. The analysis does not consider what has occurred to a project or programme after approval. An analysis of post-approval (i.e. signing of the Funded Activity Agreement, disbursements, implementation, monitoring, reporting, etc.) will be included in the full review to be presented at the twentieth meeting of the Board.
2. The full review of accreditation by an independent third party is expected to include a review of the accreditation framework and the process to operationalize it, as well as the broader scope of the partnership between the GCF and an Accredited Entity (AE), and consultations with stakeholders, and will be presented to the Board at a future meeting of the Board.

### II. Programming

#### 2.1 Approved proposals

3. Since the first consideration of funding proposals by the Board in November 2015 at its eleventh meeting and up to 31 December 2017, the GCF has approved 54 funding proposals from 24 AEs totalling USD 2.65 billion<sup>5</sup> to support projects/programmes to be implemented in 73 developing countries, including small island developing States, least developed countries and Africa.<sup>6</sup> This GCF funding will leverage an estimated USD 6.55 billion in co-financing, is expected to benefit 161.9 million people with increased resilience to climate change, and aims to reduce an estimated 1.147 billion tonnes of carbon dioxide equivalent.
4. In terms of geographic distribution, 39 per cent of approved projects are in Africa, 35 per cent in Asia Pacific, 19 per cent in Latin America and the Caribbean, 4 per cent in Eastern Europe, and 3 per cent multi-regional. Of the resources committed, 31 per cent is for adaptation projects, 40 per cent is for mitigation projects and 29 per cent is for cross-cutting activities. In terms of GCF financing allocated by sector: 50 per cent is for public sector projects/programmes and 50 per cent for private sector. By number of number of projects/programmes, 40 or 74 per cent are public sector, 14 or 26 per cent are private sector. The most common risk-level is Category B projects (30 projects or 56 per cent) and the most common size is Medium (23 projects or 43 per cent) followed by Small (16 projects or 30 per cent).

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<sup>5</sup> Figure includes funding proposals approved in Euros. Exchange rate: EUR 1 = USD 1.19474313, from the United Nations Operational Rates of Exchange, effective at 31 December 2017.

One approved project has lapsed as of 23 October 2017, thus the total number of funding proposals to be implemented is 53 projects from a total of 23 AEs totaling USD 2.637 billion versus the 54 that have been approved totaling 2.65 billion.

<sup>6</sup> Further information on the GCF portfolio of approved projects and programmes is available at <http://www.greenclimate.fund/what-we-do/portfolio-dashboard>.

5. Direct access AEs account for 13 per cent of the total financing committed, whereas international access AEs account for 87 per cent. In terms of number of approved projects and programmes, 26 per cent or 14 projects/programmes are approved by direct access AEs and 74 per cent or 40 projects/programmes are by international access AEs.

6. The GCF offers a diversity of financial instruments, including grants, loans, guarantees and equity. In terms of financial instruments, 44 per cent of total resources committed are as grants, 40 per cent as loans, 1 per cent as guarantees and 15 per cent as equity.

7. Table 1 below provides a further breakdown of the approved portfolio's focus against the GCF's results areas and financial instrument.<sup>7</sup>

**Table 1: Number of approved projects that address GCF results areas by financial instrument (as at 31 December 2017)<sup>a</sup>**

GCF Results Area	Financial Instrument					Total
	Grants	Senior Loans	Equity	Grants and Senior Loans	Grants and Equity	
<b>Energy access and power generation</b>	3	3	2	6	3	<b>17</b>
<b>Low emission transport</b>	1	0	0	0	0	<b>1</b>
<b>Buildings, cities, industries and appliances</b>	2	0	1	4	1	<b>8</b>
<b>Forestry and land use</b>	5	0	1	0	1	<b>7</b>
<b>Vulnerable people and communities</b>	28	0	2	1	2	<b>33</b>
<b>Health, well-being, food and water security</b>	19	0	2	2	2	<b>25</b>
<b>Infrastructure and built environment</b>	14	1	0	3	0	<b>18</b>
<b>Ecosystem services</b>	13	0	0	0	1	<b>14</b>

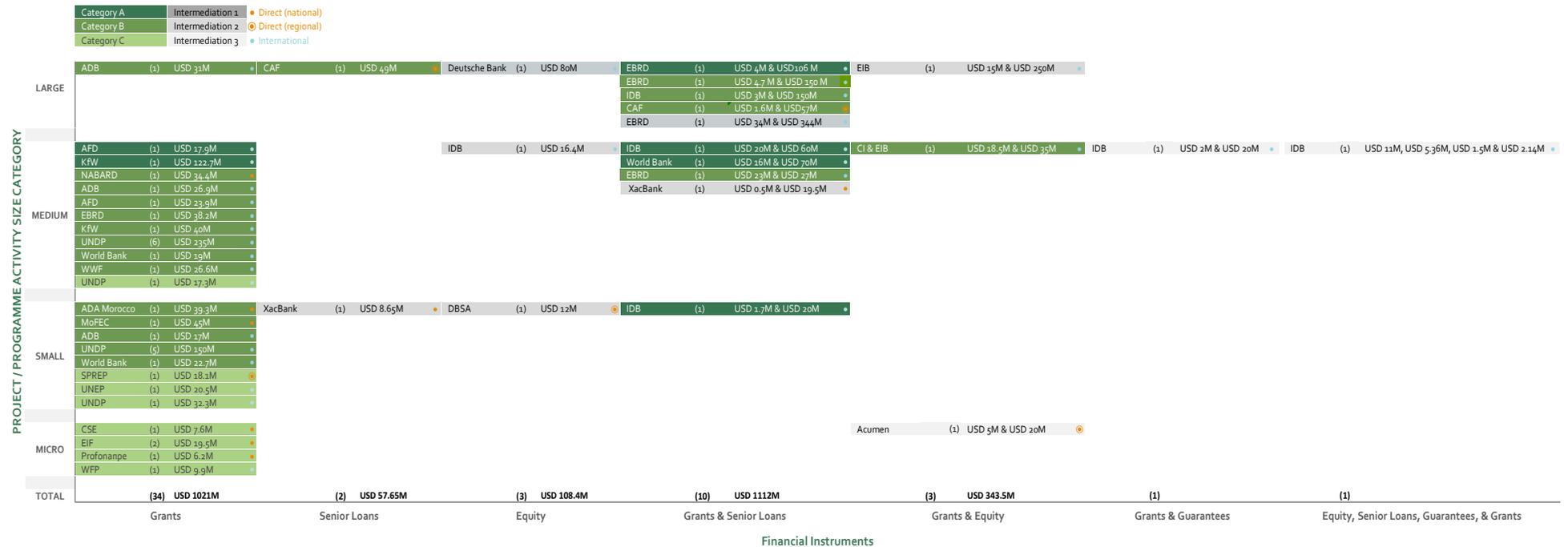
<sup>a</sup> This analysis was conducted for the 54 approved GCF projects. However, most projects target more than one result, which is why the total value exceeds 54.

8. Given the early stage of GCF's operations, the overall portfolio is quite diverse, and countries have availed themselves of the different financial instruments (56 per cent of financing approved is non-grant), financing sizes and environmental and social risk levels available through the GCF. Moreover, the portfolio is split almost evenly between the public and private sector. Twenty-four AEs have a total of 54 projects approved and these entities represent a wide-range of organizations including direct access national and regional entities, development banks, investment banks, equity funds, United Nations specialized agencies and non-governmental organizations. The strength of having such a wide-range of AEs working with countries to design and implement projects is that they provide not only greater choice, but also a diversity in the type of project that can be undertaken using GCF resources (e.g. micro-sized grant award programme to smallholder farmers, business loan programme for small and medium-sized enterprises, etc.).

<sup>7</sup> One approved project has lapsed as of 23 October 2017, thus the total number of funding proposals to be implemented is 53 projects from a total of 23 AEs. The approved project (FP029 from DBSA) is included in this analysis to include all projects and programmes that have met the GCF requirements for funding.

9. While the GCF has successfully approved a diverse portfolio to date, there are areas for improvement. International access AEs account for 74 per cent of projects approved and 87 per cent of total financing committed. It is not surprising that they have been early movers as they generally have more financial and human capacity, a longer history of implementing projects, extensive experience in designing climate change projects, and a broader reach than national or regional organizations. They also tend to have the capacity to implement larger projects/programmes with higher environmental and social risks and using non-grant instruments (see figure 4 below).

**Figure 4: Approved projects by accredited entity, financial instrument, size and environmental and social risk-level (as at 31 December 2017)<sup>a</sup>**



<sup>a</sup> Numbers shown in parenthesis represent the total number of approved projects/programmes. Values shown in USD are the GCF financing amount and do not include co-financing. Size categories are the total projected costs for the project or programme activity, inclusive of GCF financing and any co-financing. One approved project (FP029 from DBSA) has lapsed as of 23 October 2017, thus the total number of funding proposals to be implemented is 53 projects from a total of 23 AEs totalling USD 2.637 billion.

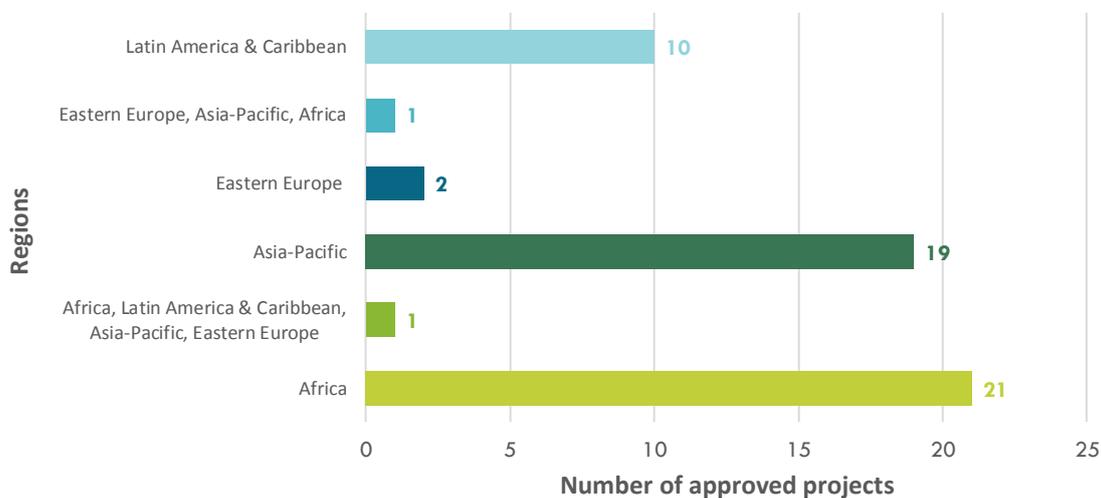
**Abbreviations:** Acumen = Acumen Fund, Inc., ADA Morocco = Agency for Agricultural Development of Morocco, ADB = Asian Development Bank, AFD = Agence Française de Développement, CAF = Corporación Andina de Fomento, CI = Conservation International Foundation, CSE = Centre de Suivi Ecologique, DBSA = Development Bank of Southern Africa, Deutsche Bank AG = Deutsche Bank Aktiengesellschaft, EBRD = European Bank for Reconstruction and Development, EIB = European Investment Bank, EIF = Environmental Investment Fund of Namibia, IDB = Inter-American Development Bank, KfW = Kreditanstalt für Wiederaufbau, MoFEC = Ministry of Finance and Economic Cooperation of the Federal Democratic Republic of Ethiopia, NABARD = National Bank for Agriculture and Rural Development, PROFONANPE = Peruvian Trust Fund for National Parks and Protected Areas, SPREP = Secretariat of the Pacific Regional Environment Programme, UNDP = United Nations Development Programme, UNEP = United Nations Environment Programme, WFP = World Food Programme, World Bank = International Bank for Reconstruction and Development and International Development Association, WWF = World Wildlife Fund, Inc., XacBank = XacBank LLC.

10. **Supporting financial and private sector entities through the direct access modality could open the door for countries to utilize a broader set of financial instruments, mitigate and manage various environmental and social risks levels, compared to minimal or no risk only, and financing size to channel climate finance directly to recipient countries.** XacBank LLC (XacBank), provides an example of a national commercial bank that is utilizing loans to create a renewable energy and energy efficiency market for micro-, small- and medium-sized enterprises in-country. This would also provide an opportunity to shift the paradigm in the way organizations conduct business by strengthening the fiduciary, environmental, social and gender systems and standards of financial and private sector entities in developing countries, while promoting the scaling up of private sector investment flows for climate finance. Furthermore, regional direct access AEs may be able to bridge the capacity gap seen in the accreditation scope between some national and international AEs.

11. It should be noted however, that micro and small-size projects can also be powerful catalysts for change and that these potentially lower environmental and social risk, grant-driven projects may be well-suited for local actors to further build their institutional capacity and manage larger funds. To channel larger amounts of funding in this direction, supporting entities that can manage projects under the RFPs for Enhanced Direct Access and Micro- and Small-Enterprises, as well as the Simplified Approval Process can serve accelerate funding through direct access entities for specific outcomes. To achieve these results would require a more nimble and efficient approach in the way the funding proposals submitted by potential entities under this approach and the entities themselves are assessed.

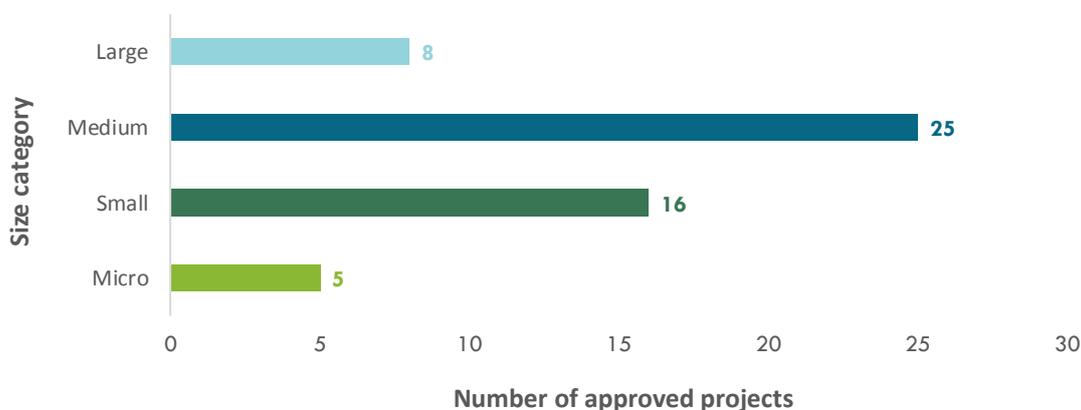
12. Figures 5 to 7 provide the breakdown by region, environmental and social risk level, and size category for all approved projects.<sup>1</sup>

**Figure 5: Number of approved projects by geographic region**

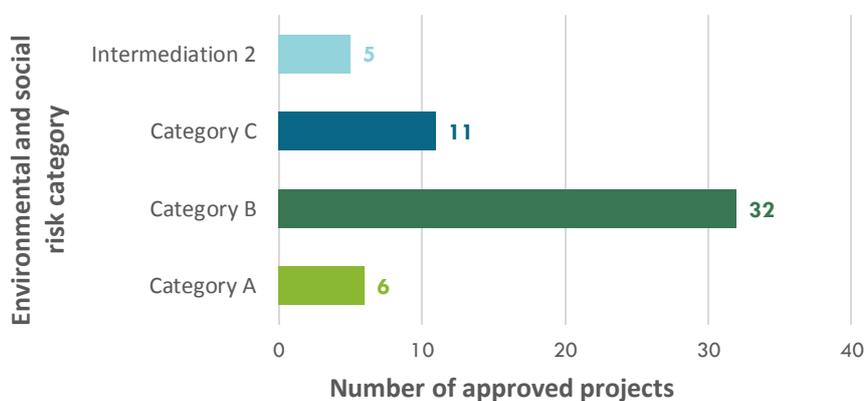


<sup>1</sup> One approved project (FP029 from DBSA) has lapsed as of 23 October 2017, thus the total number of funding proposals to be implemented is 53 projects from a total of 23 AEs totaling USD 2.637 billion versus the numbers analyzed here which include all 54 approved projects.

**Figure 6: Number of approved projects by environmental and social risk level**



**Figure 7: Percentage of approved projects by size category**



## 2.2 Project and programme pipeline

13. In line with the strategic plan for the GCF, the Secretariat is working with AEs in order to update or develop entity work programmes aligned with country programmes.<sup>2</sup> Bearing in mind that the project pipelines provided by AEs in their EWP do not always overlap with pipelines indicated in the Country Programmes, the Secretariat continues its work to identify the gaps and to better align EWPs with Country Programmes through several activities. This includes improving guidance and support structures to ensure quality of Country and Entity Work Programmes. This is being done through iterative dialogues with countries and AEs, in particular, through structured dialogues as well as more focused discussions with AEs on the importance of GCF’s country-driven approach and how AEs need to align their potential pipelines to reflect country priorities.

14. The Secretariat is also trying to engage more upstream (examples are missions taken to Africa, Caribbean, Asia Pacific, and Eastern Europe in 2017), to provide the guidance to countries on potential direct access entities they could nominate that are a more strategic fit for delivering on their country priorities. This type of upstream engagement aims to convene NDAs and potential direct access entities, including from the private sector. It is anticipated that such engagement would yield better alignment of programming with country priorities because of

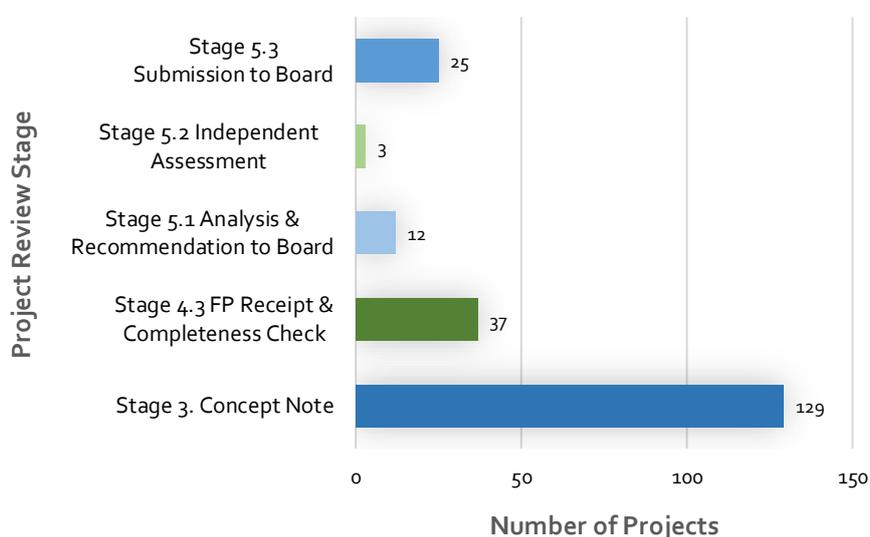
<sup>2</sup> The Secretariat, in line with decision B.13/10, paragraph (c), reported to the Board on the development of 46 EWP briefs in document GCF/B.19/XX/Add.XX (general distribution) titled “Update on Country and Entity programming development – addendum I: update on country programmes and entity work programmes” and related addenda GCF/B.19/XX/Add.XX and Add.XX (limited distribution).

the nomination of entities whose unique strengths and advantages would be better-positioned to deliver on the country's priorities. If this level of engagement could be instigated upstream, the downstream pipeline of projects/programmes would address the country's priorities in a more coherent way through the alignment of country programming with entity programming activities.

15. As a part of the entity work programmes, AEs provide information on the potential pipeline of projects and programmes they seek GCF funding for. Forty-four AEs (75 per cent) have an active pipeline with the GCF, including 129 active concept notes and 67 active funding proposals that have been submitted.

16. As of 31 December 2017, a total of 245 funding proposals and concept notes have been submitted to the GCF. Out of these, 196 submitted funding proposals and concept notes or 80 per cent are active, whereas 42 or 20 per cent are inactive. Out of the active projects, 129 are concept notes. Figure 8 below provides a break-down of projects by GCF review stage.

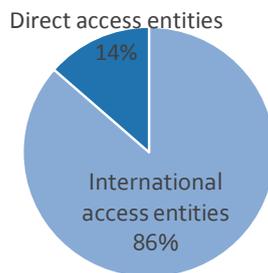
**Figure 8: Number of projects by GCF review stage**



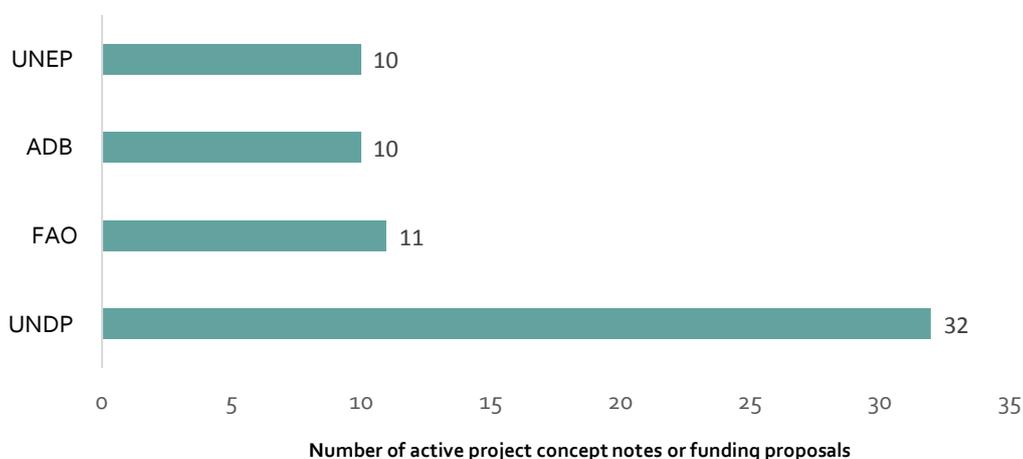
*Abbreviations:* FP = funding proposal.

17. Out of the 200 active submissions, 69 are funding proposals and 131 are concept notes:
- (a) Direct access AEs have submitted 45 funding proposals and concept notes (23 per cent), comprising 29 from national entities and 16 from regional entities (see figure 9 below);
  - (b) The total number of active submissions from international access AEs is 134 funding proposals and concept notes or 67 per cent of active submissions:
    - (i) Five international access AEs have submitted 54 per cent of the current active pipeline (72 funding proposals and concept notes) (see figure 10 below); and
    - (ii) International access AEs other than the Asian Development Bank, Food and Agriculture Organization of the United Nations, United Nations Development Programme, United Nations Environment Programme and International Bank for Reconstruction and Development and International Development Association (World Bank) have submitted 62 funding proposals and concept notes; and
    - (iii) The remaining 21 active submissions were submitted by an NDA or focal point without an AE.

**Figure 9: Percentage of active project concept notes or funding proposals by access modality**



**Figure 10: Number of active project concept notes or funding proposals by five top international AEs**



*Abbreviations:* ADB = Asian Development Bank, FAO = Food and Agriculture Organization of the United Nations, UNDP = United Nations Development Programme, UNEP = United Nations Environment Programme and World Bank = International Bank for Reconstruction and Development and International Development Association.

18. Although currently 54 per cent of all AEs are direct access entities, the number of funding proposals and concept notes submitted through the direct access modality lags significantly behind those submitted through international AEs. This may be due to aforementioned reasons, including capacity constraints or lack of track record to manage larger size projects/programme activities, higher E&S risks, and different financial instruments; focus of activities on a particular country or sub-region; focus on specific thematic areas or types of activities; etc. Thus, one of the ways to increase the share of GCF resources channelled through direct access entities is to expand the pool and provide them with opportunities to bring one-off or a small number of projects only. Over time, with more direct access AEs accredited and accredited for higher accreditation types, the composition of the project/programme pipeline will change. However, it is important to examine ways to accelerate the accreditation process and to ensure that countries have the opportunity to explore all the options the GCF has to offer, taking into account a balance between upholding GCF standards through accreditation and project due diligence processes and accessing GCF resources through different modalities.

19. There are currently 13 AEs that have yet to submit a project to the GCF. Out of the 13, seven were accredited within the last two Board meetings (seventeenth and eighteenth Board meetings held in July and October 2017, respectively), and are in the process of developing their entity work programmes and potential pipeline for submission to the GCF. There are however, six entities that have been accredited for over a year and have yet to submit even a project concept. One of these entities is an international accredited entity that has been accredited for close two-years (21 months). The remaining six are regional or national direct access entities

and have been accredited for over a year (accredited at the fourteenth or fifteenth Board meetings in October and December 2016, respectively).

20. Given the lengthy process for accreditation, one approach to accelerate access to finance is for the GCF to encourage applicant AEs to prepare potential proposals so once an accreditation decision takes place proposals can be submitted with little delay. There are currently three national entities that are in the accreditation pipeline that have already submitted concept notes to the GCF. It may be useful to follow-up on this sample to see if the submission of project concepts while an entity is still in the accreditation process will lead to faster project approval upon accreditation.

21. Table 2 below provides information on the number of concept notes or funding proposals submitted by entities that have not been accredited. With a targeted call for projects, as evident in the response to RFPs thus far, a project-specific assessment approach is better-suited to allow for the GCF to engage with such entities, rather than through the accreditation process that focuses more on assessing the overall capability of an entity through its institution-wide systems to programme on a portfolio basis.

**Table 2. Pipeline of active concept notes or funding proposals from non-accredited entities**

<b>RFP and SAP</b>	<b>Number of active concept notes or funding proposals submitted by non-accredited entities</b>	<b>Number of non-accredited entities that have submitted the concept notes or funding proposals</b>
EDA	4	4
MSME	12	12
MFS	19	20 <sup>a</sup>
SAP	13	13
<b>Total</b>	<b>48</b>	<b>49</b>

<sup>a</sup> One concept note was submitted jointly by an AE and a non-AE.

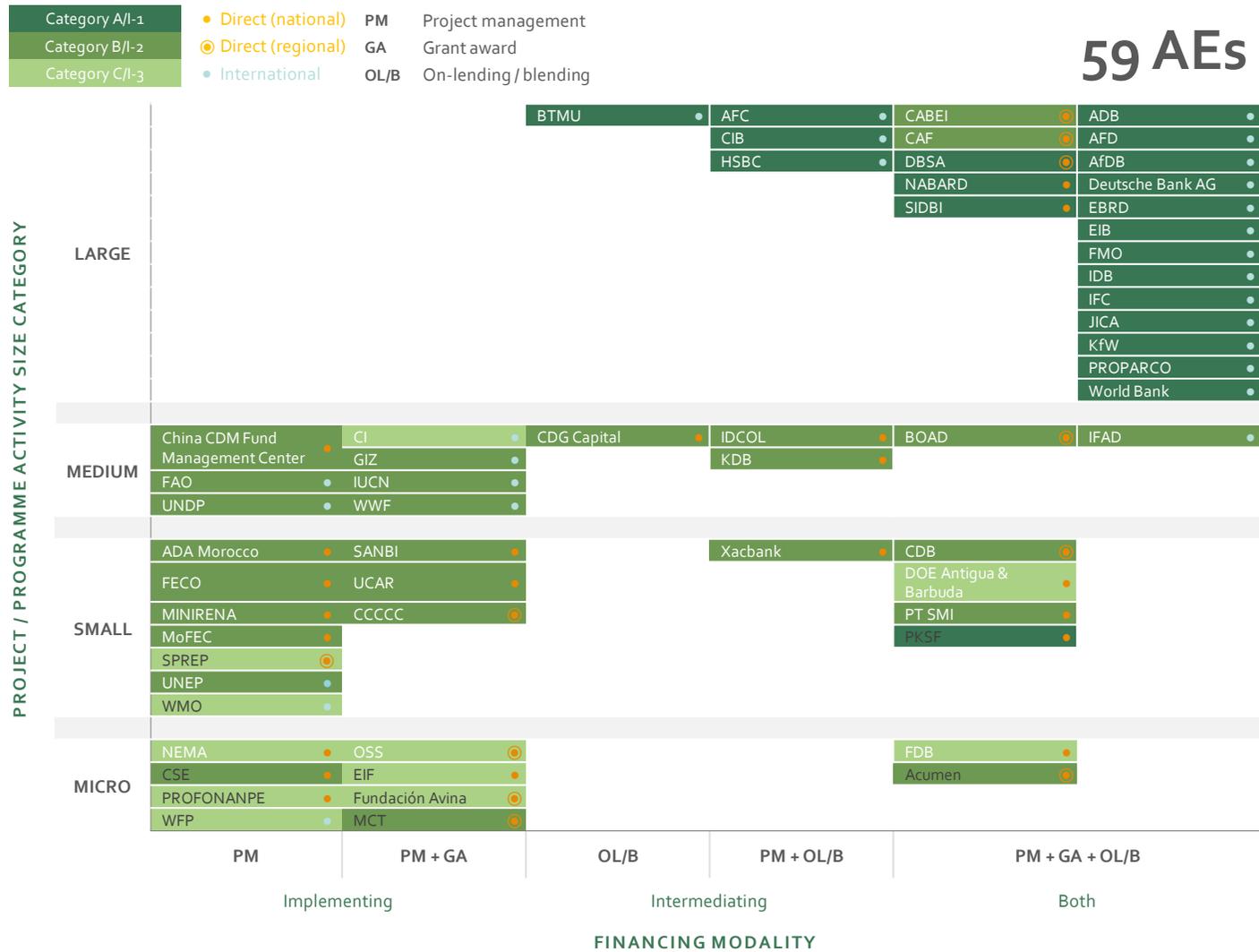
22. The RFP approach also demonstrates that while countries may have the desire to implement interventions within a particular area, they do not necessarily have an AE to work with that aligns with the content area and the necessary accreditation type. An accreditation process coupled with an RFP approach can help catalyze investment in a particular area, but matching the investment area, country and AE can be difficult. An option is to consider a project-specific assessment approach, whereby an entity that is suited for a particular project could go through an assessment focused on the entity's capability to undertake the particular project versus an entire institution-wide assessment that would provide the maximum scope for a project/programme activity within which the entity could operate on a portfolio basis in partnership with the GCF (e.g. the current accreditation process).

### **III. Partners**

#### **3.1 Portfolio of GCF accredited entities**

23. Since the opening of the call for applications for accreditation on 17 November 2014 and up to 31 January 2018, 59 organizations, including national, regional and international, public and private sector entities, have been accredited as partners of the GCF. A mapping of the 59 AEs and their accreditation scope (e.g. financing modalities, size category and environmental and social risk category) are shown in figure 11 below.

**Figure 11: Mapping of GCF's Accredited Entities and their accreditation scopes (as at 31 January 2018)**



*Abbreviations:* Acumen = Acumen Fund, Inc., ADA Morocco = Agency for Agricultural Development of Morocco, ADB = Asian Development Bank, AFC = Africa Finance Corporation, AFD = Agence Française de Développement, AfDB = African Development Bank, BOAD = Banque Ouest Africaine de Développement (West African Development Bank), BTMU = Bank of Tokyo-Mitsubishi UFJ, Ltd., CABEI = Central American Bank for Economic Integration, CAF = Corporación Andina de Fomento, CCCC = Caribbean Community Climate Change Centre, CDB = Caribbean Development Bank, CDG Capital = CDG Capital S.A., China CDM Fund Management Center = China Clean Development Mechanism Fund Management Center, CI = Conservation International Foundation, Crédit Agricole CIB = Crédit Agricole Corporate and Investment Bank, CSE = Centre de Suivi Ecologique, DBSA = Development Bank of Southern Africa, Deutsche Bank AG = Deutsche Bank Aktiengesellschaft, DOE Antigua and Barbuda = Department of Environment of Antigua and Barbuda, EBRD = European Bank for Reconstruction and Development, EIB = European Investment Bank, EIF = Environmental Investment Fund of Namibia, FAO = Food and Agriculture Organization of the United Nations, FECO = Foreign Economic Cooperation Office, Ministry of Environmental Protection of China, FDB = Fiji Development Bank, FMO = Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V., GIZ = Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, HSBC = HSBC Holdings plc and its subsidiaries, IDB = Inter-American Development Bank, IDCOL = Infrastructure Development Company Limited, IFAD = International Fund for Agricultural Development, IFC = International Finance Corporation, IUCN = International Union for Conservation of Nature, JICA = Japan International Cooperation Agency, KDB = Korea Development Bank, KfW = Kreditanstalt für Wiederaufbau, MCT = Micronesia Conservation Trust, MINIRENA = Ministry of Natural Resources of Rwanda, MoFEC = Ministry of Finance and Economic Cooperation of the Federal Democratic Republic of Ethiopia, NABARD = National Bank for Agriculture and Rural Development, NEMA = National Environment Management Authority of Kenya, OSS = Sahara and Sahel Observatory, PKSF = Palli Karma-Sahayak Foundation, PROFONANPE = Peruvian Trust Fund for National Parks and Protected Areas, PROPARCO = Société de Promotion et de Participation pour la Coopération Economique, PT SMI = PT Sarana Multi Infrastruktur, SANBI = South African National Biodiversity Institute, SIDBI = Small Industries Development Bank of India, SPREP = Secretariat of the Pacific Regional Environment Programme, UCAR = Unidad para el Cambio Rural (Unit for Rural Change) of Argentina, UNDP = United Nations Development Programme, UNEP = United Nations Environment Programme, WFP = World Food Programme, WMO = World Meteorological Organization, World Bank = International Bank for Reconstruction and Development and International Development Association, WWF = World Wildlife Fund, Inc., XacBank = XacBank LLC.

24. The GCF is also aiming to have adequate coverage by region and financial instrument. Table 3 below provides insight, from a regional 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 implement GCF projects/programmes.

**Table 3: Range of options for partnering with the GCF per region: potential number of entities accredited in each type of capacity, cumulative (as at 31 January 2018)**

Region	Fiduciary functions <sup>a</sup>					E&S risk category <sup>a</sup>			Size of an individual project or activity within a programme <sup>b</sup>	
	Project management <sup>c</sup>	Providing grants, including through grant award and/or funding allocation <sup>d</sup>	Blended finance			A	B	C	Micro and small sizes	Medium and large sizes
			Loans	Equity	Guarantees					
Africa	22	21	19	16	18	16	32	38	38	26
Latin America and the Caribbean	13	22	17	15	15	16	27	33	33	23
Asia- Pacific	13	20	19	17	18	14	30	37	37	26
Eastern Europe	8	13	11	10	11	12	18	21	21	18
SIDS	13	23	17	15	16	17	28	33	33	23
LDCs	22	21	19	16	18	16	32	38	38	26

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

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

<sup>b</sup> Annex I to decision B.08/02 (annex I to document GCF/B.08/45).

<sup>c</sup> 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.

<sup>d</sup> 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.

25. From figure 11 above, it is evident that international access AEs predominantly accredited to implement projects of larger sizes, higher environmental and social risks and utilizing a wide-range of financial instruments. To date, there are only three regional direct access entities, CAF, CABEL and DBSA, that have a similar accreditation scope thus limiting the

kinds of activities countries can undertake through direct access entities. **This clear gap for national institutions, as well as for regional entities under the direct access modality, could potentially be overcome through the development of a partnership model – for example partnering a national commercial bank with an environmental non-governmental organization, or partnering a national public sector entity with a private sector entity.** Under such an approach, each organization's strengths could be optimized where one could handle channelling large volumes of funds while the other could assess, monitor and mitigate E&S risks, thereby allowing for the project/programme overall to be safeguarded in a manner consistent with GCF's fiduciary, environmental, social and gender standards.

26. Despite the broad accreditation scope of international access AEs, they have tended not to utilize their full scope. For example, 25 approved projects from international access AEs access only grants from the GCF, with seven of these being medium-sized projects with Category B (medium) environmental and social risks. On the other hand, the few direct access entities that have been accredited with specialized fiduciary standards for on-lending/blending have utilized their accreditation scope, such as with CAF and XacBank utilizing senior loans, and DBSA and Acumen utilizing equity financing.

## IV. Pipeline of applicants

### 4.1 Implementing the prioritization of entities

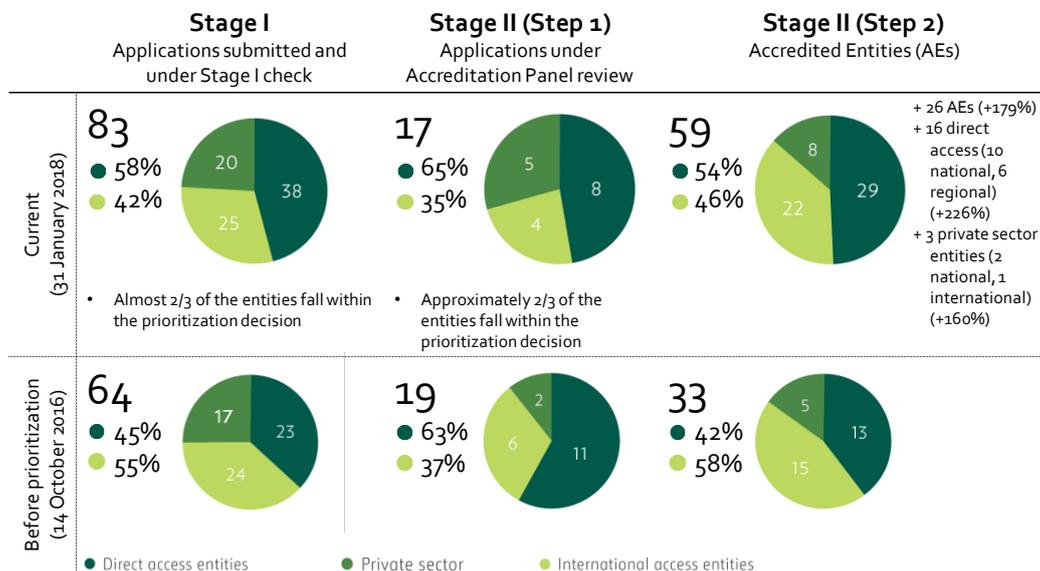
27. In decision B.14/08, paragraph (d), the Board decided that future accreditation decisions by the Board should aim to bring forward AEs that fill the mandate on balance, diversity, coverage and ability to advance the objectives of the GCF. To that end, in paragraph (d)(i) of the same decision, the Board requested the AP and the Secretariat to establish a prioritization of entities applying for accreditation, and prioritized in 2016 and 2017 a list of entities, not listed in any particular order of priority, including national direct access entities. In decision B.18/04, paragraph (c), the Board decided to extend the prioritization of entities applying for accreditation in accordance with decision B.14/08, paragraph (d)(i), until the end of the nineteenth meeting of the Board.

28. Additionally, with a view to increasing the efficiency of the accreditation process, the Board requested for the development of various policy documents on modalities for the use of third-party evidence, and potential fast-track accreditation related to the Adaptation Fund's environmental and social and gender policies for Board consideration, and a review of the fiduciary standards.

29. Since 14 October 2016 (date of decision B.14/08) and up to 31 January 2018, the application by the Secretariat and the Accreditation Panel of the Board decision to prioritize certain entities in the pipeline has resulted in the following, also shown in figure 12 below:

- (a) Fifteen of the 21 entities (71 per cent) that have completed Stage I since decision B.14/08, and up to 31 January 2018 are direct access entities. Five of the 21 entities are private sector entities; and
- (b) Fourteen of the 18 entities (78 per cent) that have been recommended by the AP following completing Stage II (Step 1) and that have been accredited by the Board in Stage II (Step 2) are direct access entities and two are private sector entities.

**Figure 12: Comparison of the accreditation pipeline prior to the Board prioritization decision B.14/08, paragraph (d)(i) and current accreditation pipeline following implementation of the Board decision**



## 7.2 Pipeline of entities seeking to become GCF partners

30. Document GCF/B.19/14 “Status of accreditation matters” contains information on the pipeline of applicants seeking to become GCF partners, particularly the number of entities, type of entity by access modality (e.g. direct or international access), indication of whether the entity is a public or private sector entity, and the various stages of accreditation the applicants are in. Additionally, the document contains a breakdown of direct access entities nominated by NDAs and focal points by geographic region, as well as on direct access entities that have been supported through the GCF Readiness and Preparatory Support Programme for institutional gap assessments and action plans to prepare for accreditation. The GCF’s current accreditation framework allows for any entity nominated by a recipient country to apply for accreditation. While the intention for such an approach is to encourage country ownership and country-drivenness, the current framework may inadvertently lead to a country nominating entities simply because they believe the entity will meet the GCF’s accreditation standards or nominating any entity that expresses interest. **To drive more country-driven programming, it may prove to be more effective if a country links the entities it nominates directly to its GCF Country Programme given that the role of the AE is to design and implement projects/programmes that address country needs and priorities in addressing climate change, including public sector and private sector entities.**

31. Currently, 24 out of 59 AEs (41 per cent) have projects approved,<sup>1</sup> 22 AEs (37 per cent) have submitted at least one concept note or funding proposal, and 13 AEs (22 per cent) have yet to submit a concept note or funding proposal. Aligning accreditation nominations or the accreditation consideration to either a portfolio of projects or a specific project may help countries accelerate their access to GCF finance. This may also help countries better identify organizations – whether they be direct or international access – that are better suited to manage an entire portfolio of projects/programmes over several years (an implementing entity or intermediary) versus those organizations that are better suited to undertake a specific project or a particular component or outcome within a broader project/programme (an executing

<sup>1</sup> One approved project has lapsed as of 23 October 2017, thus the total number of funding proposals to be implemented is 53 projects from a total of 23 AEs totaling USD 2.637 billion.

entity). Given that the role and responsibility of the AE is to undertake overall management, implementation and supervision of activities financed by the GCF (e.g. implementing entity or intermediary), the accreditation process is designed to assess capabilities and track record of entities in serving as implementing entities or intermediaries for climate finance activities, not executing entities.

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