

**GREEN
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Accreditation framework review

Summary

In line with decisions B.18/04, paragraphs (a) and (b), and B.19/13, this document presents the full 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 Pilot Scheme and requests for proposal approved by the Board.

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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 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 GCF, as early as the nineteenth meeting of the Board (B.19).
2. The Board, having considered document GCF/B.19/28 titled “Further development of the accreditation framework”, requested the Secretariat, by decision B.19/13, to further develop the project-specific assessment approach (PSAA), contained in annex II of this document, taking into account the views of Board members and the outcomes of the full review of the accreditation framework, for the Board’s consideration.
3. The full review of the accreditation framework and recommendations for further development are presented in annex IV to this document.
4. This document also presents recommendations on improvements to the accreditation framework (contained in annex II) and the revised proposal for the PSAA, which includes a new modality of accreditation for institutions to work with GCF (contained in annex III). This approach is intended to be a complementary modality to accreditation, coexisting alongside accreditation as an additional way for institutions to access resources from GCF, albeit in a limited way. The Secretariat is proposing this approach to address the urgent need to unlock the potential of requests for proposal (RFPs) and the simplified approval process (SAP) as well as to unplug the accreditation pipeline of entities seeking to only engage under these special initiatives rather than on a longer-term partnership basis.

II. Recommended action by the Board

5. It is recommended that the Board:
 - (a) Take note of the information presented in document GCF/B.21/08 titled “Accreditation framework review”; and
 - (b) Adopt the decision included in annex I.

III. Linkages with decisions and other documents

6. 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) “Updated Gender Policy and Action Plan 2018–2020” (document GCF/B.21/02);¹
 - (e) “Assessment, including gap analysis, of institutions accredited by other relevant funds” (decision B.08/03);

¹ To be considered by the Board at its twenty-first meeting.

- (f) “Identification of relevant potential international private sector best-practice fiduciary principles and standards and environmental and social safeguards” (decision B.08/05);
- (g) “Country programming, readiness and preparatory support” (decision B.13/32);
- (h) “Application documents for submissions of applications for accreditation” (decision B.08/06);
- (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, B.17/13 and B.18/05);
- (k) “Legal and formal arrangements with accredited entities” (decision B.09/08);
- (l) “Accreditation master agreements” (decision B.12/31);
- (m) “Investment framework” (decision B.07/06);
- (n) “Initial results management framework of the Fund” (decisions B.07/04 and B.08/07);
- (o) “Use of other financial instruments” (decision B.08/12);
- (p) “GCF risk management framework” (decision B.17/11);
- (q) “Interim Policy on Prohibited Practices” (decision B.12/31);
- (r) “Anti-Money Laundering and Countering the Financing of Terrorism Policy” (decision B.18/10);
- (s) “Interim policy on fees for accredited entities” (annex II to decision B.11/10);
- (t) “Policy on fees for accredited entities and delivery partners” (annex VIII to decision B.19/09);
- (u) “Additional modalities that further enhance direct access: Terms of reference for a pilot phase” (decision B.10/04);
- (v) “Private Sector Facility: working with local private entities, including small and medium-sized enterprises” (decision B.09/09);
- (w) “Private Sector Facility: potential approaches to mobilizing funding at scale” (decision B.09/09);
- (x) “Recommendations for further accrediting national, regional and private sector entities (progress report)” (document GCF/B.10/Inf.12);
- (y) “Policy matters related to the approval of funding proposals: Simplified approval process for certain small-scale activities” (decision B.18/06);
- (z) “Initial monitoring and accountability framework for accredited entities” (decision B.11/10);
- (aa) “Strategic plan for the Green Climate Fund” (decision B.12/20);
- (bb) “Strategy on accreditation” (decisions B.13/19 and B.14/08);
- (cc) “Matters related to the accreditation framework and policy gaps: Co-Chairs’ proposal” (decision B.18/04);
- (dd) “Accreditation framework review, including the project specific accreditation approach” (document GCF/B.20/17) and
- (ee) “Strategy to increase funding proposals from direct access entities” (documents GCF/B.20/04 and GCF/B.20/04/Add.01).

IV. GCF business model and architecture

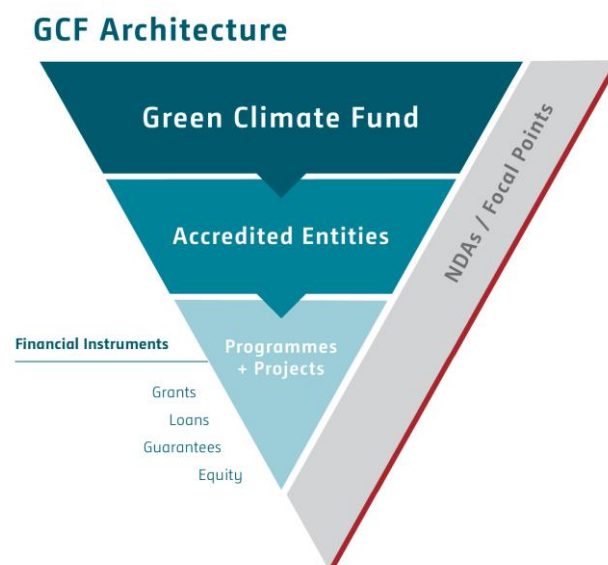
7. As an operating entity of the Financial Mechanism of the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement, GCF provides support to developing countries and Parties to the UNFCCC and the Paris Agreement to limit or reduce their greenhouse gas emissions and to adapt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

8. The Strategic Plan of the GCF states that GCF will support developing countries in the implementation of the ambitious Paris Agreement.² The Strategic Plan further states that based on its mandate as defined in the Governing Instrument for the GCF, GCF will support developing countries 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, access to GCF resources will be through national, regional and international implementing entities accredited by the Board.³ The diversity of accredited entities (AEs) can provide recipient countries with a choice of partners to meet their needs and priorities.

9. In particular, direct access entities (DAEs) 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, private sector entities can help in de-risking the delivery of private capital and scaling up private sector investment flows for low carbon and climate resilient development.

10. GCF and its network of partners, particularly AEs, will be responsible for the delivery of financing to developing countries to meet internationally agreed climate goals at scale while also meeting GCF standards and safeguards.

Figure 1: GCF architecture



Abbreviations: NDAs = national designated authorities.

² Annex I to decision B.12/20.

³ Paragraph 41 of the Governing Instrument.

11. Within the architecture of GCF (refer to figure 1 above):
 - (a) On an operational level, AEs are expected to:
 - (i) Cover the full project and programme cycle in engaging with 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;
 - (ii) Develop and periodically update an entity work programme to deliver country-owned, high-impact proposals in a strategic manner;
 - (iii) Design projects and develop funding proposals to be considered by GCF for financing; and
 - (iv) Implement, deliver, monitor and report the results of such activities;⁴ and
 - (b) On an administrative level, including fiduciary and legal matters, AEs must:
 - (i) Demonstrate institutional capacities to undertake the overall management, implementation and oversight of climate change projects and programmes in line with the GCF fiduciary standards, environmental and social safeguards (ESS) and Gender Policy (accreditation standards);
 - (ii) Provide evidence of institutional systems, policies and procedures in terms of those standards as well as the track record, as appropriate, of implementing such institutional systems, policies and procedures for undertaking the projects and programmes;
 - (iii) Demonstrate a) their capacity to ensure that their downstream executing entities apply the same standards and b) their ability to monitor, report and verify that the relevant GCF standards, safeguards and policies are being upheld; and
 - (iv) Possess independent legal personality and legal capacity to enter into legal agreements with GCF and undertake the relevant obligations on their own behalf, notably the accreditation master agreement (AMA) and any funded activity agreements (FAAs) resulting from approved funding proposals (or project/activity within a programme in the case of financing size category).
12. 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.
13. GCF relies on the primary due diligence and the risk assessments performed by AEs.⁵ The AEs are responsible for the overall management, implementation and supervision of activities financed by GCF and are expected to administer funds disbursed with the same degree of care as they use in the administration of their own funds. This includes management and oversight of executing entities. Executing entities are entities through which GCF financing is channelled, which use GCF financing for the purposes of a GCF-funded project/programme or a part thereof (such as a specific component), or an entity that executes or carries out all or part of a GCF-funded project/programme. In each case, the executing entity performs its duties

⁴ Annex IV to decision B.17/09, paragraph (n).

⁵ Annex XXVII to decision B.12/31.

under the overall guidance, management or supervision of the implementing entity or intermediary (e.g. the AE). An AE may also act as an executing entity.⁶

14. The Secretariat and the independent Technical Advisory Panel conduct second-level due diligence on funding proposals submitted by AEs.⁷

15. GCF and the AE sign an AMA,⁸ which contains the overarching terms and conditions codifying the partnership and relationship between GCF and the AEs. For each project/programme approved by the Board, GCF and AE sign an FAA.

16. GCF also seeks to incentivize AEs to transform their overall portfolio beyond assets financed by GCF to contribute to meeting the objectives of GCF, the UNFCCC and the Paris Agreement. To that end, the Board requested the Accreditation Panel (AP), with the support of the Secretariat as necessary, to establish a baseline on the overall portfolio of AEs, including those already accredited at an earlier stage, that allows for an assessment of the extent to which their activities, beyond those funded by GCF, have evolved in this direction during the accreditation period.⁹

V. Review of the accreditation framework

17. 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,¹⁰ and is applied with a fit-for-purpose approach.¹¹ The general objective of this guiding framework is to enable a coherent integration of the initial fiduciary principles and standards¹² and interim ESS¹³ of GCF with its accreditation process as well as with any related GCF operational systems and procedures.

18. The full review by the Secretariat and the independent consulting firm (hereafter “Consultant”) includes a review of the accreditation framework and the process that operationalizes it as well as a review of the broader scope of the partnership between GCF and AEs. As part of the review, the Consultant undertook consultations with the various actors in the accreditation process and stakeholders, including the Board, Secretariat, NDAs/focal points, Accreditation Committee, AP, AEs, applicants and observers. The review covered 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 DAEs, the issuance of online accreditation system accounts, the Stage I institutional

⁶ Refer to clause 1.01 of the AMA template contained in annex XXVI to decision B.12/31, available at <https://www.greenclimate.fund/documents/20182/574712/Form_05_-_Accreditation_Master_Agreement.pdf/8c4f6cbf-ae17-4856-81c1-64ac8fbfa506>.

⁷ 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.

⁸ Decision B.12/31.

⁹ Decision B.12/30, paragraph (d).

¹⁰ Annex I to decision B.07/02 (annex I to document GCF/B.07/11).

¹¹ 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”.

¹² Annex II to decision B.07/02.

¹³ Annex III to decision B.07/02.

- 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 GCF and AEs, 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, which may provide options that developing countries could access simultaneously;
 - (d) Programming, including for AEs that have prepared an entity work programme,¹⁴ 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.
19. The review is contained in annex IV to this document.

VI. Improving the accreditation framework to meet the objectives of GCF

20. The current accreditation process provides a rigorous assessment of an entity's overall capabilities and processes as they relate to the GCF fiduciary principles and standards, ESS and Gender Policy. An entity must also demonstrate a track record of its capabilities, processes and policies as well as its ability to comply with GCF prohibited practices and transparency, anti-fraud policies, etc. However, accreditation does not guarantee alignment between the AE and GCF for any specific project or programme.
21. Given the role and 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 of the various GCF standards to the nature and, broadly, the types of activities the entity could undertake with GCF, there is still a level of divergence between the business models of certain types of organizations and the role of a GCF AE.
22. As detailed in annex IV, the overall conclusion from the accreditation review conducted by the Consultant is that:
- (a) While the accreditation framework is designed appropriately in terms of facilitating a portfolio that can meet the objectives of GCF, it is not operating optimally. The current portfolio of entities is imbalanced and particularly unrepresentative of direct access and private sector entities, and it has a suboptimal geographical distribution. The range of financial instruments offered by AEs is skewed towards more “traditional” developmental financing pathways (grants) and international access AEs dominate the entities accredited for other financial instruments (loans, equity and guarantees) as well

¹⁴ One of the operational priorities of the initial Strategic Plan for the GCF, endorsed by the Board at its twelfth meeting, is ensuring that 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 GCF. It summarizes potential projects that the AE is likely to submit to GCF for consideration and outlines an action plan for engagement with GCF. For direct access AEs, it also addresses short- and long-term initiatives to build their institutional and project implementation capacity.

- as those accredited for larger project/programme activity sizes. Although the Board's decision to prioritize entities in the accreditation process has helped to address imbalances in the AE portfolio, the current portfolio does not seem to be as transformative as GCF stakeholders would like;
- (b) The accreditation and funding proposal processes have not resulted in a project portfolio that is in line with the objectives of GCF, either in terms of overall size or by some of the key metrics by which GCF is measuring its performance – country ownership, private sector involvement and supporting the needs of developing countries, particularly least developed countries, small island developing States and African countries;
 - (c) There is a general consensus among those surveyed that the standards applied by GCF in the accreditation framework, and their alignment with international best practices, are entirely appropriate. There is little appetite from any stakeholders for changing the detail or principle of the chosen requirements, the stringent nature of which can be justified by positive feedback from entities that have undergone the accreditation process – particularly DAEs, as well as some private sector and international access entities – and, through it, seen institutional change for the better;
 - (d) The accreditation and funding proposal processes are considered, among the majority of stakeholders, to take much longer than they should. Fast-track accreditation is broadly effective – it seems to reduce the overall time spent in the accreditation process – although it is not without issues, namely surrounding the need to ensure full alignment of alternative standards with the GCF requirements and to guarantee access to findings or limitations on accreditation via one of the fast-tracked routes. There is appetite for the extension of the fast-track modality as the current possibilities for fast-tracking are limited in scope and are not necessarily appropriate for key target populations of entities (e.g. direct access and private sector entities); and
 - (e) The skills and expertise of the Secretariat and AP were widely endorsed, but their capacity was criticized as levels of responsiveness appear to have been adversely impacted by a shortage of resources. There is evidence of duplication, both within the accreditation process, where the Secretariat and AP are carrying out similar tasks, and between the accreditation and funding proposal processes, where the same processes are checked in the context of the institutional and project levels.
23. This section details a series of recommendations to improve the accreditation framework, and potential expansion to new modalities for entities to engage with GCF, including the PSAA, which has been revised following inputs from the Board at B.19 and stakeholder consultations.

6.1 Strategies, targets and identification of entities

24. While conducting interviews, the Consultant noted a lack of consensus on whether there should be a cap on the number of entities that are accredited by GCF, and on whether there should be quotas applied for different types of entities. In response, the Consultant recommended enhancing understanding on the role of an AE (as compared to an executing entity, readiness delivery partner or another role), developing an accreditation strategy reflecting the prioritization required for GCF to fulfil its mandate, and supporting countries in developing their strategies on accreditation by linking accreditation nominations of DAEs to country programming.
25. To address these recommendations the Secretariat will:

- (a) Improve the guidelines on accreditation to further clarify the roles and responsibilities of an AE throughout the period of accreditation and the project lifecycle (**recommendation 1**); and
 - (b) Improve the guidelines on country programmes and readiness support to further assist countries in identifying and nominating the most relevant entities and those that are capable of advancing their programming priorities to meet GCF policies, standards and other requirements (**recommendation 2**).
26. Furthermore, to achieve balance and diversity in the portfolio of national entities accredited with GCF, the Board may wish to:
- (a) Encourage NDAs to nominate entities that would be best suited to undertake their country climate change programming priorities in addition to fulfilling the roles and responsibilities of an AE (**recommendation 3**); and
 - (b) Prioritize in the accreditation process national entities nominated by NDAs that do not yet have a DAE (**recommendation 4**). This will help to address an imbalance where many countries have yet to nominate a single entity while others have nominated more than one, including some that have nominated seven or eight entities.

6.2 Operational scope, size and legal capacities

27. By decision B.09/07, paragraph (c), the Board requested the Secretariat “to inform the national designated authorities and focal points whenever an entity is accredited for operation in their country, and encourages the accredited entities to make contact with the national designated authority or focal point when they intend to operate outside the country(countries) that nominated them”. It is unclear whether the decision covers direct access national entities, direct access regional entities or both. For direct access national entities intending to work outside of the country of operations considered at the time of accreditation, further consideration must also be given to the terms of their mandate and jurisdiction, applicability and transferability of their institutional systems, their track record and other operational factors in such new jurisdictions.

28. **Recommendation 5:** the applicability of paragraphs 45, 47 and 48 of the Governing Instrument regarding entities that may be accredited may be understood as follows:

- (a) DAEs are entities registered in a developing country that will implement projects in developing countries only, including the country where they are registered;
- (b) International access entities include all other entities; and
- (c) Private sector entities, as they may be defined per the laws, regulations and rules of the relevant country in which the organization is registered, may apply to become accredited through the direct access or international access entities, taking into account paragraphs (a) and (b) above.

6.2.1 Legal status of the entity applying for accreditation and which entity engages with GCF

29. Paragraph 30(a) of the accreditation framework¹⁵ indicates that the Stage I review of an applicant shall include a review of the legal status of the entity, specifically, that the entity has the full legal capacity within the relevant jurisdiction that enables it to undertake the intended activities to be funded by GCF and to become an AE of GCF (e.g. enter into a legal agreement in the form of the AMA). Given that the accreditation process entails the review of the applicant entity itself (e.g. its systems, policies, procedures and track record), this review of legal status

¹⁵ Annex I to decision B.07/02.

poses particular challenges to how GCF engages with entities for which their relevant systems and policies are broader than the entity itself, or when there are multiple legal entities associated or affiliated with the applicant entity.

30. This has particularly been the case for public sector entities where the applicant is a ministry or governmental entity, and this challenge may also arise with respect to private sector entities that are part of a corporate group or are affiliates of other entities. In cases where the applicant does not have a separate legal personality, the inclusion of provisions in the legal agreements is necessary to expressly acknowledge such status and to identify who is the underlying legal entity with whom GCF is entering into such contractual relationship (e.g. a government or a parent company). An inclusion of provisions is also necessary to address situations where such an underlying legal entity decides to change, or transfer the functions of, the entity that acts on its behalf to discharge its obligations, and exercise its rights, under such relevant legal agreements.

31. In cases where a country nominates more than one governmental entity (each without separate legal personality from the government or the sovereign), such applications should be reviewed subject to the relevant AMAs being substantially consistent. This will avoid having diverse requirements or different obligations between GCF and the underlying legal entity (i.e. the country) depending on which governmental entity is discharging the obligations on behalf of the legal AE. It will also prevent the country and other stakeholders channelling funding requests through the governmental entity, which is perceived to have less burdensome requirements with GCF, as this would be contrary to the purpose of allowing multiple DAEs from the same country. Similarly, the legal agreement (e.g. AMA) between GCF and the government or sovereign in respect of such entities should be substantially consistent across each of them in order to maintain the same terms of the agreement between GCF and the country that will discharge its roles and responsibilities as an AE through each of such applicants (**recommendation 6**).

32. Private sector entities, non-profit organizations and other types of organizations with affiliates or that are part of corporate groups often query whether the organization at the group or global level, in addition to subsidiaries, affiliates, country offices, and branches, among others, should seek accreditation. In that regard, the entity seeking accreditation should have separate legal personality and have sufficient autonomy and a track record within the organization to implement activities. In cases of multiple applicants that are part of the same organization, the entity within the organization that is best suited to undertake the role and responsibilities of the AE and has the relevant institutional presence and networks itself to bring forward projects/programmes that meet the objectives and mandate of GCF should seek accreditation and enter into the legal agreements with GCF (**recommendation 7**). Entities without separate legal personality (such as branches or country offices) should be included in the application made by the relevant entity with legal personality. Subsidiaries, affiliates and other entities that have separate legal personality, but which are part of the same corporate or organizational group as the entity that is seeking accreditation, may be included in such an accreditation application and assessed at the same time as such an entity. Notwithstanding the foregoing, subsidiaries, affiliates, country offices, and branches, among others, that are not accredited in their own right may still participate as an executing entity in the project/programme proposed by the entity within the organization that is the AE.

6.2.2 Accreditation scope

33. Once accredited, AEs may submit funding proposals that fall within their accreditation scope (e.g. size category, fiduciary functions and environmental and social risk category) for consideration by GCF. For example, an AE accredited for the specialized fiduciary criteria for project management and not accredited for the specialized fiduciary criteria for on-lending and/or blending (for loans) may seek GCF financing to manage a project/programme, but it may

not on-lend GCF financing to executing entities or beneficiaries as it has not been accredited to do so.

34. Regarding the financing size category, annex I to decision B.08/02 defines four categories: Micro, Small, Medium and Large. These categories are defined as the “maximum total projected costs, irrespective of the portion that is funded by the GCF, of [varying thresholds in United States Dollars] for an individual project or an activity within a programme”. In addition, GCF is able to work with AEs through a number of financial instruments, particularly grants, reimbursable grants, loans, equity and guarantees. In the accreditation process, entities are assessed in terms of their capacities to undertake projects and programmes. The relationship between the financing size as defined in decision B.08/02 and the different financial instruments requires further clarification, particularly in the context of “activities within a programme” and in the context of the financial instrument (e.g. equity). For example, while the individual activities within a programme may themselves fall under the Micro category and the AE has been accredited for the Micro category, the overall size of the programme comprising of the activities may in total be larger than that category. Additionally, the term “programme” is understood to refer to “investment”, particularly in the case of AEs accredited for the GCF specialized fiduciary standard for on-lending and/or blending to undertake equity investments. The definition of the financing size category limits for “projects” as contained in paragraphs 12(a–d) of annex I to decision B.08/02 should also apply to “programmes” instead of “activities within a programme”, as presented in funding proposals (**recommendation 8**).

6.3 Accreditation process

35. The Consultant’s findings have reaffirmed concerns that stakeholders find the accreditation process cumbersome and time-consuming even if it is also rewarding in helping them truly introspect and improve as institutions. The actual time spent reviewing applications in both Stages I and II is significantly lower than the total amount taken. The Consultant also indicated that there is duplication both within the accreditation process and between the accreditation and funding proposal processes. They also found that the standards applied during accreditation are seen to be fairly robust. Thus, the recommendations focus on developing a model that streamlines the process while maintaining the standards against which entities are assessed. Such a streamlined process proposed by the Consultant entails the following:

- (a) Combining aspects of the reviews related to standards under Stage I (completeness check) and Stage II (Step 1) (assessment against GCF accreditation standards) into one step for technical review under the oversight of the AP;
- (b) Utilizing a panel of external service providers to assess applicants against the GCF accreditation standards, following which the AP reviews such assessments prior to making its recommendations to the Board; and
- (c) Requiring applicants to directly tender one of the empanelled service providers to assess them, including through site visits, to enable more efficient assessments.

36. The Consultant estimates that the length of the process, including an on-site visit could range from two to four weeks for two full-time equivalents depending on the size of the entity and the standards being assessed. In this model, the AP provides independent oversight, ensuring the quality and consistency of the reviews conducted by the external service providers rather than undertaking the assessments themselves thus significantly reducing the time it spends on each applicant. The cost to entities of hiring one of the empanelled firms would be comparable to the high range of the accreditation fees currently charged by GCF,¹⁶ and GCF

¹⁶ Annex VI to decision B.08/04.

would need to consider partially covering the costs for applicants that would typically fall in the lower range of fees and may not be able to cover the full costs of hiring an empanelled firm. Moreover, the empanelled firms could provide services to entities in their language thus addressing a significant source of frustration for entities who primarily work in languages other than English (the working language of GCF).

37. Following feedback from the Board, the proposal below contains elements of the Consultant's proposal. In this proposed model, the role of the Secretariat in would be to oversee and manage the entire process, manage relations with all applicants and associated knowledge on each applicant, and ensure quality at entry into the accreditation pipeline by assessing in Stage I the following:

- (a) Alignment of the applicant to the mandate and objectives of GCF;
- (b) Legal capacity of the applicant to enter into agreements with GCF, including its in-principle acceptance of the general terms and conditions of GCF as stipulated in the template AMA;
- (c) Viability of the pipeline of projects/programmes that the applicant intends to submit to GCF; and
- (d) Institutional presence, relevant networks and relevant experience related to GCF objectives and results areas.

38. The Accreditation Panel, during Stage II (Step 1) would conduct the review of the applicant against the GCF fiduciary standards, ESS and gender policy, including both a completeness check to ensure relevant policies and procedures, as well as track record of implementing such policies and procedures have been provided as a part of the applicant, and determine whether – on the basis of policies, procedures and track record provided – the applicant meets the aforementioned GCF standards. This consolidation of technical reviews related to standards under Stage II (Step 1) only – as opposed to the current approach of being split between the Stage I and Stage II (Step 1) – is proposed in the draft decision. In doing so, it is expected that accreditation review process would become more efficient and effective by reducing the duplication of reviews and the overall review timeframe.

39. The Consultant had proposed that applicants themselves be responsible for procuring an external service provider from the pre-selected panel to review their accreditation application rather than the GCF (Secretariat and AP). Following feedback from the Board regarding this proposal, the current approach to payment of fees for accreditation applications in line with the GCF Policy on Fees for Accreditation¹⁷ and the procured by the Secretariat of firms to support accreditation application reviews would be maintained.

40. The Secretariat currently employs external consulting firms to support Stage I reviews. Based on the Consultant's proposal, the use of external consultants to also cover Stage II (Step 1) reviews is proposed in the draft decision. This will require additional management capacity by the AP and Secretariat, as well as resources to procure a roster of competent external consultants or consultancy firms to conduct the Stage II (Step 1) reviews under a new, consolidated approach pertaining to GCF standards. The AP would provide guidance and oversight to this roster of consultants and/or firms, and conduct quality assurance. Based on resources used in past years, the amount expected for 2019 for implementing a roster of firms for Stage II (Step 1) accreditation reviews is USD 700,000.

41. The Secretariat will strengthen its guidance and readiness assistance to NDAs to enable them to only nominate those entities most relevant to advancing their programming priorities with GCF and most capable of meeting GCF standards. Furthermore, the Secretariat's

¹⁷ Decision B.08/04.

assessment will ensure that only those entities that enter the accreditation pipeline will go on to hire an empanelled firm to assess them.

6.4 Annual self-assessments, midterm reviews and re-accreditation

42. The GCF monitoring and accountability framework¹⁸ sets out the various monitoring and accountability requirements for AEs at the institutional and project levels. At the institutional level, AEs are required to conduct an annual self-assessment of their continued compliance with GCF accreditation requirements and undergo a midterm accreditation review. AEs are accredited for a period of five years, and they would need to seek re-accreditation to continue being an AE of GCF.

43. Following the first accreditation of entities at the ninth meeting of the Board in March 2015 and the adoption of the monitoring and accountability framework, referenced in the AMAs with AEs, the Secretariat received annual self-assessments from relevant AEs for the calendar year 2017 and will be entering into the midterm review for relevant entities later in 2018. As the self-assessments and midterm reviews are starting, these items have not been covered in the review of the accreditation framework. However, information on the annual self-assessments is contained in document GCF/B.21/XX titled “Consideration of accreditation proposals” (under preparation).

44. Given that self-assessments, midterm reviews and re-accreditation would require an understanding of the entity’s institutional capacities at the time of the original accreditation, and at the various review and re-accreditation time frames, it will be important to ensure that the information required to adequately conduct such reviews is available to the Secretariat and the AP. In addition, such information supports the negotiations of various agreements (e.g. AMA and FAA) between GCF and the AEs as well as ongoing knowledge management to inform the GCF-AE partnership.

45. The re-accreditation process is currently being developed by the Secretariat and AP and will be based on the accreditation framework and accreditation standards (e.g. fiduciary standards, ESS and the Gender Policy) as well as the baseline of the overall portfolio of the AEs that allows for an assessment of the extent to which their activities (beyond those projects/programmes funded by GCF) have evolved during the accreditation period.¹⁹ In light of the findings from the Consultant regarding the pipeline and portfolio of projects/programmes, noting that some AEs have not yet submitted concept notes or funding proposals, the Board may wish to consider whether to put in place minimum requirements regarding quality projects/programmes, such as the approval of at least one funding proposal submitted by AEs for GCF financing or approval of a Project Preparation Facility proposal by AEs.

6.5 Expanding to new accreditation modalities

46. Currently, the accreditation framework – as a means to an end of delivering on GCF 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 a track record of implementing such systems. Current processes seek to balance the need to uphold all standards while providing the flexibility of a fit-for-purpose approach.

¹⁸ Annex I to decision B.11/10.

¹⁹ Decision B.12/30, paragraph (d).

47. In “Further development of the accreditation framework” (document GCF/B.19/28), presented at B.19, the Secretariat introduced potential new ways for entities to engage with GCF: accreditation with associated partners, and PSAA.

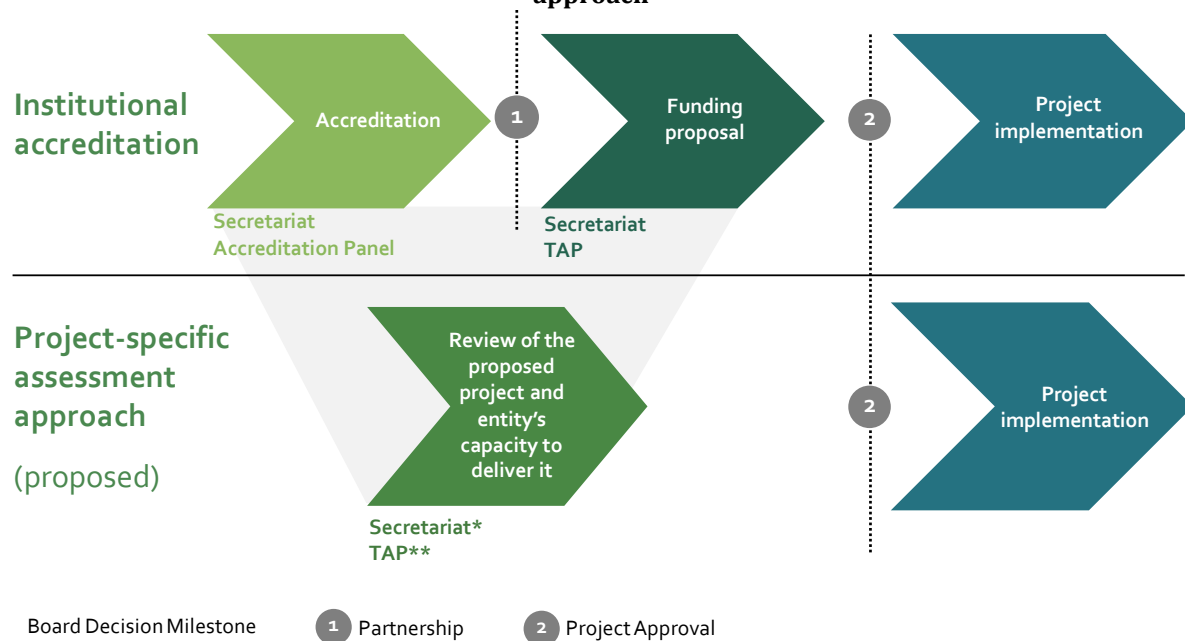
48. In the review of the accreditation framework conducted by the Consultant, the Consultant identified two options for alternative modalities: direct management and PSAA. In direct management, the Secretariat, possibly via an on-the-ground network, would have a much closer involvement in the implementation of projects, either on a project-by-project basis or by providing cross-cutting services, such as procurement. The Consultant found that such an approach would reduce the exposure of GCF to many of the risks associated with project delivery, but it would also have significant resource implications. The Consultant also recognized that such a role was not foreseen for GCF at its establishment and is not aligned with the country-owned and country-driven approach. The Consultant further noted, through surveys it conducted, that the majority of NDAs and Board members that responded did not support direct management as a viable option for alternative modalities for GCF. The Consultant noted that the majority of NDAs and Board members who responded to the survey were supportive of the PSAA. Considerations of both alternative approaches by the Consultant are further detailed in annex IV of this document.

6.5.1 **Project-specific assessment approach**

49. The general objective of the PSAA is to streamline the assessment processes for accreditation and second-level due diligence (of funding proposals) into a single assessment. Such an approach would enable a coherent integration of the GCF fiduciary principles and standards, ESS and Gender Policy, related operational systems and procedures, and other operational policies and procedures into a single streamlined assessment process. Thus, the PSAA differs from two-step assessments currently practiced through the accreditation and proposal approval processes (refer to figure 2 below).

50. The PSAA would simultaneously assess an organization’s ability to implement or undertake the proposed project/programme as well as the proposed project/programme itself. This would broaden access to GCF for organizations for which the existing accreditation process imposes significant transaction costs not justified if their intention is to bring only a single project forward.

Figure 2: 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 (TAP) review focuses on the funding proposal, in line with its terms of reference per decision B.09/10, paragraph (a).

51. In decision B.19/13, the Board requested the Secretariat to further develop the PSAA contained in annex II of document GCF/B.19/28, taking into account the views of Board members and the outcomes of the full review of the accreditation framework, for the Board's consideration. The PSAA has been revised and is presented in annex III to this document. Changes in this document as compared to the proposal presented at B.19 include:

- (a) **Scope of applicability:** clarifications have been added regarding the PSAA application to funding proposals under the SAP adopted in decision B.18/06 and RFPs for enhancing direct access adopted in decision B.10/04. Additionally, the PSAA would especially target DAEs and projects in the Micro to Small categories; the scheme to support micro, small and medium-sized enterprises adopted in decision B.10/11; and the programme to mobilize funds at scale adopted in decision B.16/03;
- (b) **Number of proposals per entity:** taking into account the comments of Board members at B.19, the maximum number of proposals per entity has been amended from three to one;
- (c) **Contribution to the objectives and mandate of GCF:** as per decision B.10/06, paragraph (j), to advance the goal of GCF to promote the paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development, entities with funding proposals approved within the scope of PSAA would be required to report at least once every five years to the Board through the Secretariat the extent to which the entity's overall portfolio of activities beyond those funded by GCF has evolved in this direction during the implementation period of the approved project;
- (d) **Applicability of standards and assessment approach:** an entity's capacity would be assessed against the GCF fiduciary standards, ESS and Gender Policy in the context of their ability to undertake the proposed project/programme. Additionally, an indicative list of items that may be reviewed as a part of the assessment has been added;
- (e) **Reputational risk:** entities under PSAA would be assessed for potential reputational risks to GCF;

- (f) Reporting on PSAA projects/programmes: project-level monitoring and reporting requirements in line with the initial monitoring and accountability framework for AEs would apply to entities with PSAA projects/programmes; and
 - (g) Review of the pilot: a review has been added to take place after the initial three years of operationalizing PSAA.
52. To operationalize PSAA, the Secretariat, in augmenting its capacity through third parties, will require resources to procure individual consultants or firms to cover the costs of assessments of funding proposals under PSAA and make the necessary legal arrangements. The amount expected for 2019 for implementing PSAA with the support of consultants is USD 600,000.

Annex I: Draft decision of the Board

The Board, having considered document GCF/B.21/08 titled “Accreditation framework review”:

- (a) *Takes note* of the report on the review of the accreditation framework in annex IV;

Improving current accreditation modalities

- (b) *Encourages* national designated authorities to nominate entities that would be best suited to undertake their country’s climate change programming priorities and that fit the roles and responsibilities of an accredited entity;
- (c) *Decides* that, with reference to paragraphs 45, 47 and 48 of the Governing Instrument for GCF, entities that may be accredited to GCF would include:
- (i) Direct access entities: entities registered in a developing country that will implement projects in developing countries only, including the country where they are registered;
 - (ii) International access entities: all other entities not referred to in paragraph (d)(i) above; and
 - (iii) Private sector entities: entities included either in paragraphs (d)(i) or (d)(ii) above defined as private sector per the laws, regulations and rules of the relevant country in which the entity seeking accreditation is legally registered;
- (d) *Also decides*, without prejudice to approved funding proposals, that paragraphs 12(a–d) of annex I to decision B.08/02 shall be amended as follows:
- (a) Micro (maximum total projected costs at the time of application, irrespective of the portion that is funded by GCF, of up to and including USD 10 million for an individual project or programme);
 - (b) Small (maximum total projected costs at the time of application, irrespective of the portion that is funded by GCF, of above USD 10 million and up to and including USD 50 million for an individual project or programme);
 - (c) Medium (maximum total projected costs at the time of application, irrespective of the portion that is funded by GCF, of above USD 50 million and up to and including USD 250 million for an individual project or programme); and
 - (d) Large (total projected costs at the time of application, irrespective of the portion that is funded by GCF, of above USD 250 million for an individual project or programme);
- (e) *Further decides* to streamline the accreditation process in order to accelerate the review and consideration of entities applying for accreditation;
- (f) *Decides*, pursuant to paragraph (e) above, and in line with paragraph 18 of the terms of reference of the Accreditation Panel, that the actual review of entities in Stage II (Step 1) shall be undertaken by competent external consultants or consultancy firms, with guidance and oversight from and quality assurance by the Accreditation Panel;
- (g) *Requests* the Accreditation Panel, with the support of the Secretariat, to establish a roster of competent external consultants or consultancy firms in accordance with the Administrative Guidelines on Procurement;
- (h) *Approves*, pursuant to paragraphs (f) and (g) above, a budget of up to USD 700,000 under the administrative budget of the GCF Board for 2019 for the use of such external consultants or consultancy firms;

- (i) Requests the Accreditation Panel, in consultation with the Secretariat, to update the draft working modalities of the Accreditation Panel set out in annex [#] to document GCF/B.21/Inf.XX titled “Reports from committees, panels and groups” to reflect the use of external consultants or consultancy firms in the context of reviews of entities in Stage II (Step I), with a view to presenting such working modalities to the Board for its consideration at its twenty-second meeting;
- (j) Also requests the Secretariat to implement the recommendations identified in annex II;

Complementary accreditation modality to meet specific needs

- (k) 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 III, especially for direct access entities and projects in the Micro to Small categories, in order to broaden modalities of access to GCF resources for any funding proposal submitted under the Simplified Approvals Process Pilot Scheme per decision B.18/06 and the following requests for proposal approved by the Board:
 - (i) A pilot phase for enhancing direct access in decision B.10/04;
 - (ii) A pilot scheme to support micro, small, and medium-sized enterprises, in decision B.10/11; and
 - (iii) A pilot programme to mobilize funds at scale in decision B.16/03;
- (l) Also decides that information on how the entity will contribute to the mandate of GCF and any information considered material, particularly information with potential reputational risks to GCF, shall be provided in the Secretariat’s assessment as contained in paragraph (k) above;
- (m) Further decides that entities with funding proposals approved within the scope of the project-specific assessment approach set out in paragraph (k) above shall be deemed accredited for the purposes of such approved funding proposal only;
- (n) Recalling decision B.10/06, paragraph (j), to advance the goal of GCF to promote the paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development, decides that entities with funding proposals approved within the scope of the project-specific assessment approach set out in paragraph (k) above shall report every year to the Board through the Secretariat the extent to which the entity’s overall portfolio of activities beyond those funded by GCF has evolved in this direction during the implementation period of the approved project;
- (o) Requests the Secretariat to operationalize the approach referred to in paragraph (k) above, with the objective of submitting funding proposals that are within the scope of the project-specific assessment approach for the Board’s consideration as early as possible;
- (p) Approves, pursuant to paragraph (o) above, a budget of up to USD 600,000 under the administrative budget of the GCF Secretariat for 2019 to cover the costs of the assessments of funding proposals submitted under the project-specific assessment approach and their related legal arrangements;
- (q) Requests the Secretariat to report to the Board on an annual basis on the operationalization and implementation of the approach referred to in paragraph (k) above;

- (r) *Decides* that the pilot project-specific assessment approach detailed in paragraph (k) above shall be reviewed, with the review commencing no earlier than three years from its operationalization; and
- (s) *Also decides* that the Project Preparation Facility will support project and programme preparation requests from entities referred to in the project-specific assessment approach detailed in paragraph (k) above in addition to those entities already identified in decision B.13/21, paragraph (b), and the provisions of decision B.13/21 shall apply mutatis mutandis to such entities.

Annex II: Recommendations for improving the accreditation framework to meet the objectives of GCF

1. Improve the guidelines on accreditation to further clarify the roles and responsibilities of an accredited entity (AE) throughout the period of accreditation and the project lifecycle.
2. Improve the guidelines on country programmes and readiness support to further assist countries in identifying and nominating the most relevant entities and those that are capable of advancing their programming priorities to align with GCF policies, standards and other requirements.
3. In cases where there is more than one applicant that is a part of the government system that is nominated and seeking accreditation, and where such applicants do not possess separate legal personalities from the government or the sovereign, the legal agreement (e.g. accreditation master agreement) between GCF and the government or sovereign in respect of such entities should be substantially consistent across each of them in order to maintain the same terms of the agreement between GCF and the country that will discharge its roles and responsibilities as an AE through each of such applicants.
4. In cases of multiple applicants that are part of the same organization, the entity within the organization that is best suited to undertake the role and responsibilities of the AE and that has the relevant institutional presence and relevant networks itself to bring forward projects/programmes that meet the objectives and mandate of GCF should seek accreditation and enter into legal agreements with GCF. Entities without separate legal personality (such as branches or country offices) should be included in the application made by the relevant entity with legal personality. Subsidiaries, affiliates, and other entities that have separate legal personality, but which are part of the same corporate or organizational group as the entity that is seeking accreditation, may be included in such an accreditation application and assessed at the same time as such an entity. Notwithstanding the foregoing, subsidiaries, affiliates, country offices, and branches, among others, that are not accredited in their own right may still participate as an executing entity in the project/programme proposed by the entity within the organization that is the AE.

Annex III: Pilot framework for the GCF project-specific assessment approach

I. General objective

1. The general objective of this pilot framework is to enable a coherent integration of the GCF fiduciary principles and standards, environmental and social safeguards (ESS) and Gender Policy with the GCF project-specific assessment approach (PSAA) as an accreditation approach, and its related operational systems and procedures, including the organizational structure and governance system dedicated to supporting it.
2. The “Initial guiding framework for the GCF’s accreditation process” in annex I to decision B.07/02 focuses on assessing an organization’s institutional systems, policies and procedures in place that meet the GCF standards for accreditation related to fiduciary, ESS and gender requirements, and the track record in applying such systems, policies and procedures, resulting in an accreditation type comprised of (a) a maximum project or programme activity size category, (b) fiduciary functions and (c) a maximum environmental and social (E&S) risk level within which an accredited entity (AE) can undertake projects/programmes with GCF funding.
3. The PSAA accreditation approach is consistent with the initial guiding framework for the GCF accreditation process. However, it focuses on the organization’s ability to implement the proposed project/programme presented to GCF rather than a hypothetical set of projects/programmes that the entity may bring forward in the future. In doing so, this pilot framework aims to provide a more fit-for-purpose approach to accreditation in relation to the intended programming. Additionally, it aims to broaden access to GCF for entities for whom the institution-wide approach in accreditation 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.
4. Unless otherwise specifically modified herein, all other relevant GCF policies apply as usual to the pilot framework.

II. Applicability

5. PSAA applies to any funding proposal submitted under the Simplified Approvals Process Pilot Scheme (SAP)¹ and the following requests for proposal (RFPs) approved by the Board:
 - (a) A pilot phase for enhancing direct access;²
 - (b) A pilot scheme to support micro, small, and medium-sized enterprises;³ and
 - (c) A pilot programme to mobilize funds at scale.⁴
6. Entities submitting such funding proposals may include entities not yet accredited to GCF as well as AEs that submit or have submitted funding proposals in relation to the pilot programmes referred to in paragraph 5 above that go beyond their existing approved accreditation scope.
7. Each entity will be capped at a maximum of one approved funding proposal under this pilot approach.

¹ Decision B.18/06.

² Decision B.10/04.

³ Decision B.10/11.

⁴ Decision B.16/03.

8. The Secretariat shall take appropriate measures to encourage and provide support to direct access entities to submit projects or programmes under this approach.

III. Standards

9. The following GCF standards apply to PSAA, which will form part of the review of the proposed project/programme. The focus of the assessment will be on the entity's ability to meet GCF standards in implementing the proposed project/programme – not on the institution-wide systems, policies and procedures or general track record as is assessed in accreditation.⁵ The entity will be assessed against these standards in a manner that is fit-for-purpose in the context of the proposed project/programme:

- (a) GCF initial fiduciary principles and standards;⁶
- (b) GCF interim ESS;⁷ and
- (c) GCF Gender Policy.⁸

10. GCF policies and standards that apply to the project cycle, which include but are not limited to the investment framework, risk management framework, results management framework, Environmental and Social Policy, Indigenous Peoples Policy, Information Disclosure Policy, Policy on Prohibited Practices, and monitoring and accountability framework, among others, will be applied as usual to the proposed project/programme and the project cycle for consideration of the funding proposal.

IV. Project-specific assessment approach process

4.1 Process

11. An entity may submit a concept note under the SAP or the RFPs referred to in paragraph 5 above.

12. In accordance with paragraph 47 of the Governing Instrument of the GCF and the initial no-objection procedure per decision B.08/10, a nomination (applicable to direct access entities) and no-objection letter (for the proposed project) from the national designated authority (NDA) or focal point is required for all funding proposals for a project/programme submitted in this pilot. In order for the entity to be considered for PSAA under SAP or the RFPs, on receipt of a concept note submission from the entity, the Secretariat will seek confirmation from the NDA or focal point that the concept note fits under national priorities and country ownership, in line with decision B.17/09, paragraph (f).

13. After the Secretariat has reviewed the concept note submitted and determined it satisfactory to be developed into a funding proposal, the entity should submit an application to facilitate the assessment of the entity either prior to or in parallel with the development of the funding proposal.

14. The Secretariat will undertake a project-specific assessment of the entity and, together with the review of the funding proposal itself, include its assessment of the entity as part of the Secretariat's assessment of the funding proposal (refer to figure 3 below).

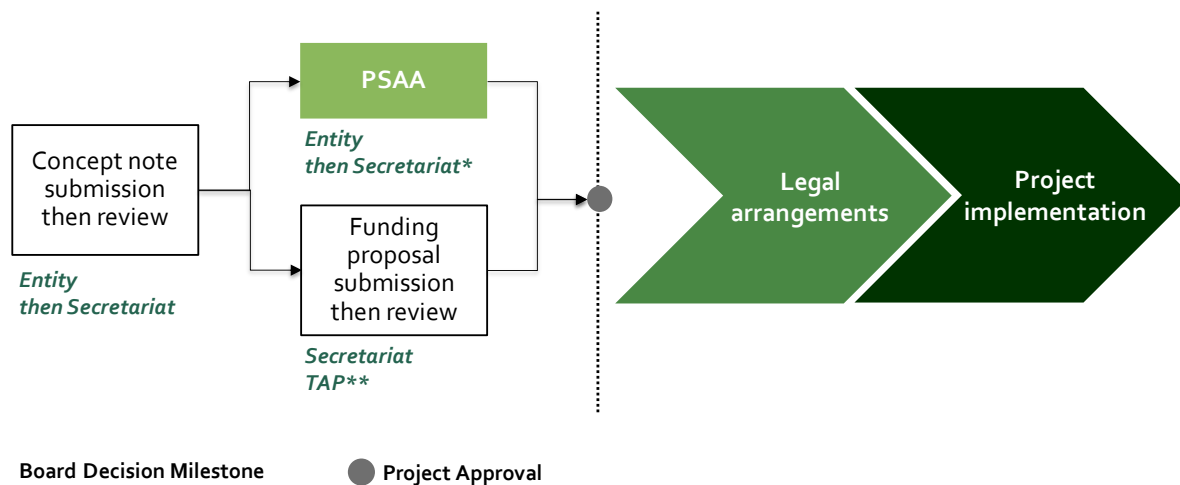
⁵ Decision B.07/02, paragraph (a) and annex I to the decision.

⁶ Decision B.07/02, paragraph (b) and annex II to the decision.

⁷ Decision B.09/11, paragraph (a) and annex XIII to the decision.

⁸ Decision B.07/02, paragraph (b) and annex II to the decision.

Figure 3: Process for the pilot framework for the 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 (TAP) review focuses on the funding proposal, in line with its terms of reference per decision B.09/10, paragraph (a).

Abbreviations: TAP = independent technical advisory panel, PSAA = project-specific assessment approach.

15. The PSAA process will be based on two main stages:
 - (a) Stage I: project-specific assessment of the entity and consideration of the funding proposal; and
 - (b) Stage II: final arrangements.
16. The purpose of Stage I is twofold:
 - (a) To determine whether the entity submitting a funding proposal has appropriate legal status and sufficient institutional capabilities to implement the proposed project/programme in a manner that meets the GCF fiduciary, environmental, social and gender standards (institutional assessment in section 4.2 of this framework); and
 - (b) To assess the funding proposal submitted by the entity, following the established procedure for the SAP or the standard proposal approval process, as applicable.
17. 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 GCF, where applicable.
18. 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.
19. The results of the assessment along with the funding proposal and assessment will be presented to the Board for a funding decision.
20. The Board's consideration of whether to work with an entity for the proposed project will be taken into account as part of its consideration of the funding proposal.
21. Stage II will conclude the process through the validation and finalization of formal arrangements between the applicant and GCF upon the successful completion of Stage I.

4.2 Entity's institutional capacity assessment

22. PSAA, as a part of the assessment of the proposed project, will include an assessment of the entity's institutional capacities to implement the proposed project. This will include:
- (a) How the entity contributes to the mandate of GCF;
 - (b) Potential reputational risks to GCF;
 - (c) Legal status: the entity has full legal capacity and independent legal personality within the relevant jurisdiction that enables it to undertake the proposed project/programme to be considered for funding by GCF and to undertake the same responsibilities with respect to project/programme implementation as an AE and enter into legal agreements with GCF in its own name;
 - (d) Confirmation by the Secretariat that the role of the entity in the proposed project does not conflict with the obligations it owes and will owe to GCF its capacity as an entity accredited for the purposes of delivering the proposed project;
 - (e) How the entity meets the GCF initial basic fiduciary standards and initial specialized fiduciary standards at the institutional level that allow it to implement the proposed project; and
 - (f) Whether the entity has the capacity to manage relevant environmental and social risks in line with the GCF interim ESS and scaled risk-based approach as well as the GCF Gender Policy at the institutional level that allow it to implement the proposed project.
23. PSAA will entail two steps that include capacity checks at both the project and institutional levels as well as an overall capacity assessment. The standards, as contained in section 3 of this framework, will be applied in a fit-for-purpose manner in the assessment of the entity's capacities to implement the proposed project/programme, as detailed below.
24. **Step 1: capacity checks:**
- (a) **Institutional capacity check.** This check will focus on those elements that are most needed to ensure an entity has the institutional capacity to implement the proposed project/programme. This check would include, as applicable:
 - (i) Review of internal control mechanisms such as financial controls, organizational structure, anti-money laundering (AML), countering the financing of terrorism (CFT) and other prohibited practices, fraud and mismanagement systems, in so far as they relate to the undertaking of the proposed project;
 - (ii) Depending on the E&S risk level and relation to the financing structure of the proposed project/programme, institutional function, organizational structure and competency on E&S due diligence, processes to assess and manage E&S risks, indigenous peoples engagement, consultations and grievance redress mechanisms. This check will also look into the functions, structure and competency to address gender issues as may be assessed in the proposed projects; and
 - (iii) Third-party reviews such as reviews from bilateral and multilateral organizations, and any other institutional-level evaluations; and
 - (b) **Project track record check.** The entity will submit examples of projects that the entity has implemented in the past that are similar to the proposed project in (1) project/programme activity size, (2) E&S risk category, and (3) financial instruments and financing modalities. Preferably, the entity will have examples of both completed and current projects. Depending on the type of project being proposed, an indicative list of information to be provided may include:
 - (i) Fiduciary standards information:

1. Organization structure and chart, including evidence of independent legal personality and legal capacity;
2. Structure, involvement and experience of oversight bodies (e.g. audit committee and audit function), including a board of directors or equivalent of the entity and quality and experience of senior management;
3. Previous track record in the country or region where the proposed project/programme would take place; and
4. Entity profile in terms of types of past activities (e.g. assets built in the past, products and services sold, percentage of revenue generated from activities), information on the current projects portfolio, and forecasted profile of the entity for the near future (e.g. three years), including its investment strategy;
5. Basic financial information (e.g. balance sheet and profit and loss statement) and ratios to assess company sustainability for the proposed project/programme duration;
6. Evidence of structure and use of financial instruments in past projects that are relevant to the proposed project/programme. This may include evidence of the entity's project management experience;
7. Where applicable, a project-specific procurement plan on a rolling basis and evidence of procuring various types of goods, works and services in similar projects, including experience and capacity to select, manage and oversee executing entities;
8. Application of prohibited practices, AML/CFT requirements, including due diligence such as "know-your-customer" checks and similar due diligence of the executing entities in the proposed project/programme;
9. Disclosure of past incidences of fraud, non-compliance and malpractices;
10. Institutional and contractual arrangements with executing entities for similar financing structures applied in past projects/programmes;
11. Risk management and risk identification systems and procedures to be applied in the planning and implementation process of the proposed project/programme;
12. Project-specific financial audits, including audits of procurement activities, or similar reviews for projects/programmes similar to the proposed project/programme;
13. Monitoring and evaluation plans and reports and evaluation reports, including terminal evaluations. Completed projects should include project-specific financial audits and terminal evaluations or similar reviews, including audits of the expenditures and results compared to planned budget and implementation plans;
14. Audit and assurance reports (external and internal) of the entity's financial management and control systems/framework, including on financial mismanagement, AML/CFT and prohibited practices, such as fraud, corruption, and whistle-blower policies;
15. Information on the internal governance reliability of the entity, its internal policies, code of conduct and/or code of ethics, and internal monitoring of legal and information technology (IT) Issues;

16. Credit ratings received from international and national rating agencies, or evaluation reports/reviews received from multilateral and bilateral organizations on the entity's performance in the past regarding financial management capabilities for similar projects/programmes to the one proposed;
 17. IT arrangements for disclosing project-related information (e.g. website/web page or publicly available reports), where the information on project/programme progress and completion is published as well as a weblink for the public to submit comments or complaints that would be used in the proposed project/programme;
 18. Records of any complaints received from the public and employees with regard to the implemented projects in the past, and records of incidents of fraud/malpractice identified and investigated together with the information on the status of the investigation process;
 19. Such other best practices in fiduciary management as may be applicable/appropriate to the specific project/programme; and
 20. Information on the entity's ability to safeguard the interests of GCF, including the disclosure of any potential conflicts of interest that may arise out of its role to implement the project/programme or inconsistencies with GCF fiduciary standards, ESS and Gender Policy; and
- (ii) Environmental, social and gender information:
1. For a Category A/Intermediation 1 or B/Intermediation 2 project/programme, provide a sample of E&S risk screening and assessment (environmental and social impact assessments or related instruments), environmental and social management plans or related E&S risk management plans, monitoring, supervision and evaluation, results of E&S project audits, environmental permits and clearances, compliance and non-compliance (grievance) reports of past projects/programmes that are similar to the proposed project/programme;
 2. For a Category C/Intermediation 3 project/programme, provide a sample of E&S risk screening of past projects/programmes that are similar to the proposed project/programme; and
 3. Gender policies and initiatives to mainstream gender considerations that have been applied in past projects/programmes that are similar to the proposed project/programme; and
 4. Environmental management system certifications and sustainability reports.
25. **Step 2: overall capacity check.** Based on the institutional capacity and project track record checks, the entity may be assessed to have high capacity in certain areas (e.g. financial management) and low capacity in other areas (e.g. management of E&S and gender risks) as follows:
- (a) **High capacity** would indicate that the entity has a well-developed financial management system, a well-functioning control framework, including risk management, and robust systems and policies in place to prevent money-laundering and the financing of terrorism and other prohibited practices, such as fraud and corruption, and with sufficient scope to manage E&S risks with a low likelihood of negative impact on the entity's ability to undertake the proposed project as designed;

- (b) **Medium capacity** would indicate that the entity has a developed financial management system, a functioning control framework, including risk management, and systems and policies in place to prevent money-laundering and the financing of terrorism and other prohibited practices, such as fraud and corruption, and with scope to manage E&S risks with moderate likelihood of potential negative impact on the entity's ability to undertake the project as designed; and
- (c) **Low capacity** would indicate an underdeveloped financial management system and/or weak control framework, little or no risk management, and inadequate systems and policies in place to prevent money-laundering and the financing of terrorism and other prohibited practices such as fraud and corruption and with inadequate scope to manage E&S risks with a significant likelihood of potential negative impact on the entity's ability to undertake the project as designed.
26. If the entity is assessed to have high capacity to undertake the proposed project/programme, and if the funding proposal assessment is also positive, the Secretariat would recommend that the entity is able to undertake the proposed project/programme.
27. If the entity is assessed to have medium capacity to undertake the proposed project/programme, and if the funding proposal assessment is positive, a discussion of potential mitigating factors would be required (e.g. conditions during project implementation, requesting a partnership with another entity) before the Secretariat may recommend the funding proposal to the Board for its consideration.
28. If the entity is assessed to have low capacity to undertake the proposed project/programme, the Secretariat will not recommend the funding proposal, and the entity would need to address gaps identified prior to further consideration of the funding proposal under PSAA. NDAs may request support for such entities under the Readiness and Preparatory Support Programme to address gaps identified.

4.3 Proposal approval

29. Funding proposals recommended by the Secretariat under this approach shall be submitted to the Board for consideration during its regular meetings.

4.4 Legal arrangements and post approval

30. The entity or entities submitting a funding proposal to GCF under this approach will be subject to the same responsibilities with respect to project/programme implementation as an AE were it to submit the same funding proposal under the normal GCF funding modalities, and such responsibilities will, during Stage II, be codified in legal arrangements similar to the template accreditation master agreement (AMA)⁹ and funded activity agreements (FAA) as may be relevant to the approved project/programme.
31. The legal arrangements for PSAA projects/programmes are likely to be more complex than the AMA and FAA. They will, typically, consist of a single agreement that is a hybrid of the AMA and FAA, and that will need to take into account the fact that the institutional assessment was undertaken in the context of the overall assessment of the relevant project rather than as per the current accreditation framework. As such, the PSAA legal arrangements will likely contain provisions, principally in the form of representations and covenants, that are not currently set out in the AMA or FAA.

⁹ Decision B.12/31.

32. The development of legal arrangements for the PSAA modality will require additional resources, including through the use of external consultancy firms, to ensure that it can be implemented in a timely manner.

V. Fees for assessing the entity

33. The Policy on Fees for Accreditation to the GCF¹⁰ applies to entities under PSAA. Fees are to be paid at the time the entity submits its application for assessment under PSAA.

VI. Entity fees for projects/programmes approved under project-specific assessment approach

34. The Policy on Fees for Accredited Entities and Delivery Partners¹¹ applies to entities under PSAA.

VII. Monitoring and accountability

35. The initial monitoring and accountability framework for AEs¹² regarding project-level monitoring and reporting will apply to entities under the PSAA with respect to project/programme implementation, as applicable. Considering the context of the project/programme, the legal agreement between GCF and the entity will also reflect the relevant reporting requirements under the PSAA legal agreement, similar to such requirements contained in the template AMA and FAAs with respect to project/programme implementation.

36. In line with decision B.10/06, paragraph (j), to advance the goal of GCF to promote the paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development, entities with funding proposals approved within the scope of PSAA will be required to report every year to the Board through the Secretariat the extent to which the entity's overall portfolio of activities beyond those funded by GCF has evolved in this direction during the implementation period of the approved project.

37. The Secretariat will report to the Board on an annual basis on the operationalization and implementation of the PSAA.

VIII. Review of project-specific assessment approach

38. A review of the pilot framework for the PSAA will take place after the initial three years of operationalizing the PSAA.

IX. Additional considerations

39. Entities that have submitted a concept note that has been reviewed by the Secretariat and determined to be satisfactory to then be developed into a funding proposal, and that have been assessed to have high or medium capacity as per section 4.2 above, may request support under the Project Preparation Facility.

¹⁰ Annex VI to decision B.08/04.

¹¹ Annex VIII to decision B.19/09.

¹² Decision B.11/10.

Annex IV: Report on the review of the accreditation framework

The report on the review of the accreditation framework is contained below.