



**GREEN
CLIMATE
FUND**

Meeting of the Board

16 – 19 March 2021

Virtual meeting

Provisional agenda item 13

GCF/B.28/12

2 March 2021

Updated accreditation framework

Summary

In decision B.22/16, the Board decided to streamline the accreditation process in order to accelerate the review and consideration of entities applying for accreditation. In decision B.24/13, the Board decided to defer its consideration of the project-specific assessment approach to its twenty-fifth meeting (B.25). In line with decisions B.22/16, paragraph (d), and decision B.24/13, this document presents the updated accreditation framework, including the project-specific assessment approach, for the Board's consideration. The updated accreditation framework incorporates Board decisions taken at B.23, B.24 and B.26 regarding GCF policies that affect the accreditation and the re-accreditation process.

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I. General mandate

1. GCF is fundamentally a partnerships institution, working for, through and with partners to deliver climate results. In this model, accredited entities (AEs) are key to developing countries' access to GCF resources and delivery of impact.¹ The accreditation framework and process are key elements of the GCF business model, and through this approach, AEs are assessed to have systems, policies, procedures, capacities and a track record in place that meet GCF standards, which will be used to channel funding for climate change mitigation and adaptation projects and programmes in developing countries. The GCF established a network of 103 AEs, of which 74 are fully accredited for programming (as at 31 January 2021), and is currently able to accredit around 15 AEs annually (including new entities, upgrading existing AEs and re-accrediting existing AEs). This has been achieved by applying the initial guiding framework for the GCF accreditation process as adopted in decision B.07/02 and Board decisions on a fit-for-purpose approach,² fast-tracking organizations accredited to similar funds,³ and prioritizing certain types of applicants in the accreditation process.⁴

2. Noting the Performance Review of the GCF (document GCF/B.23/20), the GCF First Replenishment (GCF-1): Replenishment Summary Report (document GCF/B.24/11) and in the context of the Updated Strategic Plan for the GCF: 2020-2023,⁵ the GCF will, in 2020-2023:

- (a) Continue to build its AE network by focusing on the value-addition of AEs to delivering developing countries' programming priorities and advancing GCF strategic objectives, including keeping a strategic focus on strengthening the role of DAEs in programming, as described in section 4.1 of the updated Strategic Plan; and
- (b) Seek to streamline and speed up access to GCF resources and reduce the lengthy timelines involved in the current accreditation process.

3. Key actions for 2020-2023 in relation to improving access to GCF resources, as identified in the updated Strategic Plan, include:

- (a) Adopting a more strategic approach to accreditation;
- (b) Streamlining the accreditation process and developing alternative accreditation modalities, including a project-specific assessment approach (PSAA); and
- (c) Fostering climate mainstreaming across the GCF partnership network.

4. In decision B.18/04, paragraph (a), the Board decided to commence the review of the accreditation framework. The Secretariat and the Accreditation Committee have proposed documents on the review and update of the accreditation framework between the nineteenth and twenty-fourth meetings of the Board (B.19 and B.24).⁶

5. In decision B.22/16, the Board decided to streamline the accreditation process in order to accelerate the review and consideration of entities applying for accreditation. In decision B.23/11, paragraph (c), the Board agreed to the principle of PSAA, as contained in section VII in annex II to document GCF/B.23/05, which combines assessments undertaken during the existing accreditation and proposal approval processes in a fit-for-purpose manner. In decision B.24/13, paragraph (a), the Board adopted the re-accreditation process set out in annex XXVI to the decision, applying *mutatis mutandis* the initial guiding framework for the GCF accreditation

¹ Decision B.27/06.

² Decision B.08/02.

³ Decision B.08/03.

⁴ Decisions B.14/08, paragraph (d), B.18/04, paragraph (c), B.19/13, paragraph (c), B.21/16, paragraph (e), B.23/11, paragraph (b) and B.24/11, paragraph (e).

⁵ Decision B.27/06.

⁶ Refer to documents GCF/B.19/28, GCF/B.20/17, GCF/B.21/08, GCF/B.22/14, GCF/B.23/05 and GCF/B.24/06, and decisions B.19/13, B.22/16, B.23/11 and B.24/13.

process as contained in decision B.07/02, expecting not to create a disproportionate burden for the AEs. In paragraph (b) of the same decision, the Board decided to defer its consideration of the PSAA as contained in annex XXVII to the decision until B.25.

II. Policy rationale

6. In addition to the Board's decision to commence the review of the accreditation framework, the need to update and reform the accreditation framework is recognized in the Performance Review of the GCF, the GCF First Replenishment (GCF-1): Replenishment Summary Report and in the updated Strategic Plan. The updated Strategic Plan contains specific key actions to improve access to GCF resources, as noted in paragraph 3 above. These include reforming accreditation modalities to improve access to GCF and to unlock the potential of requests for proposals. Galvanizing the AE partnerships with GCF involves three-pronged actions, the second of which recommends improving and strengthening the efficiency of the accreditation process in order to substantially shorten overall timelines to be accredited and speed up access through new GCF long-term AE partners, especially direct access entities (DAEs) and private sector partners. The third approach includes instituting complementary access modalities so countries can pursue, on an ad hoc and limited basis, shorter-term access partnerships on truly innovative investment proposals. As the GCF will continue to rely on accreditation as its main access modality, improving the efficiency and effectiveness of the accreditation process is a top priority.

7. Taking into account feedback received from the Board, AEs and NDAs/focal points through previous consultations, this document presents the Accreditation Committee's proposal for the updated accreditation framework, including:

- (a) GCF policies and standards affecting accreditation or re-accreditation adopted since the initial guiding framework for the GCF accreditation process in May 2014;
- (b) Improvements to the institutional accreditation process targeting streamlining the process and accelerating the review and consideration of applicant entities;
- (c) Re-accreditation process under the institutional accreditation process, as adopted in decision B.24/13, re-accreditation considerations by GCF as contained in the updated Strategic Plan and an extension of the re-accreditation deadline for AEs due to the COVID-19 virus pandemic, as per decision B.26/01, paragraphs. (h)–(j); and
- (d) PSAA to offer complementary access modalities so countries can pursue, on an ad hoc and limited basis, shorter-term access partnerships on truly innovative investment proposals.

III. Linkages with decisions and other documents

8. 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) "Updated accreditation framework" (decision B.23/11);
- (c) "Matters related to the accreditation framework" regarding the re-accreditation process (decision B.24/13 and B.26/01);
- (d) "Guidelines for the operationalization of the fit-for-purpose accreditation approach" (decision B.08/02);

- (e) “Interim Policy on Prohibited Practices” (Exhibit A of the accreditation master agreement considered in decision B.12/31);
- (f) “Policy on Prohibited Practices” (decision B.22/19);
- (g) “Anti-Money Laundering and Countering the Financing of Terrorism Policy” (decision B.18/10);
- (h) “Standards for the Implementation of the Anti-Money Laundering and Countering the Financing of Terrorism Policy” (decision B.23/15);
- (i) “Environmental and social management system: Environmental and Social Policy” (decision B.19/10);
- (j) “Gender policy and action plan” (decision B.09/11);
- (k) “Updated Gender Policy and Action Plan 2020–2023” (decision B.24/12);
- (l) “Assessment, including gap analysis, of institutions accredited by other relevant funds” (decision B.08/03);
- (m) “Identification of relevant potential international private sector best-practice fiduciary principles and standards and environmental and social safeguards” (decision B.08/05);
- (n) “Country programming, readiness and preparatory support” (decision B.13/32);
- (o) “Application documents for submissions of applications for accreditation” (decision B.08/06);
- (p) “Policy on fees for accreditation of the Fund” (decision B.08/04);
- (q) “Comprehensive information disclosure policy of the Fund” (decision B.12/35);
- (r) “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, B.18/05, B.21/16, B.22/09, B.23/13, B.24/11, B.25/12, B.BM-2020/05, B.26/01 and B.27/05);
- (s) “Legal and formal arrangements with accredited entities” (decision B.09/08);
- (t) “Accreditation master agreements” (decisions B.12/31 and B.23/15);
- (u) “Investment framework” (decision B.07/06);
- (v) “Initial results management framework of the Fund” (decisions B.07/04 and B.08/07);
- (w) “Use of other financial instruments” (decision B.08/12);
- (x) “GCF risk management framework” (decisions B.17/11, B.19/04 and B.23/14);
- (y) “Interim policy on fees for accredited entities” (annex II to decision B.11/10);
- (z) “Policy on fees” (annex VIII to decision B.19/09);
- (aa) “Additional modalities that further enhance direct access: Terms of reference for a pilot phase” (decision B.10/04);
- (bb) “Private Sector Facility: working with local private entities, including small and medium-sized enterprises” (decision B.09/09);
- (cc) “Private Sector Facility: potential approaches to mobilizing funding at scale” (decision B.09/09);
- (dd) “Recommendations for further accrediting national, regional and private sector entities (progress report)” (document GCF/B.10/Inf.12);
- (ee) “Policy matters related to the approval of funding proposals: Simplified approval process for certain small-scale activities” (decision B.18/06);

- (ff) “Initial monitoring and accountability framework for accredited entities” (decision B.11/10);
- (gg) “Strategic plan for the Green Climate Fund” (decision B.12/20);
- (hh) “Updated strategic plan for the Green Climate Fund: 2020-2023” (decision B.27/06);
- (ii) “Strategy on accreditation” (decisions B.13/19 and B.14/08);
- (jj) “Matters related to the accreditation framework and policy gaps: Co-Chairs’ proposal” (decision B.18/04);
- (kk) “Further development of the accreditation framework” (decision B.19/13);
- (ll) “Accreditation framework review, including the project specific accreditation approach” (document GCF/B.20/17);
- (mm) “Review of the accreditation framework” (decision B.22/16);
- (nn) “Strategy to increase funding proposals from direct access entities” (documents GCF/B.20/04 and GCF/B.20/04/Add.01); and
- (oo) “Operational Framework on complementarity and coherence” (decision B.17/04).

IV. Elements of the updated accreditation framework

9. The updated accreditation framework contains improvements to the existing institutional accreditation process and the establishment of the PSAA as a new and complementary modality of accreditation for institutions to work with GCF, taking into account feedback received from the Board, AEs and NDAs/focal points through the consultation process.

4.1 Improvements to the institutional accreditation framework

10. The updated accreditation framework consolidates various Board decisions, including the GCF initial guiding accreditation framework, the Monitoring and Accountability Framework (MAF) and relevant Board decisions on criteria to be assessed during re-accreditation and the re-accreditation process.

11. Recommendations 1 and 3–9 contained in annex XI to decision B.22/16 have been integrated into the updated accreditation framework contained in annex II to this document, resulting in the following changes that will improve the institutional accreditation process:

- (a) Greater linkages of the nominations of DAEs to country programming and the role of AEs⁷ through a strategy or approach to accreditation and partner AEs that would be best suited to undertake the country’s climate change programming priorities (such as in their country programme with GCF);
- (b) Clarifications on access modalities and the financing size categories for programmes;
- (c) Streamlining the accreditation process by consolidating under Stage II (Step 1) “Accreditation Panel review” the completeness check regarding institutional systems, policies and procedures related to standards for GCF accreditation (fiduciary, environmental, social and gender) and reviewing entities against the standards for which the entity is seeking accreditation, rather than splitting the review across Stages I and II (Step 1); and
- (d) Stage II (Step 1) assessments will be conducted by external consultants/firms under the guidance of the Accreditation Panel (AP). Such service providers or information

⁷ Annex X to decision B.22/16.

supporting the accreditation application may include or be issued by risk or credit rating agencies and national financial supervisory authorities.

4.2 Project-specific accreditation approach

12. In decision B.24/13, paragraph (b), the Board decided to defer its consideration of the PSAA contained in annex XXVII to B.25. Annex II of this document contains the revised PSAA proposal, taking into account comments received from the Board during B.24 and AEs in line with the accreditation master agreement entered into with GCF.⁸

V. Impact assessment

13. The current institutional accreditation process provides a rigorous assessment of an entity's overall capabilities, systems and processes as they relate to the GCF fiduciary principles and standards, environmental and social safeguards standards and updated gender policy. An entity must also demonstrate a track record of applying those systems, such as in projects/programmes it has implemented or financed. However, accreditation does not guarantee alignment between the AE and GCF for any specific project or programme.

14. Given the role and level of responsibility of an AE, the institutional accreditation process – even with a fit-for-purpose approach – is time-consuming and detailed. NDAs and applicants 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.

15. Approximately 15 AEs (including new entities, upgrading existing AEs and re-accrediting existing AEs) are being approved by the Board per year through institutional accreditation. As already identified in the independent review of the accreditation framework and process (see annex IV to document GCF/B.22/14), the overall time spent in Stage I of accreditation is typically comprised of 43 per cent of time with GCF (of which 3 per cent is active time required by the Secretariat to review the application) and 57 per cent with the applicant for its responses to GCF questions raised during Stage I. Based on the dates of key milestones and not accounting for actual active time spent by the applicants or GCF from opening an online accreditation system (OAS) account to approval by the Board, it took 22 months on average to accredit the 103 AEs, noting that 50 of them were fast-tracked for some GCF standards and 53 were normal-tracked. This includes an average time frame for application review by the Secretariat and the AP and responses by applicants of 20.5 months.

16. The updated accreditation framework related to institutional accreditation is expected to:

- (a) Provide greater clarity to NDAs and applicants on the role and expectations of an AE (and therefore interested partners could identify whether this role is the most suitable way to engage with GCF);
- (b) Provide better visibility on the intended projects/programmes an applicant seeks to undertake with GCF by requiring countries to provide a strategy or approach to nominating DAEs and partner AEs that would be best suited to undertake their country's climate change programming priorities (such as in their country programme

⁸ Refer to Clause 32.04 "Changes to Policies and Procedures" in the template accreditation master agreement available at <<https://www.greenclimate.fund/document/accreditation-master-agreement>>.

- with GCF), and requiring applicants to provide more detailed information on potential projects/programmes it will propose to GCF for consideration;
- (c) Provide more options for access to GCF resources that are fit for longer-term (institutional accreditation) and short-term (PSAA) partnerships; and
 - (d) Reduce the overall timeframe for institutional accreditation applications by reducing duplication throughout the review of applications in the reviews by the Secretariat in Stage I and AP in Stage II (Step 1), and thus increasing the throughput of applicants being recommended for accreditation.
17. Resourcing at the Secretariat since 2017 has included two full-time staff (and previously from 2014 at the launch of accreditation to 2017, one full-time staff) responsible for:
- (a) Pre-accreditation:
 - (i) Early engagement with entities on identifying the most suitable way to engage with GCF, including as a potential AE or through other channels that may be more suitable to the nature of the entity (e.g. executing entity, readiness delivery partner, service provider to GCF, etc.);
 - (ii) Reviewing nominations for DAEs for accreditation by national designated authorities (NDAs)/focal points, reviewing and issuing OAS accounts, reviewing all applications for accreditation under Stage I (with the support of consulting firms) and progressing those applications that complete Stage I to Stage II (Step 1); and
 - (iii) Supporting the independent AP in its day-to-day operations to review applications during Stage II (Step 1) and bringing recommendations to the Board for consideration at Stage II (Step 2);
 - (b) Post-accreditation:
 - (i) Negotiating accreditation master agreements between GCF and AEs;
 - (ii) Supporting the independent AP in its review of information from AEs to address their accreditation conditions;
 - (iii) Conducting reviews related to AE-obligations on institutional-level reporting under the MAF, including annual self-assessments by AEs and mid-term accreditation reviews; and
 - (iv) Conducting the re-accreditation process; and
 - (c) Policies: supporting the Accreditation Committee in its development of various Board policies and documents related to accreditation.
18. The efficiency gains mentioned above are expected to improve the overall process for institutional accreditation, in so far as the Secretariat's resourcing for the function continues with two full-time staff.
19. To provide an even more fit-for-purpose approach, particularly for countries that may seek to access GCF resources on an ad hoc and limited basis through a shorter-term partnership on truly innovative investment proposals, the updated accreditation framework includes the new and complementary PSAA.

VI. Implementation arrangements

20. This updated accreditation framework shall become effective as from 1 January 2022 onwards and will from that date replace the initial guiding framework for the GCF accreditation process adopted by the Board pursuant to decision B.07/02, paragraph (a). This is to allow the

Secretariat and AP the necessary time to update relevant documents to implement the updated framework, including templates for the accreditation application and forms for the reviews conducted by the Secretariat and independent AP under Stages I and II (Step 1), respectively, as well as updating the OAS, the underlying platform used by both applicants and GCF in the accreditation process.

21. Applicants for which the AP has begun its review in Stage II (Step 1) of the accreditation process prior to the effectiveness of this updated accreditation framework shall continue to be reviewed by the AP using the process contained in annex I to decision B.07/02. As at 31 January 2021, this would apply to 17 applicants in Stage II (Step 1) and any other entities progressed from Stage I to this next stage at the time of adoption of an updated accreditation framework (71 applicants in Stage I and 34 applicants that have submitted their application but have yet to pay accreditation fees to start Stage I, both as at the same date).

22. For the AP, which is currently supported by two independent expert consultants and one operations assistant, the draft decision in annex I includes a request for a budget of up to USD 700,000 per year for firms to support it in the Stage II (Step 1) reviews of accreditation applications (including those for new entities, upgrading existing AEs and re-accrediting existing AEs). The AP currently reviews approximately 15 applications per year and submits approximately 10–12 applications that have concluded the Stage II (Step 1) review to the Board for consideration. With the support of the consulting firms and noting the expanded scope proposed, the budget request is estimated to increase the number to approximately 20 applications per year for review by the AP. In response to decision B.23/11, paragraph (d), the Accreditation Committee is continuing consultations with the Budget Committee on budget request for firms to support the AP during Stage II (Step 1) of the institutional accreditation process.

23. The updated accreditation framework also includes PSAA as a new and complementarity approach to the existing institutional accreditation process. As indicated in annex II, PSAA applies to any funding proposal submitted by entities not yet accredited to GCF, in particular DAEs and entities responding to requests for proposals issued by GCF. Given that PSAA is a new approach that would be implemented by the Secretariat, the effectiveness date of 1 January 2022 is included to allow for at least a six-month period from the Board consideration of PSAA in order to allow the Secretariat the time required to prepare any necessary documents, such as PSAA application forms, and augment its capacity through firms to conduct PSAA application reviews once PSAA is launched on 1 January 2022.

24. Currently, the Secretariat's capacity in relation to access modalities is dedicated to implementing the existing frameworks related to institutional accreditation and funding proposal reviews. While the Secretariat will augment its capacity to review PSAA applications, it is expected that some Secretariat capacity, particularly as it relates to funding proposals, will be diverted in order to manage PSAA and the overall process related to it.

25. Regarding augmenting its capacity, the draft decision in annex I includes a request for a budget of up to USD 600,000 per year for firms to support it in PSAA implementation, including both the review of PSAA applications and legal arrangements. This amount requested is expected to cover approximately 10 PSAA applications. Any additional PSAA applications to be processed would require additional resources. The Accreditation Committee has consulted with and received endorsement from the Budget Committee on the implementation arrangements and corresponding budget for PSAA.

VII. Monitoring and review

26. The Secretariat will be responsible for proposing to the Board, in collaboration with the Accreditation Committee and AP, the terms of reference for a comprehensive review of the updated accreditation framework in five years from the effectiveness of the framework.
27. The Secretariat, the Accreditation Committee and the AP may also propose to the Board a focused review of specific elements of the accreditation framework, including the standards for GCF accreditation, as deemed necessary.

VIII. Letter to Co-Chairs of the Board of the GCF

28. Annex III contains a letter from Mr. Lars Roth, Chair of the Accreditation Committee, addressed to the Co-Chairs regarding this document GCF/B.28/12 titled “Updated accreditation framework”.

IX. Recommended action by the Board

29. It is recommended that the Board:
- (a) Take note of the information presented in document GCF/B.28/12 titled “Updated accreditation framework”; and
 - (b) Adopt the decision included in annex I.

Annex I: Draft decision of the Board

The Board, having considered document GCF/B.28/12 titled “Updated accreditation framework”:

- (a) Recalls decision B.27/06, by which the Updated Strategic Plan for the GCF: 2020–2023 was adopted, which indicated in paragraph 25(b) that the GCF, during the period 2020–2023, will seek to streamline and speed up access to GCF resources and reduce the lengthy timelines involved in the current accreditation process;
- (b) Also recalls decision B.22/16, paragraph (b), by which the Board decided to streamline the accreditation process in order to accelerate the review and consideration of entities applying for accreditation;
- (c) Adopts the updated accreditation framework set out in annex II to this document to replace the initial guiding framework for the accreditation process adopted by the Board pursuant to decision B.07/02, paragraph (a);
- (d) Requests the Secretariat to implement the updated accreditation framework referred to in paragraph (c) above starting no later than 1 January 2022;
- (e) Also requests, pursuant to paragraph (c) above, 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;
- (f) Approves, pursuant to paragraphs (c) and (d) above, an additional budget of USD 700,000 under the administrative budget of the Board to be executed during the years 2021 and 2022 for the use of such external consultants or consultancy firms;*
- (g) Requests the Accreditation Committee, in consultation with the Secretariat and Accreditation Panel, to update the draft working modalities of the Accreditation Panel set out in annex I to document GCF/B.21/Inf.10 titled “Reports from committees, panels and groups of the Board of the Green Climate Fund” 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 no later than at its thirtieth meeting;
- (h) Decides, pursuant to decision B.23/11, 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;
- (i) Also decides that entities with funding proposals approved within the scope of the project-specific assessment approach set out in paragraph (h) above shall be deemed accredited for the purposes of such approved funding proposal only;
- (j) Requests the Secretariat to implement the approach referred to in paragraph (h) above starting no later than 1 January 2022, 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;
- (k) Approves, pursuant to paragraph (j) above, an additional budget of USD 600,000 under the administrative budget of the Secretariat to be executed during the years 2021 and 2022. This budget includes the procurement of external consultants or consulting firms under paragraph (i) to cover the assessments of approximately 10 funding proposals submitted under the project-specific assessment approach and their related legal arrangements;*

- (l) Requests the Secretariat to report to the Board on an annual basis on the operationalization and implementation of the approach referred to in paragraph (h) above;
- (m) Decides that the Project Preparation Facility will also support project and programme preparation requests from entities not yet accredited to GCF which apply for the project-specific assessment approach detailed in paragraph (h) above, and the provisions of decision B.13/21 shall apply mutatis mutandis to such entities; and
- (n) Also decides to review the pilot framework for the project-specific assessment approach referred to in paragraph (h) above three years after its operationalization.

*Currently under further consideration for endorsement by the Budget Committee.

Annex II: Updated accreditation framework

I. General objective

1. The general objective of this framework is to facilitate a coherent integration of the GCF fiduciary principles and standards, environmental and social safeguards (ESS) standards and the GCF Gender Policy with the GCF accreditation process and its related operational systems and procedures, including the organizational structure and governance system dedicated to supporting it.
2. The accreditation framework allows the GCF to drive a broader institutional shift towards low-emission, climate-resilient approaches and best practices regarding ESS and gender standards.

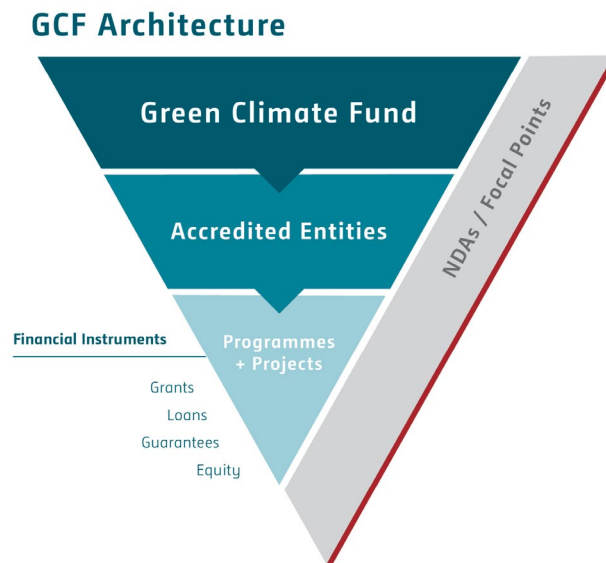
II. Role and responsibilities of accredited entities

3. 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.
4. The Strategic Plan of the GCF states that GCF will support developing countries in the implementation of the ambitious Paris Agreement.¹ 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 for the GCF, access to GCF resources will be through national, regional and international implementing entities accredited by the Board.² Accredited entities (AEs) may be implementing entities and/or intermediaries. The diversity of AEs can provide recipient countries with a choice of partners to meet their needs and priorities.
5. 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-emission and climate-resilient development.
6. 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.

¹ Annex I to decision B.12/20.

² Paragraph 41 of the Governing Instrument for the GCF.

Figure 1: GCF architecture



Abbreviation: NDAs = national designated authorities.

7. 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;
 - (iv) Where possible, undertake projects/programmes originated by other organizations (e.g. sponsorship); and
 - (v) Implement, deliver, monitor and report the results of such activities;³ 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 principles and standards, ESS standards and Gender Policy (standards for GCF accreditation);
 - (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

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

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/programme depending on financing size category).

8. 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.

9. The accreditation term for an AE is five years.⁴ AEs are considered fully accredited to GCF upon effectiveness of the AMA.⁵ An AE will need to seek re-accreditation to GCF in order to maintain its status as an AE or its status as an AE will lapse at the end of its accreditation term.⁶

10. Once accredited, AEs may submit funding proposals that fall within their accreditation scope (e.g. financing size category, fiduciary functions and E&S 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 because it has not been accredited to do so.

11. GCF relies on the primary due diligence and the risk assessments performed by AEs.⁷ 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, entities which use GCF financing for the purposes of a GCF-funded project/programme or a part thereof (such as a specific component), or entities that execute or carry out all or part of a GCF-funded project/programme. In each case, the executing entity performs its duties 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.⁸

12. The Secretariat and the independent Technical Advisory Panel conduct second-level due diligence on funding proposals submitted by AEs.⁹

13. GCF and the AE sign an AMA,¹⁰ which contains the overarching terms and conditions codifying the partnership and relationship between GCF and the AE. For each project/programme approved by the Board, GCF and the AE sign an FAA.

14. 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

⁴ Decision B.11/10, annex I, paragraph 6, states, “The accreditation of an entity to the GCF is valid for a fixed term of five years or less, depending on the terms of accreditation, in accordance with decision B.10/07.”

⁵ Decision B.23/11, paragraph (a).

⁶ Decision B.24/13, paragraph (a) and annex XXVI to the decision.

⁷ Annex XXVII to decision B.12/31.

⁸ Refer to clause 1.01 of the AMA template contained in annex XXVI to decision B.12/31, available at <<https://www.greenclimate.fund/document/accreditation-master-agreement>>.

⁹ 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.

¹⁰ Paragraph 25 of the GCF Monitoring and Accountability Framework contained in annex I to decision B.11/10 and decision B.12/31. The policy is available at <<https://www.greenclimate.fund/document/monitoring-and-accountability-framework-accredited-entities>>.

Agreement. To that end, the re-accreditation decision by the Board will take into account the Secretariat and Accreditation Panel's assessment of the extent to which the AE's overall portfolio of activities, beyond those funded by GCF, have evolved in this direction during the accreditation period.¹¹

III. Guiding principles for the GCF accreditation process

15. Pending consideration of a strategic approach to accreditation, the guiding principles for the GCF accreditation process will consist of:

- (a) **Best practices and continuous update.** The GCF fiduciary principles and standards, ESS standards and the Updated Gender Policy will consistently be in line with international best practices and standards and systematically endeavor to reflect the best of the experience and lessons learned by relevant institutions, as well as lessons learned from its own experiences with fiduciary principles and standards, ESS standards and gender policies;
- (b) **Accountability, transparency, fairness and professionalism.** Its governance system, procedures and organizational approach will ensure accountability, transparency, fairness and adequate professionalism in the accreditation process and across all operational procedures, allowing for reasonable levels of assurance and comparability with regard to the presence and performance of the required institutional capacities;
- (c) **A dynamic process that is reliable, credible and flexible.** Its modalities will pursue rigorous, independent, objective and systematic assessment and review processes, while giving due attention to special circumstances of applicant entities through a fit-for-purpose accreditation approach.¹² A dynamic accreditation process will aim to enable potential entities to increase their scope of activities as their capacity increases over time;
- (d) **Coherence and integration with other relevant provisions of GCF.** The GCF fiduciary principles and standards, ESS standards, the Updated Gender Policy and general accreditation procedures will be consistent and properly linked with other relevant elements of GCF governance, particularly the GCF Independent Redress Mechanism, Information Disclosure Policy, Monitoring and Accountability Framework (MAF) for AEs and other elements as appropriate;
- (e) **Readiness and effectiveness.** The accreditation process will allow for readiness and preparatory support prior to, during and after accreditation in the context of direct access and the different capacities and capabilities of countries and institutions to enhance country ownership, with a view to facilitating capacity-building; and
- (f) **Efficiency in terms of cost, time and resources, both to GCF and the applicant.** Processes and procedures should be streamlined, through simplifying or eliminating unnecessary steps and by upgrading information technology (IT) support systems, as appropriate.

IV. Standards for GCF accreditation

16. The following standards, as may be amended from time to time, apply to GCF accreditation.

¹¹ Decision B.12/30, paragraph (d).

¹² Decision B.08/02. The guidelines are available at <<https://www.greenclimate.fund/document/guidelines-operationalization-fit-purpose-accreditation-approach>>.

4.1 Fiduciary principles and standards

17. The GCF fiduciary principles and standards distinguish between basic fiduciary criteria, which are applicable to all applicants, and specialized fiduciary criteria, which will reflect the institutional capacities necessary to deliver against the GCF objectives and in accordance with the scope of responsibilities entrusted to the AE. The specialized fiduciary standards include those for project management, grant award and/or funding allocation mechanisms, and on-lending and/or blending (for loans, equity and/or guarantees).

18. The GCF initial fiduciary principles and standards are illustrated in table 1 below:

Table 1: Purpose and scope of the basic and specialized fiduciary standards

	Purpose	Scope
Basic fiduciary criteria	Key administrative and financial capacities	<ul style="list-style-type: none"> • General management and administrative capacities • Financial management and accounting • Internal and external audit • Control frameworks • Procurement
	Transparency and accountability	<ul style="list-style-type: none"> • Disclosure of conflicts of interest • Code of ethics • Capacity to prevent or deal with financial mismanagement and other forms of malpractice • Investigations • Anti-money laundering and countering the financing of terrorism
Specialized fiduciary criteria	Project management	<ul style="list-style-type: none"> • Project preparation and appraisal (from concept to full funding proposal) • Project oversight and control • Monitoring and evaluation • Project-at-risk systems and related project risk management capabilities
	Grant award and/or funding allocation mechanisms	<ul style="list-style-type: none"> • Grant award procedures • Transparent allocation of financial resources • Public access to information on beneficiaries and results • Good standing with regard to multilateral funding (e.g. through recognized public expenditure reviews)

	Purpose	Scope
	On-lending and/or blending (for loans, equity and/or guarantees)	<ul style="list-style-type: none"> • Appropriate registration and/or licensing by a financial oversight body or regulator in the country and/or internationally, as applicable • Track record, institutional experience and existing arrangements and capacities for on-lending and blending with resources from other international or multilateral sources • Creditworthiness • Due diligence policies, processes and procedures • Financial resource management, including analysis of the lending portfolio of the intermediary • Public access to information on beneficiaries and results • Investment management, policies and systems, including in relation to portfolio management • Capacity to channel funds transparently and effectively, and to transfer the GCF funding advantages to final beneficiaries • Financial risk management, including asset liability management • Governance and organizational arrangements, including relationships between the treasury function and the operational side (front desk)

19. The GCF fiduciary principles and standards will form the fiduciary criteria against which GCF will assess applicants for accreditation to GCF and will be applied according to the fit-for-purpose accreditation approach.¹³ Once accredited, AEs will be required to fully meet these criteria for as long as the entity intends to retain its accreditation status with and commitments to GCF.

20. The GCF fiduciary principles and standards to be applied in accreditation include:

- (a) Initial fiduciary principles and standards (decision B.07/02);
- (b) Policy on the Protection of Whistleblowers and Witnesses (decision B.BM-2018/21);
- (c) Anti-Money Laundering and Countering the Financing of Terrorism Policy (decision B.18/10);
- (d) Standards for the Implementation of the Anti-Money Laundering and Countering the Financing of Terrorism Policy (decision B.23/15);¹⁴ and
- (e) Policy on Prohibited Practices (decision B.22/19).¹⁵

21. **Scale of intended activities.** Irrespective of the scale of activities to be funded with GCF resources, all entities will have to meet the GCF basic fiduciary standards and any applicable

¹³ Decision B.08/02.

¹⁴ Decision B.23/15, paragraph (b), requests the Accreditation Committee, in consultation with the Head of the Independent Integrity Unit, to consider the best way to integrate the Anti-Money Laundering and Countering the Financing of Terrorism Policy in the interim fiduciary standards and present to the Board a proposal for its consideration in 2019 as a matter of urgency. A proposal on integration has yet to be presented to the Board for its consideration. After adoption by the Board of the revised initial fiduciary standards, the accreditation process may be amended to reflect them.

¹⁵ The Policy on Prohibited Practices adopted in decision B.22/19 replaces the General Policy on Prohibited Practices adopted by the Board in decision B.12/31, paragraph (h). The policy is available at <<https://www.greenclimate.fund/document/policy-prohibited-practices>>.

specialized fiduciary standards in order to be accredited. An entity can only access funding at a scale that is within its capacity to manage in accordance with the GCF fiduciary standards. The Accreditation Panel will use its expert judgment to determine whether the capacity demonstrated by the AE for each applicable fiduciary standard is adequate in light of the scale of funding it will access from GCF. The Accreditation Panel may recommend to the Board that an entity be accredited to access funding within one of the following categories at a maximum, commensurate with its track record and demonstrated capacity:¹⁶

- (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 a programme).

4.2 Environmental and social safeguards

22. The GCF Environmental and Social Policy,¹⁷ the ESS standards (including regarding indigenous peoples),¹⁸ the Information Disclosure Policy¹⁹ regarding requirements to disclose environmental and social (E&S) information for category A/intermediation 1 and category B/intermediation 2 projects/programmes identify the principles and standards related to environmental and social safeguards that AEs will be required to meet. Institutional capacities necessary to deliver against the GCF objectives and in accordance with these policies and standards will be assessed during accreditation.

23. In addition, the GCF Environmental and Social Policy and ESS standards contain the requirements that, in cases where there may be environmental and/or social risks and impacts, AEs must ensure that the executing entities they oversee and manage comply with the GCF ESS standards in relation to projects and programmes supported financially by GCF.

24. The ESS standards consist of eight standards with the first one (performance standard 1: Assessment and management of environmental and social risks and impacts) applying to all

¹⁶ This applies to entities and funding proposals to be considered by the Board after the consideration of this document by the Board. It does not prejudice decisions taken by the Board previously on the accreditation of entities and approval of funding proposals.

¹⁷ Decision B.19/10. The policy is available at <<https://www.greenclimate.fund/document/environmental-and-social-policy>>.

¹⁸ Decision B.07/02. The Board has adopted the International Finance Corporation Performance Standards as the interim ESS standards that will be guided by the International Finance Corporation guidance notes, which provide more detail on each performance standard, until its own ESS standards are fully developed and adopted by GCF. The Board, in its decision B.07/02, paragraph (d), also decided to complete the development of the GCF's own ESS and accordingly, in decision B.23/02, approved the proposed approach for the development of GCF ESS standards and requested the Secretariat to proceed with said development. The interim standards are available at <<https://www.greenclimate.fund/document/interim-environmental-and-social-safeguards-fund-performance-standards-international>>.

¹⁹ Decision B.12/35. The policy is available at <<https://www.greenclimate.fund/document/information-disclosure-policy>>.

entities seeking to become accredited and AEs at the institutional level, and at the project/programme level.

25. Performance standard 1 establishes the importance of:
 - (a) Integrated assessment to identify the E&S impacts, risks and opportunities of funding proposals;
 - (b) Effective community engagement through the disclosure of project-related information and consultation with local communities on matters that directly affect them;
 - (c) Management of E&S performance throughout the life of the project or programme; and
 - (d) Engagement with affected communities or other stakeholders throughout the project or programme life cycle, including on communications and grievance mechanisms.
26. At the project/programme level, AEs will be required to apply the ESS standards in accordance with the GCF environmental and social management system and GCF Environmental and Social Policy,²⁰ and the GCF Indigenous Peoples Policy, to all projects and programmes, as well as to individual projects or activities within a programme or under financial intermediation, financed through the resources of GCF.
27. Performance standards 2–8 establish objectives and requirements to avoid and minimize and, where residual impacts remain, compensate/offset the risks and impacts to workers, affected communities and the environment. While all relevant E&S risks and potential impacts should be considered as part of the assessment, performance standards 2–8 describe potential E&S risks and impacts that require particular attention.
28. Performance standards 2–8 will be utilized in a modular way as needed. Where environmental or social risks and impacts are identified, the AE is required to manage them in accordance with the ESS standards through the relevant executing entity(ies) that the AE oversees and manages.

4.2.1 Scaled risk-based approach

29. The application of the ESS standards will be implemented in a risk-based manner and not in a one-size-fits-all approach. This approach will ensure that E&S requirements and processes are commensurate to their level of risk and, coupled with the modular application of the ESS standards, will not slow down or overburden minimal-to-no E&S risk projects/programmes.
30. This approach also provides GCF with a tool for judging exposure to E&S risks, both at the individual project level and at the portfolio level.
31. AEs are required to have the capacity and a system for screening funding proposals in order to identify the potential E&S risks and/or impacts and to determine if any potential inconsistencies with the ESS standards are insurmountable and/or not manageable over a reasonable period of time.
32. Funding proposals wherein the AE will utilize its accreditation for the specialized fiduciary standard for project management will thus fit into the following E&S risk categories:
 - (a) Category A: activities with potential significant adverse environmental and/or social risks and/or impacts that, individually or cumulatively, are diverse, irreversible, or unprecedented;

²⁰ Decision B.19/10. The GCF Environmental and Social Policy is contained in annex X to that decision. The policy is available at <<https://www.greenclimate.fund/document/environmental-and-social-policy>>.

- (b) Category B: activities with potential limited adverse environmental and/or social risks and/or impacts that, individually or cumulatively, are few, generally site-specific, largely reversible, and readily addressed through mitigation measures; and
- (c) Category C: activities with minimal or no adverse environmental and/or social risks and/or impacts.

33. Funding proposals wherein the AE will intermediate (e.g. utilize its accreditation for the specialized fiduciary standard for grant award and/or funding allocation mechanisms or the specialized fiduciary standard for on-lending and/or blending (for loans, equity and/or guarantees) activities involving investments through financial intermediation functions or through delivery mechanisms involving financial intermediation) are divided into the following E&S risk levels:

- (a) High level of intermediation (I1): when an intermediary's existing or proposed portfolio includes, or is expected to include, financial exposure to activities with potential significant adverse environmental and/or social risks and/or impacts that, individually or cumulatively, are diverse, irreversible or unprecedented;
- (b) Medium level of intermediation (I2): when an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental and/or social risks and/or impacts that are few, generally site-specific, largely reversible, and readily addressed through mitigation measures; and includes no activities with potential significant adverse environmental and/or social risks and/or impacts that, individually or cumulatively, are diverse, irreversible, or unprecedented; and
- (c) Low level of intermediation (I3): when an intermediary's existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts.

34. Additional guidance on screening and categorizing GCF-financed activities provides further information on screening and categorizing environmental and social risks of activities supported through GCF resources.²¹

4.2.2 Environmental and social information disclosure

35. In accordance with the Information Disclosure Policy,²² with respect to project and programme funding proposals that have limited to significant adverse environmental or social impact, AEs shall disclose and announce to the public and, via the Secretariat, to the Board and active observers various ESS reports for certain minimum durations. The ability of the applicant to meet such requirements will be assessed in the accreditation process.

4.3 Gender

36. The GCF adopted the Updated Gender Policy.²³ As per the Updated Gender Policy, AEs are required to have policies, procedures and competencies in place with which to implement the Updated Gender Policy. AEs shall also dedicate the necessary financial, human and other resources, as appropriate, to comply with the principles and requirements of the Updated

²¹ Sustainability guidance note: screening and categorizing GCF-financed activities can be accessed at <<https://www.greenclimate.fund/sites/default/files/document/sustainability-guidance-note-screening-and-categorizing-gcf-financed-activities.pdf>>.

²² Decision B.12/35 and annex XXIX thereto.

²³ The Updated Gender Policy was adopted in decision B.24/12 and is contained in annex XXIII to that decision and replaces the Gender Policy adopted by the Board in decision B.09/11 and annex XIII thereto. The policy can be accessed at <<https://www.greenclimate.fund/document/gender-policy>>.

Gender Policy. The ability of the applicant to meet the principles and requirements contained in the Updated Gender Policy will be assessed during the accreditation process.

37. At the project/programme level, the AE will be responsible for implementing the gender policy as it relates to the GCF-approved project/programme through in-country project identification and implementation, as well as for results reporting. The application of the GCF guidelines on the initial socioeconomic and gender assessments and ESS standards as they relate to the project/programme is mandatory.

V. Accreditation approaches

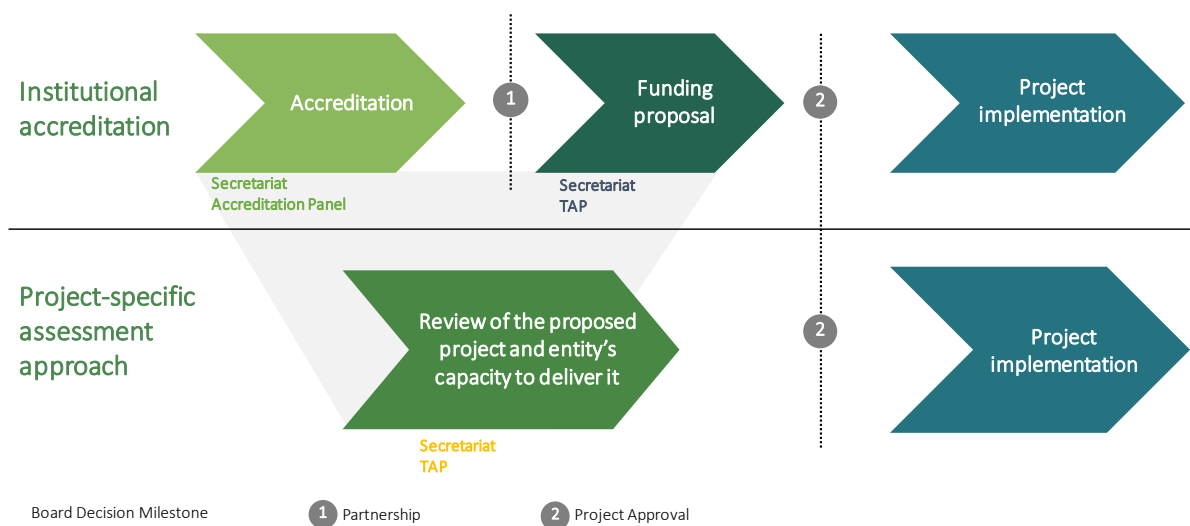
38. Entities may seek accreditation through two approaches (refer to figure 2 below):

- (a) Institutional accreditation; or
- (b) Project-specific assessment approach (PSAA).

39. Institutional accreditation allows GCF to build a network of long-term partners not only through the delivery of projects, but also by building institutions. In institutional accreditation, GCF assesses an organization’s institutional systems, policies and procedures in place that meet the GCF standards in section IV above, as well as the track record of applying said systems. The institutional capacities of an organization to meet the GCF standards is reflected in an accreditation type comprising (a) a maximum project or programme size category; (b) fiduciary functions; and (c) a maximum E&S risk level within which an AE can undertake projects/programmes with GCF funding. AEs, once accredited, can submit funding proposals within the scope of their accreditation and engage with GCF on multiple projects.

40. PSAA is a complementary approach to institutional accreditation that allows GCF to target specific projects/programmes. PSAA focuses on assessing whether the entity can undertake the proposed project/programme in line with the standards for GCF accreditation. In doing so, PSAA aims to provide a more fit-for-purpose approach compared with institutional accreditation in relation to the intended projects/programmes. Assessment of the entity’s capability to implement the proposed project/programme is undertaken alongside the review of the funding proposal. 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.

Figure 2: Overview of accreditation approaches: institutional accreditation and the project-specific assessment approach



Abbreviation: TAP = independent technical advisory panel.

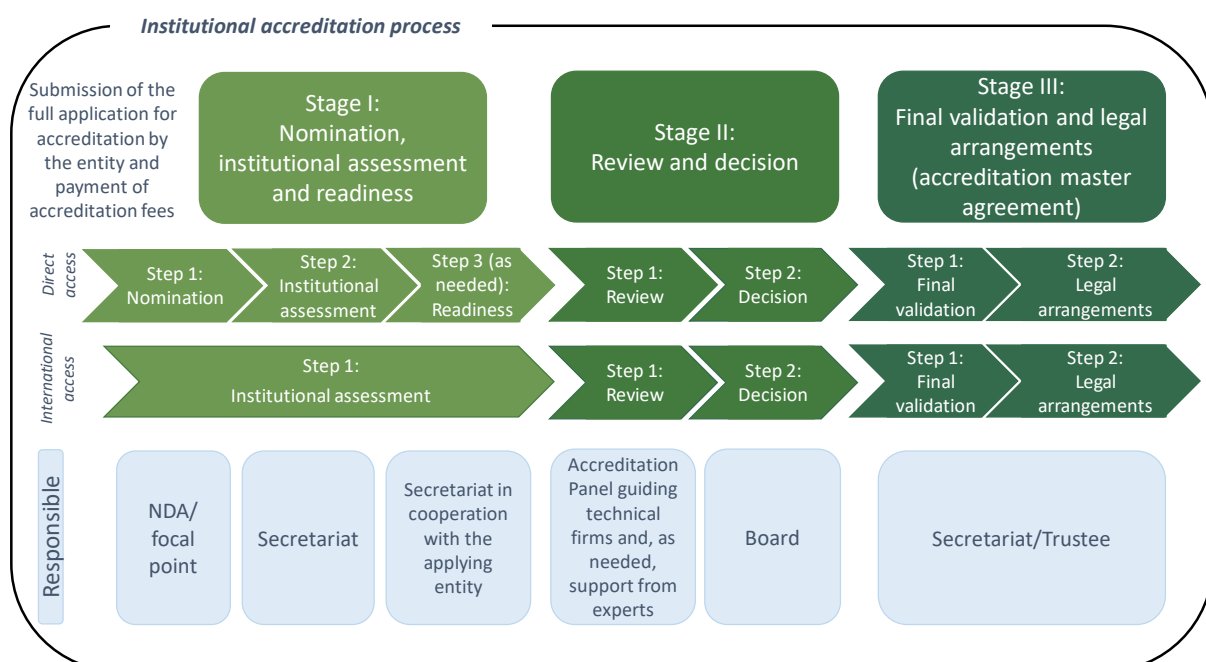
41. Entities may be encouraged to seek institutional accreditation after undergoing the PSAA should they have the potential to be a long-term partner and show interest in aligning their institutional systems to the standards of GCF accreditation. The institutional capacity checks related to the delivery of the targeted project/programme under the PSAA would be used to inform the institutional accreditation process in the context of whether the entity could be an appropriate partner for channeling GCF resources to developing countries through projects/programmes similar to the PSAA project/programme, noting that the broader institution-wide systems and capacities for a potential portfolio of projects/programmes will be assessed in institutional accreditation.

VI. Institutional accreditation process

42. The GCF institutional accreditation process will be based on three main stages (refer to figure 3 below):

- (a) Stage I: nomination, institutional assessment and readiness;
- (b) Stage II: accreditation review and decision; and
- (c) Stage III: final arrangements.

Figure 3: Overview of the accreditation process



Abbreviation: NDA = national designated authority.

43. GCF will accept and review applications on a rolling basis. Applicant entities will submit their application on the digital accreditation platform²⁴ in accordance with operational procedures developed by the Secretariat. Applicants will also have to include a communication indicating nomination from the relevant NDA/focal point, if applicable.

²⁴ The digital accreditation platform is accessible via the GCF Apps Portal available at <<https://apps.gcfund.org/>>. From 2021 onwards, the digital accreditation platform replaces the online accreditation system (previously available at <<https://accreditation.gcfund.org/>>).

6.1 Stage I: Nomination, institutional assessment and readiness

44. The overall purpose of this stage is to determine whether applicant entities show strategic fit with GCF and the role of an AE, sufficient preparedness, and institutional capabilities to progress to Stage II in the GCF accreditation process.

45. Applicants may pursue accreditation to GCF using one of two access modalities:

- (a) Direct access (for subnational, national and regional entities that are registered in a developing country that will implement projects in developing countries only, including the country where they are registered); and
- (b) International access (for international entities, including United Nations agencies, multilateral development banks, international financial institutions and regional institutions).

46. NDAs/focal points are expected to develop a strategy or approach to accreditation, including the nomination of DAEs and confirmation that the entity can fulfil the role and responsibilities of an AE and is best suited to undertake their country's climate change programming priorities (such as in their country programme with GCF, where available). NDAs/focal points may access support under the GCF Readiness and Preparatory Support Programme to assist the country in developing, among other things, an accreditation strategy or approach, and identifying and nominating the most relevant DAEs and those that are capable of advancing their programming priorities to meet GCF policies, standards and other requirements.

47. Private sector entities may include entities described in either paragraph 45(a) or 45(b) above, as per the laws, regulations and rules of the relevant country in which the organization is legally registered, and may apply to become accredited through the direct access or international access modalities.

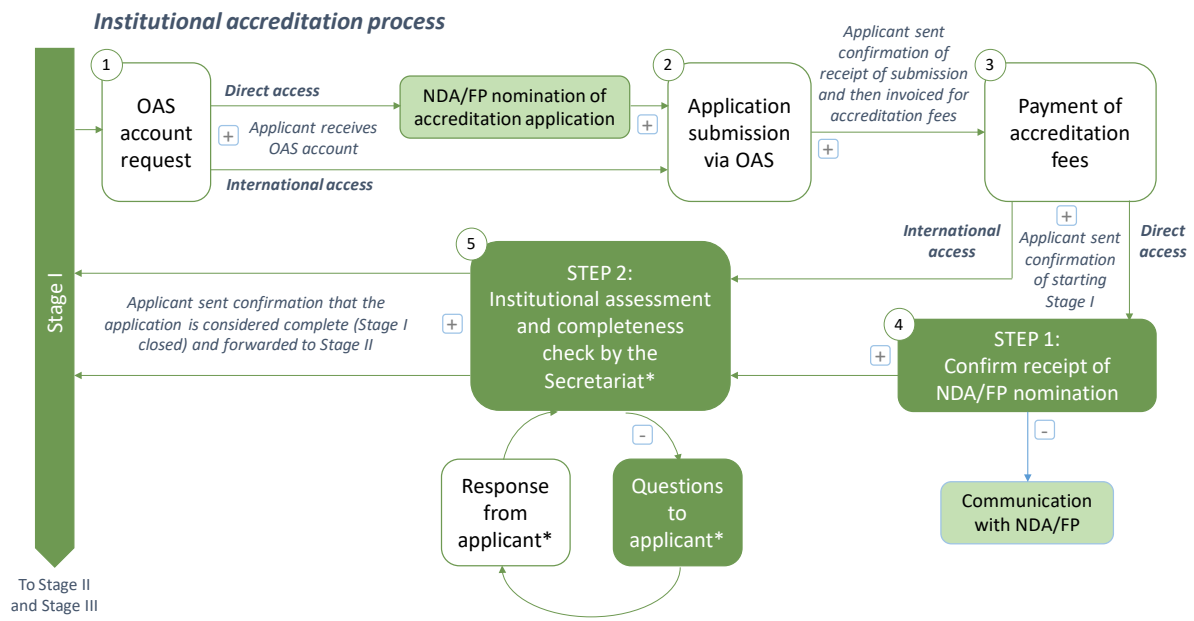
48. Private sector entities, non-profit organizations and other types of organizations with affiliates or that are part of corporate groups often query whether the organization at the group or global level, in addition to subsidiaries, affiliates, country offices and branches, among others, should seek accreditation. In that regard, the entity seeking accreditation should have separate legal personality and 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. 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.

49. Stage I will be triggered by the submission of a full application by the applicant entity and payment of accreditation fees in accordance with the Policy on fees for accreditation of the Fund.²⁵ This stage may follow one of two tracks (see figure 4 below):

²⁵ Decision B.08/04 and annex VI thereto.

- (a) In the case of the direct access track, two mandatory steps will apply (“nomination” by the NDA/focal point and “institutional assessment”) and there will be one optional third step, (“readiness”); and
- (b) In the case of the international access track, entities will only be required to go through the “institutional assessment”.

Figure 4: Overview of Stage I of the institutional accreditation process



*The number of rounds of questions may vary depending on the completeness of the application.

Abbreviations: NDA/FP = national designated authority/focal point, OAS = online accreditation system.

50. The main purpose of the “institutional assessment” step is to ensure quality-at-entry of the application into the accreditation pipeline by assessing:

- (a) Alignment of the applicant to the mandate and objectives of GCF. Specifically, this includes the selection of applicants that are best suited to support the objectives of the GCF and match the programming and project delivery capacities needed to implement countries’ programming priorities and build capacity for improving wider investments in line with countries’ climate plans and strategies and national circumstances, in alignment with GCF strategic objectives and policies, ensuring all countries have coverage and choice of AEs to support them;²⁶
- (b) Legal status: the applicant entity has full legal capacity and personality within the relevant jurisdiction that enables it 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; become an AE of GCF; and undertake the intended activities to be funded by GCF;
- (c) Registration, permits and licenses: the applicant entity possesses all necessary, relevant and applicable registrations, permits or licenses in good standing from national and/or international regulators or oversight bodies;
- (d) Track record: the applicant entity exhibits a consistent and positive track record in the context of its own institutional mandate, as well as in areas relevant to GCF objectives, financing and results areas;

²⁶ Decision B.27/06, paragraph (a) and annex VI thereto (paragraph 26(a)(i) therein).

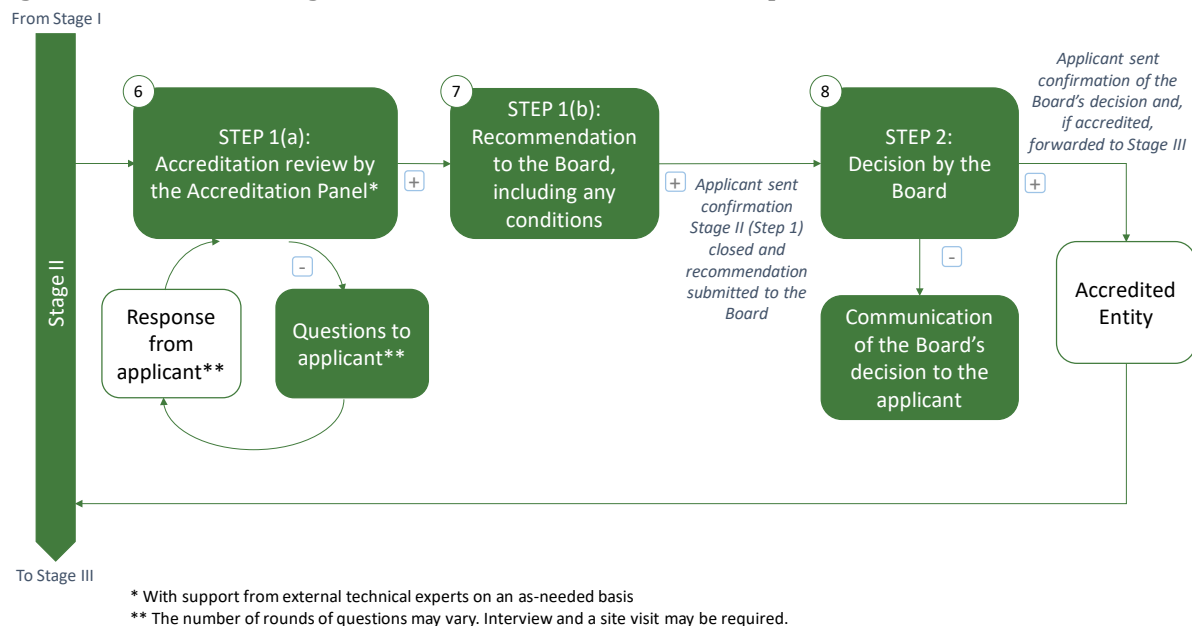
- (e) Institutional presence and relevant networks: the applicant is able to demonstrate potential for meaningful impact in one or more of the GCF result areas, and has at its disposal networks of relevant institutions and experts at the regional and national level, as appropriate;
 - (f) Viability of the pipeline of projects/programmes: the applicant is able to demonstrate that the projects/programmes it intends to submit to GCF under the role of an AE will:
 - (i) Drive a paradigm shift and show how such a shift compares to current business practices and activities;
 - (ii) Address country programming, strategies and priorities regarding climate change of the country(ies) that the applicant intends to operate in using GCF resources; and
 - (iii) Result in impacts in the various GCF results areas; and
 - (g) Readiness: the applicant entity is able to describe succinctly how it meets the GCF initial basic fiduciary standards and applicable initial specialized fiduciary standards, as well as demonstrate that it has the capacity and commitment to implement the GCF ESS standards and Gender Policy.
51. In the context of direct access, and in cases where weaknesses or a lack of capacity to meet the criteria above are determined, the applicant entity will be eligible to opt for a tailored readiness and preparatory support activity plan.

52. The Secretariat will be responsible for the overall coordination and management of this stage as well as for conducting the screening and institutional assessment based on the criteria above.

6.2 Stage II: Institutional accreditation review process and decision

53. The objective of this stage is to conduct the actual review of the applications for accreditation submitted by the interested entities, with a view to determining their suitability for accreditation to GCF in the role of an AE while meeting the standards for GCF accreditation. This process will consist of two main steps: (1) the review of the application for accreditation to be conducted by the Accreditation Panel; and (2) the decision on the application, to be made by the Board on the basis of the outcome of the review and recommendation of the Secretariat from Stage I and the Accreditation Panel from Stage II (Step 1) (refer to figure 5 below).

Figure 5: Overview of Stage II of the institutional accreditation process



6.2.1 Stage II (Step 1): Accreditation Panel review of the application for accreditation

54. This first step in Stage II will:

- (a) Assess the completeness of the application with respect to the standards for GCF accreditation to ensure relevant policies and procedures, as well as the track record of implementing such policies and procedures, have been provided as a part of the application; and
- (b) Ascertain whether applicant entities, in the context of the role of an AE, meet the standards referred to in section IV above.

55. A fit-for-purpose accreditation approach will be applied that matches the nature, scale and risks of proposed activities to the application of the GCF standards referred to in section IV above.

56. The Accreditation Panel will conduct the accreditation review process²⁷ by providing oversight and guidance to a panel of external service providers who will undertake accreditation review assessments.

57. The Accreditation Panel, taking into account the assessments conducted by a panel of external service providers under its guidance, will recommend to the Board whether:

- (a) The applicant entity should be accredited or not. If yes, the Accreditation Panel will also recommend the scope of accreditation proposed (e.g. financing size category, fiduciary functions and environmental and social risk category) and, in case of any gaps in meeting the standards for GCF accreditation, conditions of accreditation; or
- (b) Alternatively, whether the applicant entity may re-apply or re-submit its application once it has addressed the specific areas of concern.

6.2.2 Stage II (Step 2): Decision on the application for accreditation

58. At the end of this stage the Board will consider the recommendations of the Secretariat (from Stage I) and the Accreditation Panel (from Stage II (Step 1)) and make a decision on

²⁷ Decision B.05/08, paragraph (d)(iii).

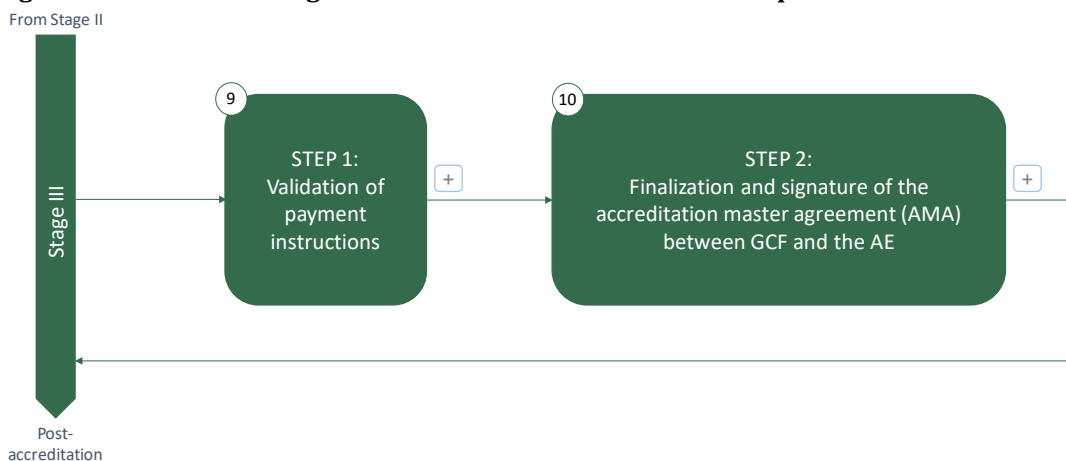
whether the applicant entity can be granted accreditation, subject to signing and making effective its AMA under the next stage (Stage III) for final validation and legal arrangements.

59. Based on the recommendations of the Accreditation Panel, the Board may alternatively decide to assign the entity to Stage I for additional focused readiness support and reconsider the application at a later date after the application undergoes a further focused accreditation review by the Accreditation Panel.

6.3 Stage III: Final validation and arrangements

60. Stage III will conclude the accreditation process through the validation and finalization of formal arrangements between the applicant entity and GCF upon the successful completion of Stage II (see figure 6 below). Specifically, it is to check 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 an AMA). The accreditation process is considered complete upon the effectiveness of the AMA. Such date of effectiveness serves as the start date of the accreditation term for all entities accredited to GCF.²⁸

Figure 6: Overview of Stage III of the institutional accreditation process



Post-accreditation Process

Project and programme funding proposal preparation, assessment and approval process as per GCF's investment framework and results management framework, and in line with the AE's scope of accreditation

61. This will include validation and registration of the payment instructions for the AE and the conclusion of legal arrangements between the AE and GCF.

62. 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.

63. 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.

²⁸ Decision B.23/11, paragraph (a).

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 from 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.

6.4 Monitoring and reporting

64. The GCF initial monitoring and accountability framework²⁹ identifies the monitoring and reporting requirements applicable to AEs at both the institutional level and the project/programme level. At the institutional level, AEs are required to report during the term of their accreditation on their continued compliance with the standards for GCF accreditation, which includes annual self-assessments conducted by the AE and a midterm accreditation review conducted by GCF.³⁰

65. The GCF MAF, as referenced in the AMA entered into between GCF and an AE, also includes provisions regarding the downgrade, suspension, cancellation and termination of accreditation, which are applicable to AEs.

66. The relevant institutional-level monitoring and reporting requirements will commence upon AMA effectiveness.

6.5 Accreditation term and re-accreditation

67. The accreditation term for an AE is five years.³¹ The accreditation term begins upon completion of the three-stage institutional accreditation process; that is, when the signed AMA entered into between GCF and an AE becomes effective.³²

68. The GCF initial MAF³³ identifies the monitoring and reporting requirements applicable to AEs at both the institutional and the project/programme levels. At the institutional level, AEs are required to report during the term of their accreditation on their continued compliance with the standards for GCF accreditation, which includes annual self-assessments conducted by the AE and a midterm accreditation review conducted by GCF.

69. An AE will need to seek re-accreditation to GCF in order to maintain its status as an AE or its status as an AE will lapse at the end of its accreditation term. A risk-based approach will apply to the re-accreditation of AEs at the end of their accreditation term. No later than six months prior to the end of the accreditation period, the AE may submit an application either for re-accreditation in the same categories as before, or for accreditation in higher categories (i.e. upgrade).

70. The approach to and scope of re-accreditation, applying the fit-for-purpose approach to accreditation, and pursuant to the initial guiding framework for the GCF accreditation process, includes:

²⁹ Annex I to decision B.11/10.

³⁰ Unless otherwise agreed in effective AMAs.

³¹ Decision B.11/10, annex I, paragraph 6, states, "The accreditation of an entity to the GCF is valid for a fixed term of five years or less, depending on the terms of accreditation, in accordance with decision B.10/07."

³² Decision B.23/11, paragraph (a).

³³ Decision B.11/10, paragraph (a).

-
- (a) Process: the accreditation process, consisting of three main stages, as contained in sections 6.1 to 6.4 above. For AEs that are accredited under the direct access modality, the nomination from the NDA or focal point will remain valid for the re-accreditation process;
- (b) Standards for re-accreditation assessment: the standards for GCF accreditation in section IV above. Any new or amended standards as contained in section IV above adopted by the Board during the five-year accreditation period of an AE will be assessed at the institutional level during the re-accreditation review of the AE. However, this does not preclude the applicability of such standards to funding proposals, as may be required in accordance with GCF policies;
- (c) Conditions of initial accreditation: in the context of re-accreditation the status of accreditation conditions from the initial accreditation of the AE should be considered;
- (d) Timing to apply for re-accreditation: no later than six months prior to the end of the accreditation period;
- (e) Fees for re-accreditation: no fees for re-accreditation shall be charged if the AE is seeking re-accreditation for the same or lower scope of accreditation it was originally accredited for (e.g. the same size category, fiduciary criteria and E&S risk category). In cases where the AE is applying for an upgrade in its accreditation scope, the AE shall pay fees for the upgraded scope of accreditation minus the fees already paid for the existing accreditation scope, in line with the policy on fees for accreditation of GCF;³⁴
- (f) Scope of review:
- (i) AE performance in contributing to GCF programming results,³⁵ including reports relating to the performance of the AE over the previous five years, including whether concept notes and funding proposals were submitted and reports on the GCF-funded activities;³⁶
 - (ii) Risk flags incurred by the projects, AE or country over the previous five years;³⁷
 - (iii) Report on participatory monitoring and review submitted by the NDA or focal point, if available, related to the GCF-funded projects/programmes undertaken by the AE within the country;³⁸
 - (iv) For international access entities, their contribution to building capacity of DAEs,³⁹ as well as reports on their support to DAEs to strengthen capacities of, or otherwise support, potential subnational, national and regional entities to meet, at the earliest opportunity, the accreditation requirements of GCF in order to enhance country ownership;⁴⁰ and
 - (v) The Secretariat and Accreditation Panel's assessment of the extent to which the overall portfolio of activities of the AE beyond those funded by GCF has evolved during the accreditation period, in order to advance the goal of GCF to promote

³⁴ Decision B.08/04.

³⁵ Decision B.27/06, paragraph (a) and annex VI thereto (paragraph 26(a)(v) therein).

³⁶ Decision B.11/10.

³⁷ Decision B.11/10.

³⁸ Decision B.11/10, particularly annex I, paragraph 15.

³⁹ Decision B.27/06, paragraph (a) and annex VI thereto (paragraph 26(a)(v) therein).

⁴⁰ In decision B.10/06, paragraph (i), the Board decided that "all international entities, as an important consideration of their accreditation application, shall indicate how they intend to strengthen capacities of, or otherwise support, potential subnational, national and regional entities to meet, at the earliest opportunity, the accreditation requirements of the Fund in order to enhance country ownership and that they report annually on these actions."

the paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development;⁴¹

- (g) Reviewers: the Secretariat and the Accreditation Panel, in accordance with the process identified in the accreditation framework;
- (h) Output: recommendation to re-accredit or not to re-accredit by the Secretariat and the Accreditation Panel. The scope of accreditation recommended by the Accreditation Panel may be:
 - (i) No change (same accreditation categories the AE was originally accredited for);
 - (ii) Upgrade (new accreditation categories compared with those the AE was originally accredited for); or
 - (iii) Downgrade (lower accreditation category than the AE was originally accredited for); and
- (i) Decision-making: the Board will decide whether an entity is to be re-accredited and for which criteria, based on the assessment conducted by the Secretariat and the Accreditation Panel.⁴²

71. If re-accredited, the new accreditation term shall commence on the date of the effectiveness of the amended AMA, taking into account the decision on re-accreditation.

72. The Secretariat may issue a one-time extension to the accreditation term by a period of six months if further time is required to complete the re-accreditation review process and consideration by the Board, provided that the AE has submitted the complete re-accreditation application no later than six months prior to the end of its accreditation term. During this extended period, the AE shall not be able to submit any new funding proposals to GCF for consideration.

73. If an AE does not wish to seek reaccreditation or its accreditation term lapses, the AE will no longer be able to present new funding proposals to GCF for consideration. If such an AE also has approved GCF projects/programmes for which there are FAAs in place, the entity shall continue to implement said funded activities as per the FAA.

74. The following principles will be applied in the re-accreditation process (see figure 7 below):

- (a) The extent of assessment related to institutional capacities is ordered from the highest level of assessment to the least, as follows:⁴³
 - (i) Accreditation;
 - (ii) Re-accreditation;
 - (iii) Midterm review by GCF;⁴⁴ and
 - (iv) Annual self-assessments by AEs;⁴⁵
- (b) Any assessment of institutional compliance with GCF accreditation requirements following the initial accreditation assessment (e.g. annual self-assessments, midterm accreditation review and re-accreditation) should focus on the changes in the institutional systems, policies, procedures and capacities that impact the ability of the

⁴¹ Paragraph 35 of the GCF monitoring and accountability framework and decision B.27/06, paragraph (a) and annex VI thereto (paragraph 26(a)(v) therein).

⁴² Decision B.10/07, paragraph (c).

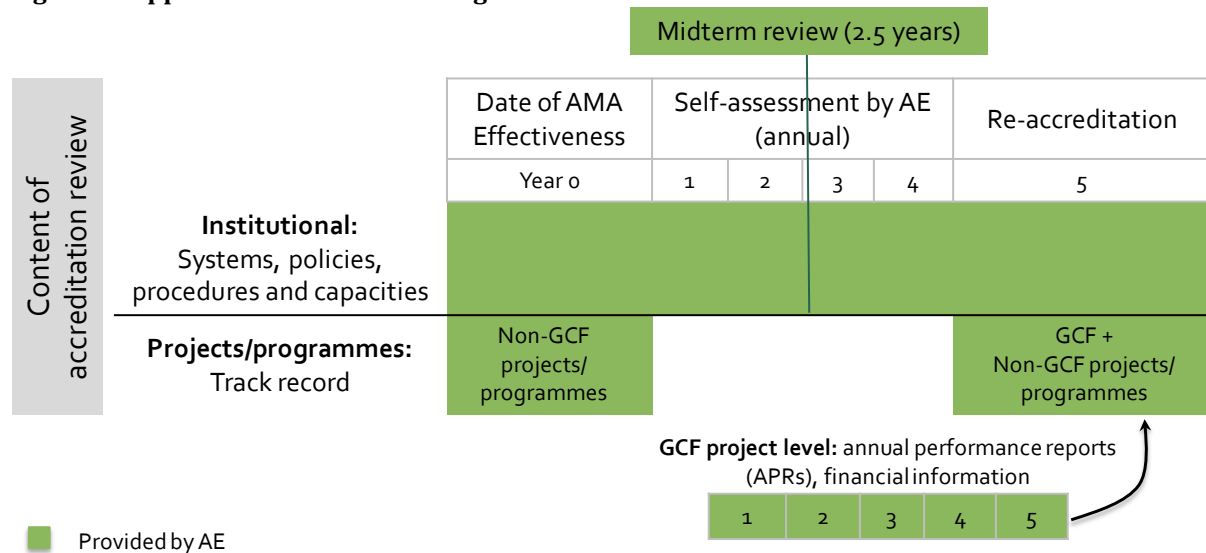
⁴³ Unless otherwise agreed in effective AMAs.

⁴⁴ Decision B.11/10.

⁴⁵ Decision B.11/10.

- AE to undertake its role and responsibilities as an AE and meet its obligations as per the AMA;
- (c) The re-accreditation process and midterm accreditation review should build upon the institutional compliance assessments previously reported by the AEs and due diligence conducted by GCF in order to minimize overlap in the periodic reviews and reduce the burden for both AEs and GCF in the re-accreditation process; and
 - (d) For applications for re-accreditation for the same accreditation scope as the initial accreditation, taking into account paragraph 74(b) above, only new track records during the accreditation term should be subject to review. For re-accreditation applications that include an application for a new accreditation scope, the accreditation assessment of the new accreditation scope will be treated as an upgrade application and be assessed in its entirety (i.e. not only focusing on changes, because the new scope has never been assessed).

Figure 7: Approach to level of due diligence for institutional accreditation and re-accreditation



Abbreviation: AE = accredited entity, AMA = accreditation master agreement, APR = annual performance report.

75. The indicative approach to paragraph 74 above is as follows:
- (a) Year 1: the AE provides its annual self-assessment using the GCF annual self-assessment template covering the period from year 0 to year 1, indicating whether there have been any changes in institutional systems, policies, procedures and capacities that impact its ability to undertake the role and responsibilities of an AE and obligations as per its AMA with GCF. If there are no changes, the AE would report this. If there are changes, further information should be provided by the AE in order for GCF to assess whether such changes impact its status as an AE;
 - (b) Year 2: the same as paragraph 75(a) above, but focusing on changes during the period from year 1 to year 2;
 - (c) Midterm review at approximately 2.5 years: GCF conducts its review on the basis of information already provided by the AE in the year 1 and year 2 self-assessments, and any changes since year 2 reported by the AE in the GCF midterm review template;
 - (d) Year 3: the same as paragraphs 75(a) and (b) above, but focusing on changes during the period from year 2 (or midterm review) to year 3;

- (e) Year 4: the same as paragraph 75(d) above, but focusing on changes during the period from year 3 to year 4; and
- (f) Year 5 (six months prior to the end of the fifth year): the AE applies for re-accreditation focusing on changes during the period from year 4 to year 5.

76. In cases where the annual self-assessment is not required but the midterm review and re-accreditation are, at the time of the midterm review of these AEs, any changes in the institutional systems, policies, procedures and capacities of the AE that impact its ability to undertake the role and responsibilities of an AE and obligations as per its AMA with GCF for the period between year 0 and year 2.5 would be assessed. At the time of re-accreditation, such changes for the period between year 2.5 and year 5 would be assessed.

6.6 Upgrades in accreditation scope

77. The accreditation of additional institutional capacities (e.g. upgrade in accreditation scope) can be done at any time and as soon as the AE considers itself ready to pursue such an upgrade in its accreditation. The accreditation process for the upgrade will then focus only on the new capacities to be reviewed and not on all the other capacities already accredited.

78. The table below outlines indicative approaches for different scenarios regarding the status quo or changes in the accreditation scope (see also paragraph 74(d) above):

Table 2: Indicative approach to re-accreditation scenarios concerning changes in accreditation scope

Compared with initial accreditation	Case A: no change to accreditation scope <ul style="list-style-type: none"> Original = PM Re-accreditation = PM 	Case B: no change in original accreditation scope and upgrade <ul style="list-style-type: none"> Original = PM Re-accreditation = PM and GA 	Case C: change in original accreditation and upgrade ^a <ul style="list-style-type: none"> Original = PM Re-accreditation = PM and GA
Initial accreditation			
Accreditation criteria	Same	Change	Change
1. Systems, policies, procedures and capacities	Same	<ul style="list-style-type: none"> Same for PM New for GA 	<ul style="list-style-type: none"> Change in PM New for GA
2. Track record	Change (GCF + non-GCF (in the absence of GCF) projects/programmes)	Change (GCF + non-GCF (in the absence of GCF) projects/programmes)	Change (GCF + non-GCF (in the absence of GCF) projects/programmes)
Re-accreditation			
Re-accreditation assessment	Taking into account paragraph 70(f) above, focus on new track record (GCF + non-GCF (in the absence of GCF) projects/programmes)	Taking into account paragraph 70(f) above: <ul style="list-style-type: none"> For the same criteria (PM), focus on new track record (GCF + non-GCF (in the absence of GCF) projects/programmes) For new criteria (GA), check (1) systems, policies, procedures and capacities and (2) track record (e.g. new 	Taking into account paragraph 70(f) above: <ul style="list-style-type: none"> For the same criteria (PM), focus on change compared with the original in (1) systems, policies, procedures and capacities; and (2) new track record (GCF + non-GCF (in the absence of GCF) projects/programmes)

Compared with initial accreditation	Case A: no change to accreditation scope <ul style="list-style-type: none"> • Original = PM • Re-accreditation = PM 	Case B: no change in original accreditation scope and upgrade <ul style="list-style-type: none"> • Original = PM • Re-accreditation = PM and GA 	Case C: change in original accreditation and upgrade ^a <ul style="list-style-type: none"> • Original = PM • Re-accreditation = PM and GA
		accreditation application for GA, treated as an upgrade)	<ul style="list-style-type: none"> • For new criteria (GA), check (1) systems, policies, procedures and capacities; and (2) track record (e.g. new accreditation application for GA, treated as an upgrade)

Abbreviations: GA = specialized fiduciary standard for grant award and/or funding allocation mechanisms, and PM = specialized fiduciary standard for project management.

^a Accreditation scope as in: maximum financing size category; environmental and social safeguards risk category; geographic scope (national/regional).

6.7 Governance and organizational approach

79. The institutional accreditation process will include and be conducted, implemented and supported by the following actors:

- (a) The Board;
- (b) The Secretariat;
- (c) The Accreditation Committee;
- (d) The Accreditation Panel; and
- (e) External technical experts/firms.

6.7.1 Role and mandate of the Board

80. As defined by the Governing Instrument, the Board will develop, manage and oversee accreditation and re-accreditation processes for all entities based on specific accreditation criteria that reflect the GCF standards for accreditation, including the fiduciary principles and standards, ESS standards and the Updated Gender Policy as contained in section IV above.

81. The Board will therefore be the ultimate decision-making body on accreditation and overall policy guidance on accreditation matters, and will broadly oversee the accreditation process.

6.7.2 Role and mandate of the Accreditation Committee

82. The Accreditation Committee will be accountable to the Board and under its authority. Its composition and the scope of its responsibilities are defined in the terms of reference of the GCF Accreditation Committee contained in annex IV to decision B.07/02, and include:

- (a) Providing guidance on the development of policies and procedures for the GCF accreditation framework;
- (b) Facilitating the Board's interaction with recipient countries with regard to disseminating information to them and familiarizing them with the accreditation process;

- (c) Providing policy guidance to the Accreditation Panel to facilitate the accreditation and re-accreditation process without interfering with the technical assessments of the Accreditation Panel; and
- (d) Providing policy guidance and inputs for the development of the complementarity and coherence element of the accreditation framework, its work programme and the criteria and assessment of entities already accredited to other relevant funds.

6.7.3 Role and mandate of the Accreditation Panel

83. The Accreditation Panel will function as an independent review body accountable to the Board and under its authority. Its composition and the scope of its responsibilities are defined in the terms of reference of the Accreditation Panel contained in annex V to decision B.07/02, and include:

- (a) The accreditation and re-accreditation review process, particularly Stage II (Step 1);
- (b) Independent advice to the Board on applications for accreditation;
- (c) Expert inputs for the further development of the GCF fiduciary principles and standards, environmental and social management system and ESS standards, the Updated Gender Policy, as well as inputs to the review of the accreditation framework; and
- (d) Expert advice and inputs for the development of the complementarity and coherence element of the accreditation framework, its work programme and the criteria and assessment of entities already accredited to other relevant funds.

6.7.4 Role and mandate of the Secretariat

84. The Secretariat will support the systems, processes and procedures of the accreditation and re-accreditation processes and will be responsible for the following core functions:

- (a) Ongoing development, in consultation with the Accreditation Committee and Accreditation Panel, of the GCF fiduciary principles and standards, ESS standards, the Updated Gender Policy and criteria for the accreditation of entities to GCF, for adoption by the Board;
- (b) Operationalization of the procedures supporting the GCF accreditation process and the execution of all necessary and related activities, including the implementation, management and maintenance of its supporting systems;
- (c) Overall responsibility for conducting the nomination, institutional assessment and readiness assessment in Stage I of the GCF accreditation process, as well as general management of the overall accreditation process;
- (d) Presentation of the outcomes of the nomination, institutional assessment and readiness assessment to the Accreditation Panel for its consideration during the Stage II (Step 1) accreditation review; and
- (e) Implementation, operation and execution of any other functions and/or activities necessary to effectively carry out its responsibilities in the accreditation process.

6.7.5 External technical experts and firms

85. External technical firms/institutions and, as needed, individual experts, will be engaged by the Accreditation Panel in the in-depth review of individual applications for institutional accreditation, under the oversight of and guidance by the Accreditation Panel. Independent and recognized professionals, consultancy firms or institutions will need to demonstrate experience

and expertise in the accreditation process or similar processes in order to qualify as external technical experts.

86. The Secretariat, in coordination with and on behalf of the Accreditation Panel, will be responsible for setting up and managing a roster of external technical experts and firms/institutions through an open, competitive and transparent selection process, which should ensure the availability of relevant competencies. The Secretariat will also assist the Accreditation Panel in developing and updating, as necessary, the terms of reference to guide the work of the external technical experts and firms.

87. External technical experts and firms/institutions will be compensated in accordance with relevant administrative provisions for contracting external technical support. Consequently, external technical experts will be bound by standard contractual regulations relating to the provision of consultancy services to GCF.

VII. Pilot framework for the GCF project-specific assessment approach

7.1 General objective

88. The general objective of this pilot framework is to enable a coherent integration of the GCF fiduciary principles and standards, ESS standards and Updated Gender Policy with the PSAA as an accreditation approach, and its related operational systems and procedures, including the organizational structure and governance system dedicated to supporting it.

89. Unless otherwise specifically modified herein, all other relevant GCF policies apply as usual to this PSAA pilot framework.

7.2 Applicability

90. The PSAA applies to any funding proposal submitted by entities not yet accredited to GCF, in particular DAEs and entities responding to requests for proposals issued by GCF.⁴⁶

91. Entities submitting such funding proposals may be entities not yet accredited to GCF that submit or have submitted funding proposals.

92. Each entity will be capped at a maximum of one approved funding proposal under this approach.

93. Funding proposals submitted under the PSAA may include only those that are in either category C/low level of intermediation, I-3 or category B/medium level of intermediation, I-2.⁴⁷

94. The Secretariat shall take appropriate measures, such as through the GCF Readiness and Preparatory Support Programme and the Project Preparation Facility in accordance with paragraph 127 below, to encourage and provide support to DAEs to submit projects or programmes under this approach.

⁴⁶ The requests for proposals may include those for the pilot phase for enhancing direct access (decision B.10/04), a pilot programme to support micro, small, and medium-sized enterprises (decision B.10/11), and a pilot programme to mobilize funds at scale in order to address adaptation and mitigation (decision B.16/03).

⁴⁷ Refer to the GCF Environmental and Social Policy contained in decision B.19/06.

7.3 Standards

95. The GCF standards contained in section IV above apply to the 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 said GCF standards in implementing the proposed project/programme – not on the institution-wide systems, policies and procedures or general track record as are assessed in the institutional accreditation process. The entity will be assessed against these standards in a manner that is fit-for-purpose in the context of the proposed project/programme.

96. 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, Updated Gender Policy, Indigenous Peoples Policy, Information Disclosure Policy, Policy on Prohibited Practices, Anti-Money Laundering and Countering the Financing of Terrorism Policy and MAF will be applied as usual to the proposed project/programme and the project cycle for consideration of the funding proposal.

7.4 Project-specific assessment approach process

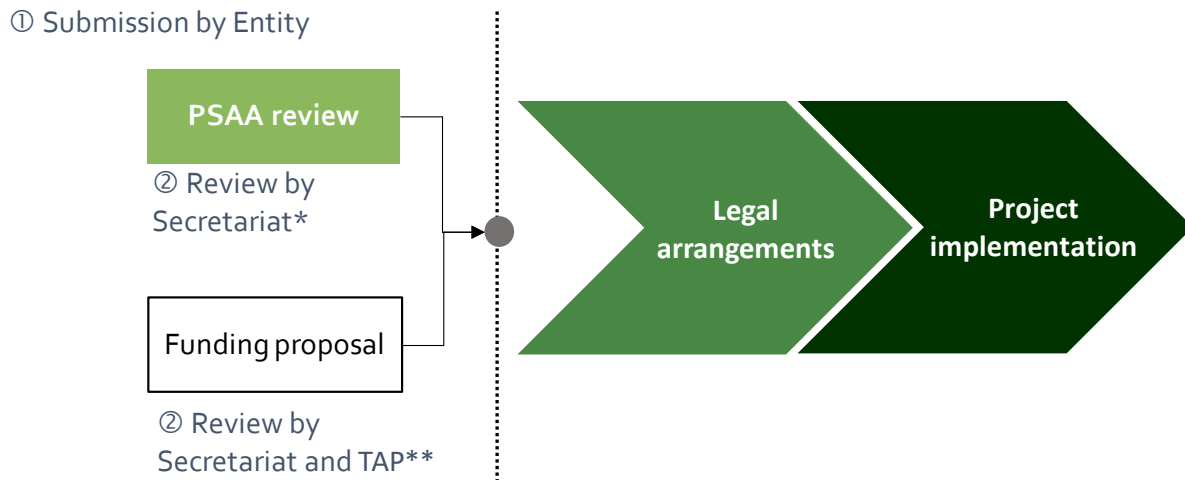
7.4.1 Process

97. An entity may submit a funding proposal in accordance with section 7.2 above. Entities are encouraged to submit a concept note where possible. The entity should submit its PSAA application alongside the funding proposal, or, where possible, the concept note.

98. In accordance with paragraph 47 of the Governing Instrument for the GCF and the initial no-objection procedure as per decision B.08/10, and for all funding proposals for a project/programme submitted under this approach, the NDA or focal point is required to submit a letter including both the nomination of the entity (applicable to DAEs only) and its no-objection for the proposed project (for all entities). This letter will be a confirmation from the NDA or focal point that the funding proposal fits under national priorities and country ownership, in line with decision B.17/09, paragraph (f).

99. The Secretariat will undertake a project-specific assessment of the entity's ability to undertake the project; this will be included in the Secretariat's assessment of the funding proposal (see figure 8).

Figure 8: Process for the pilot framework for the project-specific assessment approach



Board decision milestone: ● Partnership and Project approval

* 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.

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

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

100. 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.
101. The purpose of Stage I is three-fold:
 - (a) To determine whether the project being submitted has the potential to broaden access to GCF resources by entities to whom institutional accreditation does not readily respond;
 - (b) 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 capacity assessment in section 7.4.2 below; and
 - (c) To assess the funding proposal submitted by the entity, following the established procedure for the simplified approvals process or the standard proposal approval process, as applicable.
102. 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.
103. The Secretariat will augment its capacity to support it in undertaking such assessments on its behalf.
104. The results of the PSAA assessment and assessment of the funding proposal will be presented to the Board for a funding decision.

105. The Board's consideration of whether to work with that particular entity for the proposed project will be taken into account as part of its consideration of the funding proposal.

106. The Board's consideration of whether the implementation of such a project will be an important step in further building the capacity of such an entity for future engagement with GCF as an AE under the institutional accreditation process, should the entity be interested in doing so and, in the case of DAEs, be nominated by the NDA for institutional accreditation.

107. 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.

7.4.2 Entity's institutional capacity assessment

108. The 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 could contribute 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) How the entity meets the GCF fiduciary standards and principles contained in section IV above at the institutional level that allow it to implement the proposed project/programme; and
- (e) Whether the entity has the capacity to manage relevant E&S and gender risks (in line with the environmental, social and gender-related standards and policies indicated in section IV above) and the scaled risk-based approach,⁴⁸ at the institutional level that allows it to implement the proposed project/programme.

109. Notwithstanding that all entities are required to meet the standards listed in section IV above, the PSAA will entail two steps: capacity checks at both the project and the institutional level and an overall capacity assessment. They 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.

110. Step 1: Capacity checks:

- (a) **Institutional capacity check.** This check will focus on those elements that are most needed to ensure that 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, countering the financing of terrorism and other prohibited practices, fraud and mismanagement systems, in so far as they relate to the undertaking of the proposed project; and
 - (ii) Depending on the E&S risk level and relation to the financing structure of the proposed project/programme, institutional function, environmental and social management system including organizational structure and competency on E&S due diligence, processes to assess and manage E&S risks and impacts, stakeholder and indigenous peoples engagement, information disclosure,

⁴⁸ Decisions B.07/02 and B.08/02.

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

- (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 terms of (1) project/programme 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. An indicative list of information to be provided may include:
- (i) Fiduciary standards information:
1. Organizational 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;
 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, anti-money-laundering and countering the financing of terrorism 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 with 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, anti-money-laundering and countering the financing of terrorism and prohibited practices, such as fraud, corruption and whistleblower 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 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 projects/programmes similar to the one proposed;
 17. Information technology arrangements for disclosing project-related information (e.g. website/webpage 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 standards and Gender Policy; and
- (ii) Environmental, social and gender information:
1. For a category B/intermediation 2 project/programme, a sample of E&S risk screening and assessment (environmental and social impact assessments, E&S audits and/or related safeguards instruments), environmental and social management plans, management system/framework and/or related E&S risk management plans, E&S monitoring, supervision and evaluation reports, results of E&S project audits, environmental permits and clearances, information disclosure and stakeholder engagement activities, grievance redress mechanism, 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, a sample of E&S risk screening and categorization, and management plan (if any) of the minimal E&S risks and/or impacts and stakeholder engagement

activities, grievance redress mechanism, compliance and non-compliance (grievance) reports of past projects/programmes that are similar to the proposed project/programme;

3. Gender policies and initiatives, including a sample of gender assessments and gender action plans 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.

111. **Step 2: Overall capacity check.** Based on the institutional capacity and project track record checks, the entity may be assessed to have potentially 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 and impacts 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 and impacts 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 and impacts with a significant likelihood of potential negative impact on the entity's ability to undertake the project as designed.

112. 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.

113. 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. The Secretariat should only advance the funding proposal if there is a reasonable expectation that the gaps leading to the medium capacity assessment can be addressed.

114. 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 the gaps identified prior to further consideration of the funding proposal under the PSAA. NDAs may request support for such entities under the Readiness and Preparatory Support Programme to address the gaps identified.

7.4.3 Proposal approval

115. Funding proposals recommended by the Secretariat under this approach shall be submitted to the Board for consideration during its regular meetings. Entities with funding proposals approved under this approach shall be deemed accredited only for the purposes of such approved funding proposal.

7.4.4 Legal arrangements and post approval

116. 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 AMA⁴⁹ and FAA as may be relevant to the approved project/programme.

117. The legal arrangements for PSAA projects/programmes 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 institutional accreditation process. As such, the PSAA legal arrangements are likely to contain provisions, principally in the form of representations and covenants, that are not currently set out in the AMA or FAA.

7.5 Fees for assessing the entity

118. The policy on fees for accreditation of the Fund⁵⁰ applies to entities under the PSAA, except that fees for the PSAA application shall be calculated at the ratio of 80 per cent of the fees payable under the said policy.⁵¹ PSAA application fees shall be paid only after the Secretariat concludes its assessment of: (i) the entity's institutional capacities to implement the proposed project, pursuant to section 7.4.2 above, as 'high' or 'medium'; and (ii) the funding proposal in accordance with stage 5.1 of the updated project and programme activity cycle, but before the Secretariat submits the funding proposal to the independent Technical Advisory Panel for review under stage 5.2 of the updated project and programme activity cycle.

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

119. The policy on fees for accredited entities⁵² applies to entities under the PSAA.

7.7 Monitoring and accountability

120. The initial MAF for AEs⁵³ 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.

⁴⁹ Decision B.12/31, and updated to include relevant Board decisions since the twelfth meeting of the Board.

⁵⁰ Decision B.08/04.

⁵¹ Refer to the table contained in annex X to decision B.08/04 titled "Structure of fees for accreditation to the Fund".

⁵² Decision B.19/09.

⁵³ Decision B.11/10.

121. 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 the PSAA will be required to report every year to the Board through the Secretariat on 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.

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

7.8 Review of project-specific assessment approach

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

7.9 Additional considerations

124. Entities that are applying for the PSAA and that have submitted a project or programme concept note that has been reviewed by the Secretariat, determined to be satisfactory with regard to the GCF investment criteria and endorsed to be developed into a funding proposal, and that has been assessed to have high or medium capacity as per section 4.2 above, may request financial support under the Project Preparation Facility to help to develop the concept note into a funding proposal.

VIII. Readiness and Preparatory Support Programme

125. The revised Readiness and Preparatory Support Programme⁵⁴ (Readiness Programme) and the Readiness and Preparatory Support Programme Strategy 2019–2021 contain the objectives and outcomes of the programme. In particular, Objective 1: Capacity-building refers to GCF recipient countries and relevant stakeholders set up of adequate systems – human, technical and institutional – that enable them to fulfil their roles and responsibilities towards the GCF and enhance their ability to achieve their objectives.

126. The objectives and outcomes of the Readiness Programme relevant for direct access applicants and direct access AEs (collectively referred to as DAEs) include:

- (a) Objective 1: Capacity-building and Outcome 1.2 refer to DAEs having established capacity to meet and maintain GCF standards for accreditation, and accredited DAEs have the capacity to develop a pipeline of projects and effectively implement GCF-funded activities;
- (b) Objective 2: Strategic frameworks and Outcome 2.3 refer to entity work programmes of accredited DAEs having been developed, which are aligned with the priorities of the countries, including country programmes and the GCF result areas;
- (c) Objective 4: Pipeline development and Outcome 4.2 refer to an increase in the number of quality funding proposals developed and submitted from accredited DAEs; and
- (d) Objective 5: Knowledge-sharing and learning and Outcome 5.1 refer to best practices with respect to institutional capacity-building, direct access and pipeline development that are developed and disseminated to strengthen engagement by NDAs, DAEs and delivery partners with the GCF.

⁵⁴ Decision B.22/11, paragraph (f) and annex IV thereto.

127. NDAs/focal points and DAEs are encouraged to seek readiness support towards these objectives and outcomes.

IX. Complementarity and coherence with the accreditation processes of other relevant funds

128. Following the principle of complementarity and coherence that underpins the operational modalities of GCF, as outlined in the Governing Instrument, the accreditation framework will also pursue complementarity and coherence with the accreditation frameworks and processes of other relevant funds.

129. This element of the updated accreditation framework includes, among other operational aspects:

- (a) Regular coordination, collaboration and exchange of information with the secretariats and accreditation panels, or their equivalent institutional arrangements, of other relevant funds;
- (b) Formal and continuous mutual update on new operational guidelines and procedures, best-practice fiduciary principles and standards, ESS standards, gender policies, IT support systems and other relevant policies and procedures; and
- (c) Appropriate modalities for the fast-track accreditation process⁵⁵ based on the appropriate degree of compatibility between the accreditation systems of GCF and those of other relevant funds, ensuring that the fast-track process will not diminish the rigour of the application of the standards for GCF accreditation.

X. Effectiveness, transitional arrangements and review of the accreditation framework

130. This updated accreditation framework shall become effective as from 1 January 2022 onwards and will from that date replace the initial guiding framework for the GCF accreditation process adopted by the Board pursuant to decision B.07/02, paragraph (a).

131. Applicants for which the Accreditation Panel has begun its review in Stage II (Step 1) of the accreditation process prior to the effectiveness of this updated accreditation framework shall continue to be reviewed by the Accreditation Panel using the process contained in annex I to decision B.07/02.

132. The updated accreditation framework will evolve to ensure continuous improvement and alignment with international good practices and to reflect the experience gained by GCF.

133. The Secretariat will be responsible for proposing to the Board, in collaboration with the Accreditation Committee and Accreditation Panel, the terms of reference for a comprehensive review of the updated accreditation framework in five years from the effectiveness of this framework.

134. The Secretariat, the Accreditation Committee and the Accreditation Panel may also propose to the Board a focused review of specific elements of the accreditation framework, including the standards for GCF accreditation, as deemed necessary.

⁵⁵ Decision B.08/03.

Annex III: Letter from the Chair of the Accreditation Committee to the Co-Chairs of the Board of the GCF

27 February 2021

Dear Co-Chairs of the GCF Board,

In line with decisions B.22/16, paragraph (d), and B.23/13, the Accreditation Committee (AC) submits document GCF/B.28/xx titled the “Updated accreditation framework” for the Board’s consideration at its twenty-eighth meeting.

This document was finalized and approved via e-mail by the Accreditation Committee on a no-objection basis on 22 February 2021 with all six members of the Accreditation Committee having approved the document by consensus. It should be brought to the Board’s attention, however, that one AC member had previously expressed divergent views regarding the proposed scope of the project-specific assessment approach as contained in annex II of this document.

The document was further revised on 27 February 2021 for the draft decision text contained in annex I of the document following exchanges between the Chairs of the AC and the Budget Committee, as well as to address comments received from one member of the AC regarding the proposed budget for the PSAA.

Details on the virtual meetings held by the AC and exchanges amongst its members are contained in the report of the AC contained in document GCF/B.28/Inf.03 titled “Reports from committees, panel and groups of the Board of the Green Climate Fund”, to be presented to the Board at its twenty-eighth meeting.

As Chair of the AC, I endorse the content of the document and request that it be transmitted to the Board for consideration at its twenty-eighth meeting.

Yours sincerely,

Lars Roth
Chair of the Accreditation Committee
