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# Accreditation strategy of the Green Climate Fund

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## Summary

The updated Strategic Plan for the GCF 2020–2023 adopted in decision B.27/06 contained key actions to improve access to GCF resources. It included adopting a more strategic approach to accreditation, for which GCF would undertake, as soon as possible, an analysis of the current accredited entity (AE) portfolio to identify strengths and gaps in coverage and capabilities, informed by country programming needs. In response to decision B.31/06, the Secretariat presented an analysis of the AE portfolio in document GCF/B.32/08 at the thirty-second meeting of the Board. In para. (p) of decision B.31/06, the Secretariat, under the guidance of the Co-Chairs, was also requested to prepare the accreditation strategy for consideration by the Board no later than its thirty-third meeting.

This document lays out an accreditation strategy under the guidance of the Co-Chairs. It notes that GCF is implicitly following a hybrid operating model with both ambitious transformative programming targets and AE capacity development objectives. To optimize this model, the accreditation strategy aims to:

- Enhance the efficiency of the GCF accreditation and re-accreditation process;
- Strategically use accreditation of partners to fill in gaps in capabilities and coverage; and
- Optimize incentives for partners to invest in a dedicated capacity to programme for GCF.

It notes the need to clarify the GCF operating model to right-size its AE network, and to improve its process efficiency to reduce transaction costs for its partners; strategically use accreditation of partners to fill in gaps in capabilities and coverage; and adopt a tailor-made approach to optimizing AE performance based on their capacity and engagement levels.

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## I. Introduction and mandate

1. GCF is fundamentally a partnership institution, working for, through and with partners to deliver climate results. In this operating model, accredited entities (AEs) are key to developing countries' access to GCF resources and delivery of impact.<sup>1</sup> The accreditation framework and process are essential elements of the GCF operating model, as set out in paragraph 45 of the Governing Instrument for the GCF. Through the accreditation process, AEs are assessed to have institutional-level systems, policies, procedures, capacities and track records 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.
2. The GCF has established a network of 113 AEs, of which 77 are fully accredited for programming as of 31 May 2022.<sup>2</sup> It has historically been able to accredit around 15 AEs annually (including re-accrediting AEs to continue the partnership, upgrading AEs to expand their scope for GCF programming, and new entities). This work is guided by the initial guiding framework for the GCF accreditation process as adopted in decision B.07/02 and Board decisions on a fit-for-purpose accreditation approach.<sup>3</sup> fast-tracking organizations accredited to similar funds,<sup>4</sup> and prioritizing certain types of applicants in the accreditation process.<sup>5</sup>
3. In decision B.31/06 the Board adopted the updated accreditation framework, including measures to streamline the institutional accreditation process and adopted the project-specific assessment approach (PSAA) to accreditation on a pilot basis, which will come into effect by April 2023. In the same decision, the Board also decided to launch the process to review the accreditation framework in accordance with decision B.27/06, which, *inter alia*, mandates the Board to present a revised accreditation framework to address matters outlined in paragraph 26 (a)(i)–(v) of annex VI to decision B.27/06.
4. Noting the Forward-Looking Performance Review of the GCF (document GCF/B.23/20) and the GCF First Replenishment (GCF-1): Replenishment Summary Report (document GCF/B.24/11), the updated Strategic Plan for the GCF: 2020–2023 (hereinafter referred to as the USP 2020–2023)<sup>6</sup> stated that the GCF will, in 2020–2023:
  - (a) Continue to build its AE network by focusing on the value-addition of AEs to deliver the programming priorities of developing countries, and advancing GCF strategic objectives, including keeping a strategic focus on strengthening the role of direct access entities (DAEs) in programming, as described in section 4.1 of the USP 2020–2023; and
  - (b) Seek to streamline and speed up access to GCF resources and reduce the lengthy timelines involved in the current accreditation process.
5. Key actions for 2020–2023 in relation to improving access to GCF resources, as identified in the USP 2020–2023, include:
  - (a) Adopting a more strategic approach to accreditation;
  - (b) Streamlining the accreditation process and developing alternative accreditation modalities, including a PSAA; and

<sup>1</sup> Decision B.27/06.

<sup>2</sup> AEs that have made effective their accreditation master agreement (AMA) entered into with GCF are considered as fully accredited for programming. The number presented does not include AEs that have a lapsed accreditation term due to expiration of the AMA, including those that are seeking re-accreditation to GCF.

<sup>3</sup> Decision B.08/02.

<sup>4</sup> Decision B.08/03.

<sup>5</sup> Decisions B.14/08, paragraph (d)(i), 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).

<sup>6</sup> Decision B.27/06, annex VI.

(c) Fostering climate mainstreaming across the GCF partnership network.

6. In response to decision B.31/06, the Secretariat presented an analysis of the AE portfolio in document GCF/B.32/08 at the thirty-second meeting of the Board (B.32). In paragraph (p) of that decision, the Secretariat, under the guidance of the Co-Chairs, was also requested to prepare the accreditation strategy for consideration by the Board no later than its thirty-third meeting. The strategy must be prepared in an open, inclusive and transparent manner in accordance with the relevant provisions of decision B.23/03, including engaging in consultations with the Board, AEs, observers and national designated authorities (NDAs).

7. The proposed accreditation strategy set out in annex II to this document takes into account the USP 2020–2023, the 2020 “Independent Synthesis of the Green Climate Fund’s Accreditation Function” conducted by the Independent Evaluation Unit (IEU), the Secretariat’s response to the IEU Synthesis, and guidance from the 2022 Co-Chairs. [Annex III presents feedback received during the consultation process for this document.]

8. The objective of the accreditation strategy is to clarify the GCF operating model and guide the evolution of the GCF network of AEs. It notes that GCF is implicitly following a hybrid operating model with both ambitious transformative programming targets and AE capacity development objectives.

9. To optimize this model, the accreditation strategy aims to:

- (a) Enhance the efficiency of the GCF accreditation and re-accreditation process;
- (b) Strategically use accreditation of partners to fill in gaps in capabilities and coverage; and
- (c) Optimize incentives for partners to invest in a dedicated capacity to programme for GCF.

10. Implementation of the accreditation strategy will require a reprioritization of tasks and capacity augmentation of the Secretariat.

## II. Policy rationale

11. As highlighted in document GCF/B.32/08, the GCF AE network has grown to a diverse set of 113 partners that, theoretically, have the capacity to programme across all GCF thematic and geographic areas, financing sizes, financial instruments and environmental and social risk levels. However, a review of the GCF AE portfolio reveals an uneven project quality at pipeline entry and programming gaps against GCF-1 priorities. An increasingly low project to AE ratio limits incentives for AEs to invest in a dedicated capacity to programme for GCF.

12. The overall strategy to guide the evolution of the AE network and enhance AE portfolio performance and adequacy must be anchored in a longer-term vision for GCF, since there will be potential implications for the GCF operating model.

13. The GCF could act as a high-volume, high-speed climate finance provider, working with a targeted set of high-performing AEs that meet the GCF standards. If GCF opts for volume and speed through a smaller AE network, its key feature of direct access and ability to recognize diversity of needs may become secondary. Alternatively, it could also play a capacity builder role, whereby priority would be given to strengthening the capabilities of AEs to design and implement climate finance projects, even if programming targets may take longer to be achieved. This would require GCF to increase its capacity to deliver tailored and scaled-up support to AEs, as well as increasing its capacity to process re-accreditation and accreditation applications and review concept notes and funding proposals.

14. In between these two options lies a combination that aims to optimize both allocation of climate funding volumes and capacity-building.

15. These potential strategic directions have inherent trade-offs and different operating model implications, calling for the need to define the role of the GCF before any material strategic or operational adjustments are made.

16. The current GCF strategies, policies and processes have elements that point towards each of the options: a focus on GCF portfolio-level programming goals (e.g. adaptation/mitigation targets and tonnes of carbon dioxide emissions mitigated or number of beneficiaries per dollar) and at the same time a focus on AE capacity-building (e.g. GCF aims to deploy funds through entities that may not have the capacity to programme more than one funding proposal and/or require active support for project development, such as through the Project Preparation Facility). This suggests that GCF is currently operating under a hybrid approach, despite that not being institutionalized in an explicit manner. Explicitly adopting a hybrid approach would not be proposing maintaining the status quo, but rather would formally recognize the opportunities, tensions and trade-offs, and imply an adjustment of the operating model, including GCF's capacity and focus, to best serve the ambition of the GCF.

### **III. Analysis of policy proposal**

17. While the hybrid scenario ensures a combined approach to transformational climate funding it also carries risks, such as continuous challenges around articulating the ideal AE network to deliver programming, as well as inefficient policies and processes that try to serve a double purpose. Challenges also arise in identifying how GCF's capacity will be used to address both ends of the trade-offs.

18. These risks could be mitigated by increasing the efficiency of the GCF accreditation and re-accreditation process; strategically using accreditation of partners to fill in gaps in capacities and coverage; and optimizing incentives for partners to invest in a dedicated capacity to programme for GCF.

#### **3.1 Enhance the efficiency of the GCF accreditation and re-accreditation process**

19. GCF has historically been able to accredit around 15 AEs annually (including applications for re-accreditation, upgrades and new entities), with the following breakdown at each stage of the process:

- (a) The Secretariat reviews an average of 60 applications (re-accreditation, upgrade and new applicants) in parallel each year, with 15–20 applications per year that complete stage I Secretariat review and progress to the independent Accreditation Panel (AP) review in stage II (step 1);
- (b) The AP submits an average of 10–15 applications per year to the Board for consideration; and
- (c) The Board accredits an average of 10–15 applications per year in stage II (step 2) of the process, with some applications requiring more than one Board meeting for consideration.

20. Following the Board's decision to accredited an entity, stage III of the process entails the entity and GCF entering into an accreditation master agreement (AMA) to formalize and govern the partnership. The template AMA was approved by the Board, and the Secretariat has been given the authority to negotiate the AMA on the basis of such template. Once the Secretariat reaches a working level agreement with the AE on the text of the AMA, pursuant to

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decision B.12/31, the Secretariat consults with the Risk Management Committee (RMC) of the Board to determine if there are any “substantive changes” from the template AMA. If not, with the no objection noted from the RMC, the AMA is signed by GCF and the AE. If there are “substantive changes” from the AMA template, the Secretariat, with the RMC’s endorsement, is required to submit the negotiated AMA to the Board for approval. Only after such approval has been obtained, in the event there are “substantive changes” from the template, can the GCF and AE sign the negotiated AMA. Once an AMA is signed, AEs need to meet the conditions precedent in order to make their AMA effective, thereby starting their five-year accreditation term. The process from Board decision to AMA effectiveness in most cases takes one to two years, with some taking less than two months while others take over five years.

21. Over 140 applicants are currently seeking to become accredited to GCF. AEs must renew their partnership with GCF every five years. From 2023 and onward, about 30 AEs per year are expected to seek re-accreditation. It is essential to enhance process efficiency for accreditation and re-accreditation to cope with this growing workload and to avoid accreditation lapses and delays in project development and approval.

22. The accreditation process comprises three stages, including reviews by the Secretariat in stage I, the independent AP in stage II (step 1) and decision-making by the Board in stage II (step 2). With the decision on the suitability of an entity to join the GCF partnership taking place at the end of the process (stage II (step 2)), significant efforts may be invested in advancing through each stage entities that are not suitable for the AE role or are not fully aligned with the GCF strategic objectives and programming directions. Unless an applicant chooses to withdraw its application, neither the Secretariat nor the AP have the authority to close an accreditation application early in the accreditation process.

23. Similarly, the current accreditation process involves the review of all applications received on a first come, first complete basis regardless of suitability to undertake the AE role and alignment with GCF strategic programming objectives and country programming priorities. The obligation to review every application diverts GCF time and efforts from reviewing applications from the most suitable candidates, contributing to the continued lengthening of processing times and backlog of applications for review, and in turn, increases reputational risks to GCF. There are also similar obligations to review re-accreditation applications seeking to continue their partnership with GCF every five years, regardless of whether the AE has submitted funding proposals or has a portfolio of approved funded activities, and regardless of whether the AE has a pipeline of funding proposals for the next accreditation term.

24. The recently approved PSAA modality has the potential to enhance the efficiency of the GCF accreditation process through accreditation for a single project for entities that do not have vocation to become a long-term GCF institutional partner. PSAA will be launched on a pilot basis by April 2023. However, this project modality itself will be limited by the capacity of GCF to process an average of 10 PSAA proposals per year. It is a complementary approach and not a substitute to the need to enhance the overall process efficiency of institutional accreditation.

25. Furthermore, the criteria to assess which entities may be best suited to perform the AE or PSAA entity role will need to be clarified. Similarly, further clarity will need to be provided on other ways to engage or partner with GCF, which may be more relevant and suitable compared with the AE role, depending on the entity. Notably, entities can also engage with GCF as executing entities, co-financers, contractors, and delivery partners for the GCF Readiness and Preparatory Support Programme, among others.

26. The constraints posed by the current approach lead to long processing times and a perception of GCF as a partner-unfriendly institution with lengthy processing times. Given the fundamental nature of GCF as a partnership institution and its key role as a hub of the climate

finance architecture, these process inefficiencies substantially affect the overall effectiveness and climate impact of the institution.

27. Improving accreditation and re-accreditation process efficiency will be achieved by clarifying the role, responsibilities and performance measures expected of AEs, and the different types of partnerships with GCF. It also includes authorizing the Secretariat to actively guide entities towards the most suitable form of partnership with GCF, including at pre-accreditation and stage I of the process on the appropriate accreditation track. In addition, the re-accreditation of AEs will be prioritized to minimize lapses in accreditation terms. The development of a metric for climate change programming development and implementation capacity will be explored at accreditation and re-accreditation. Coupled with the updates to the accreditation framework adopted in decision B.31/06 and the capacity development of relevant GCF organs, these measures are expected to increase the processing capacity of the GCF from the historical rate of 15 applications per year to 25–30 applications per year.

### 3.2 Strategically use accreditation of partners to fill in gaps in capabilities and coverage

28. As highlighted in document GCF/B.32/08, the GCF AE network has evolved to include a diverse set of partners that, theoretically, could have the capacity to programme across all GCF thematic and geographic areas, financing sizes, financial instruments and environmental and social risk levels. However, a review of the GCF portfolio against GCF-1 priorities has revealed an uneven project quality at pipeline entry and programming gaps, as detailed in table 1 below.

**Table 1: GCF-1 programming targets and gaps, as at 31 May 2022**

GCF-1 portfolio targets	Portfolio as at 31 May 2022	Programming gaps and opportunities to further meet the GCF-1 targets
50:50 balance of adaptation and mitigation funding over time, while seeking to deliver portfolio-level mitigation and adaptation outcomes exceeding IRM outcomes	Within reach Adaptation: 49% (grant equivalents, GE) Mitigation: 51% (GE)	At the portfolio level, the adaptation target is within reach. The AE network has AEs that can address all GCF results areas in adaptation. However, financing across adaptation priorities is uneven, with limited involvement from the private sector.
Minimum allocation floor of 50% adaptation allocation for SIDS, LDCs and African States, while aiming to build on IRM outcomes	Met, but does not improve on IRM: 65% (GE)	The COVID-19 pandemic has affected the capacity of AEs and of the Secretariat to field programming missions. As travel conditions improve, targeted efforts will be needed during the second part of GCF-1 to increase allocations against IRM, notably in SIDS.
Significantly increase funding channelled through DAEs	Met, but can be improved: 18% (GE)	On a portfolio level, this target is currently being met, with 17% of funding in grant equivalent terms going to DAEs, compared with 11% in the IRM. In nominal terms, 23% of the project portfolio by financing volume and 22% by number of approved



GCF-1 portfolio targets	Portfolio as at 31 May 2022	Programming gaps and opportunities to further meet the GCF-1 targets
		projects/programmes is through 26 DAEs.  However, the overall ratio remains low, as 71 DAEs have been accredited, <sup>7</sup> accounting for 64% of the AE network.
Allocation to PSF exceeds 20%	Not being met: 15% (GE)	Private sector AEs account for 24% of the AE network and 34% of the financing in nominal terms but only 16% in GE. The level of concessionality for private sector projects is lower than for public sector projects, generating a gap between nominal and GE terms.
Increase mobilized private sector finance at the portfolio level	1:3.4 (GCF financing to co-financing) measured at the fund level but not reflecting co-financing at the individual investment level	The AE network has AEs accredited to channel a variety of financial instruments (65 AEs that can on-lend and blend, 43 AEs that can invest in equity and 50 AEs that can provide guarantees), including both private and public sector entities. However, the actual number of AEs that can work with a variety of financial instruments to catalyse private investment at scale is low.

*Abbreviations:* AE = accredited entity, DAE = direct access entity, GCF-1 = first replenishment of the Fund, GE = grant equivalent, IRM = initial resource mobilization, LDC = least developed country, PSF = Private Sector Facility, SIDS = small island developing State.

29. The Secretariat has increased its engagement with guiding AEs in the development of concept notes and funding proposals to address these programming gaps and to achieve the GCF programming targets. However, a more structural solution is required.

30. As currently structured, the accreditation framework focuses on safeguarding projects from fiduciary, environmental and social, and gender risks and impacts: it does not assess the entity's capacity to prepare and implement climate projects. This is a factor that leads to uneven quality of climate-focused funding proposals at pipeline entry, requiring significant involvement of the Secretariat in the development process. There are on average 2.5 iterations on one funding proposal. Having limited expertise in climate change project development will also affect the entity's capacity to implement climate-focused projects and programmes, and increases the risk of misalignment with GCF's objectives.

31. Accreditation efforts could be optimized by prioritizing entities that can address some specific programming gaps (e.g. for private sector DAEs engaged in adaptation or AEs with a proven expertise in specific regions or new technical/financial climate solutions). However,

<sup>7</sup> Reflects the number of entities having been accredited or re-accredited by the Board at stage II (step 2) of the accreditation and re-accreditation processes, regardless of whether the entity has concluded legal arrangements with GCF under stage III having signed and made effective the AMA. The five-year accreditation term starts upon effectiveness of the AMA, whereupon an AE can fully engage with GCF on programming.

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such targeted accreditation efforts will have little effect if present barriers to a full use of the AE network are not addressed.

32. Further programming guidance and tools can be developed to better leverage the existing AE network, particularly those that have the capability but are not actively programming in under-programmed areas. GCF could also unleash the potential of some AEs by providing tailor-made support to improve project quality at pipeline entry. During the third quarter of 2022 GCF will be launching project design and appraisal platforms to help NDAs and AEs develop and self-appraise funding proposals. This platform is expected to reduce the number of iterations and facilitate access to GCF resources. Furthermore, PSAA may be used in a targeted manner to source high-quality transformative climate projects to complement the work of the existing AE network and address programming gaps, such as for addressing requests for proposals issued by GCF.

### 3.3 Optimizing incentives for partners to invest in a dedicated capacity to programming for GCF

33. Approximately one-third of AEs accredited by the Board have not signed or do not have an effective AMA (36 out of the 113 accredited), which means these entities cannot yet programme with GCF. Furthermore, only 45 per cent of AEs actually programme with GCF. Private sector DAEs are the least active, with only 14 per cent of them having at least one approved funding proposal. Public sector international access entities are the most active, but at 58 per cent their activity also leaves room for improvement.

34. In addition to strategically using accreditation of partners to fill in gaps in capabilities and coverage, it will be important to optimize incentives for partners to invest in establishing a dedicated capacity to programme for GCF. The learning curve to develop such a transformative initiative for a new institution can be steep. A dedicated team can draw lessons from each project submission and substantially reduce project development and disbursement time frames, but in the absence of a dedicated capacity, an institution cannot benefit from this learning curve and instead starts anew for each project.

35. Accreditation to GCF can provide several benefits to partner entities. While accessing GCF financing is the primary motivation, accreditation also enables entities to join, collaborate, co-invest and share knowledge with the largest climate network in the world. Furthermore, the institutional and skills investment required to be accredited to GCF and to develop GCF projects prepares entities for accessing other sources of climate finance, including for some domestic and international capital markets. GCF will increasingly need to operate as a convener, building new coalitions of AEs and consolidating different sources of finance, as well as a knowledge sharer to optimize this range of benefits and incentivize AEs to build or strengthen a dedicated capacity to programme for GCF.

36. Nevertheless, the number of projects that an AE can reasonably expect to submit to GCF per programming cycle (i.e. the project to AE ratio) will remain essential for incentivizing AEs to invest in a dedicated GCF capacity.

37. Since the approval of its first project in 2015, the GCF project portfolio has grown to 196 projects totalling USD 10.4 billion in GCF commitments and USD 28.5 billion in direct co-financing, giving an average of USD 53 million of GCF financing per project. Assuming an average of 30–50 projects per year, this comes to less than 2 projects per AE every five years (i.e. the duration of an accreditation term).

38. Should the 140 applicants currently seeking to become AEs to GCF be accredited, this average would fall to less than one project per AE every five years. Some AEs may have to seek

re-accreditation more often than they submit projects to GCF. While increasing the number of active AEs would improve opportunities for leveraging the GCF network, it will further reduce the incentive for individual AEs to invest in the dedicated capacity required for high-quality GCF programming development. Furthermore, entities will not be able to benefit from the learning curve of having the same teams developing projects for GCF.

39. Currently, AEs may seek re-accreditation even if they have not submitted funding proposals nor implemented any approved projects or programmes. With no overall framework and performance metrics for AEs, the accreditation process cannot facilitate a tailored re-accreditation of AEs, a selective re-accreditation or the exploration of other forms of cooperating with GCF, such as supporting DAEs in programming and/or co-financing projects alongside GCF.

40. Given the current challenges in terms of AE engagement, GCF may decide to maintain the current average project to AE ratio of 1:2 per accreditation term. GCF may prioritize re-accreditation of AEs with approved projects under implementation and AEs that have submitted a funding proposal. GCF may also retire non-performing AEs. GCF may also provide options for entities to graduate out of the AE role and on to other forms of partnering with GCF.

41. This will require a dynamic management of the AE network, and the optimal size of the GCF AE network will need to evolve in step with successive replenishments, new GCF programming priorities and associated capacity development needs.

## IV. Policy linkages

42. As outlined above, the proposed accreditation strategy will respond to the USP 2020–2023 and will be further guided by decision B.31/06. The accreditation strategy has been developed in consideration of prior policies and frameworks that have been adopted by the Board as well as key reviews and evaluations undertaken, including the IEU's "Independent Synthesis of the Green Climate Fund's Accreditation Function" (2020).

43. Table 2 below presents a non-exhaustive list of key relevant Board-adopted policies and frameworks that are linked with the accreditation strategy.

**Table 2: List of policies relevant to the accreditation strategy.**

Linkage	Decisions	Relevance
Reviews of accreditation	"Independent Evaluation Unit's Independent Synthesis of the Green Climate Fund's Accreditation Function (2020)" (decision B.31/06)	Recommendations for the development of an accreditation strategy
Strategic objectives and directions	"Updated Strategic Plan for the GCF 2020–2023" and GCF-1 programming targets	Key actions to adopting a more strategic approach to accreditation, and GCF programming targets to which projects/programmes developed and implemented by AEs should respond to
	"Matters related to accreditation: updates to the accreditation framework" (decision B.31/06)	Request for the development of an accreditation strategy, and the areas of focus for the strategy

<b>Linkage</b>	<b>Decisions</b>	<b>Relevance</b>
	“Review of the initial private sector facility modalities and the private sector strategy” (decision B.32/06)	Calls for an increase of the accreditation of private sector entities, and ways in which GCF can work with private sector entities on programming
Accreditation framework policies and decisions	“Initial guiding framework for the GCF accreditation process” (decision B.07/02)	The policy framework that establishes the accreditation process through which entities are assessed to become AEs, including the initial fiduciary standards and the interim environmental and social safeguards AEs need to meet to become accredited
	“Matters related to accreditation framework” (decision B.24/13)	Sets out the re-accreditation process through which AEs may seek re-accreditation to continue the partnership with GCF
	“Matters related to accreditation: updates to the accreditation framework” (decision B.31/06)	The updates to the policy framework for accreditation and re-accreditation that will come into effect by April 2023, including measures to streamline the institutional accreditation process and establish the project-specific assessment approach on a pilot basis for three years
	“Fit-for-purpose approach to accreditation” (decision B.08/02)	Fit-for-purpose approach to accreditation, which provides for different size categories and environmental and social risk categories that entities may seek accreditation for. The size categories have been further amended in decision B.31/06, paragraph (c) and annex III to the decision
	“Assessment of Institutions Accredited by Other Relevant Funds and Their Potential for Fast-track Accreditation” (decision B.08/03)	Fast-track accreditation process
	“Consideration of accreditation proposals” (decision B.12/30, paras. (c) and (d))	Expectations of AEs to advance the mandate and objectives of the GCF
	“Consideration of accreditation proposals” (decision B.10/06, paras. (d), (h), (i) and (j))	Considerations for the accreditation process, including decision-making by the Board, on applicants for accreditation and support to build their capacity to meet the GCF accreditation standards

<b>Linkage</b>	<b>Decisions</b>	<b>Relevance</b>
Accreditation Master Agreement for accreditation process stage III Legal Arrangements	"Template Accreditation Master Agreement" (decision B.12/31)	Template accreditation master agreement approved by the Board; and establishes the process for AMA negotiations by the Secretariat and approvals by the Risk Management Committee of the Board and, where relevant, the Board
	"Accreditation master agreements and funded activity agreements" (decision B.13/29)	Reaffirms the process for AMA negotiation and approval

*Abbreviations:* AE = accredited entity, AMA = accreditation master agreement.

<sup>a</sup> In addition to these standards, GCF has adopted policies and standards related to fiduciary, environmental and social, and gender risks that are the basis of the accreditation standards in so far as those policies relate to accreditation.

44. In addition to the list above, once accredited, AEs are expected to develop and implement funding proposals in line with GCF policies, including those related to the funding proposals and proposal approval process, portfolio management, investment framework, country ownership and Readiness, amongst others.

## V. Implementation arrangements and operational impact

45. Adoption of the draft accreditation strategy as contained in annex II to this document will transform the way in which GCF identifies, assesses and works with programming partners. With the capacity development of relevant GCF organs approved for USP 2020–2023 implementation,<sup>8</sup> GCF can already implement most of the measures in the accreditation strategy and the updates to the accreditation framework adopted in decision B.31/06. The measures that can be operationalized with the existing capacity include the development of guidance on the role and expectations of AEs and delivering on programming; prioritizing certain types of applications; and measures to dynamically manage the AE network and its performance. Together, these measures are expected to increase the processing capacity of the GCF from the historical rate of 15 applications per year to 25–30 applications per year.

46. Some measures, such as the potential development of a metric for determining an AE's climate change programming development and implementation capacity, may require the Secretariat to augment its capacity. The Secretariat will consider the resourcing and budget implications of these measures as a part of the annual work programme of the Secretariat and the administrative budget of the GCF Secretariat, Board and Trustee, for consideration by the Board.

47. The capacity and focus of the GCF will depend on the path chosen to clarify the GCF operating model (see para. 15 above). The opposite scenarios of focusing on GCF portfolio-level programming goals and at the same time focus on AE capacity building have implications on the scale and focus of GCF's capacity. If GCF opts for volume and speed, its capacity can remain lean and be focused on programming development and implementation. If instead GCF opts for a capacity-building focus, it would require GCF to dramatically increase its capacity to deliver tailored and scaled-up support to AEs, and to process re-accreditation and accreditation

<sup>8</sup> Decision B.30/06.

applications and review concept notes and funding proposals. If a hybrid approach is taken where the AE network is right sized to reflect programming requirements and capacity development objectives, GCF could tailor its capacity focus depending on the AEs' capacity and engagement levels. A moderate capacity augmentation of the Secretariat could be accommodated with the increased staff allocation approved by the Board in decision B.30/06. The GCF's capacity would need to be adjusted to reflect whichever path is chosen.

## VI. Consultations

48. Decision B.31/06, paragraph (p), requested the Secretariat, under the guidance of the Co-Chairs, to prepare the accreditation strategy in an open, inclusive and transparent manner in accordance with the relevant provisions of decision B.23/03, including engaging in consultations with the Board, AEs, observers and NDAs, for consideration by the Board no later than its thirty-third meeting.

49. [To be added: summary of consultation process and feedback received, to be contained in annex III.]

## VII. Monitoring and review

50. The Secretariat will be responsible for proposing to the Board, in collaboration with the Accreditation Committee and AP, an updated accreditation framework guided by the USP 2020–2023 and the accreditation strategy laid out in annex II to this document.

51. With a view to improving the overall accreditation process, a Secretariat-led review of the strategy will be undertaken after the first year of implementation. This will inform work to further assess opportunities for the GCF accreditation framework in the second replenishment period, taking account the needs identified by NDAs and an evidence-based understanding of the performance of the AE network.

52. Findings from any performance reviews will inform the Board's consideration of a further update to the accreditation strategy as contained in annex II, covering objectives and priorities.

## VIII. Recommended action by the Board

53. It is recommended that the Board:

- (a) Take note of the information presented in document GCF/B.33/08 titled “Accreditation strategy of the Green Climate Fund”; and
- (b) Adopt the decision included in annex I.

## Annex I: Draft decision of the Board

The Board, having considered document GCF/B.33/08 titled “Accreditation strategy of the Green Climate Fund”:

- (a) *Adopts* the accreditation strategy contained in annex II to this document;
- (b) *Decides*, pursuant to paragraph (a) above, to prioritize up to the end of 2023 the following for institutional accreditation:
  - (i) Private sector entities, particularly direct access private sector entities, that are capable and seeking institutional accreditation to GCF to develop and implement projects and programmes (i) of a large or medium size category, (ii) have a focus on the GCF adaptation results areas, and (iii) utilize equity and guarantee instruments under the specialized fiduciary standard for on-lending and/or blending; and
  - (ii) National direct access entities, including private sector entities and non-governmental organizations, nominated for accreditation by national designated authorities or focal points of countries that do not have an accredited national direct access entity;
- (c) *Agrees* to review the accreditation strategy adopted in paragraph (a) above, as needed, in line with updates to the Strategic Plan for the GCF for the second replenishment period of the GCF;
- (d) *Requests*, pursuant to decision B.31/06, paragraph (m), the Board to present a revised accreditation framework to address matters:
  - (i) Outlined in paragraph 26 (a)(i)–(v) of annex VI to decision B.27/06; and
  - (ii) Arising out of the accreditation strategy adopted through paragraph (a) above, no later than the thirty-fifth meeting of the Board; and
- (e) *Also requests* the Secretariat to report on progress on the accreditation strategy at the first Board meeting of each year from 2023.

## Annex II: Accreditation strategy of the GCF

1. In the context of the GCF operating model, the purpose of accreditation is to identify potential programming partners – accredited entities (AEs) – that will channel financing for and deliver impacts from climate change projects and programmes responding to the needs of developing countries and in alignment with the mandate of the GCF as well as its objectives and programming targets, in a manner that meets the standards of the GCF.
2. To that end, the objective of this accreditation strategy is to clarify the GCF operating model and guide the evolution of the GCF network of AEs. GCF follows a hybrid operating model with both ambitious transformative programming targets and AE capacity development objectives. First, GCF focuses on the value-addition of AEs to deliver country-driven climate change programming and to advance the GCF strategic objectives, while continuing to prioritize strengthening the role of direct access entities (DAEs) in programming. Second, GCF seeks to strengthen the institutional capacities of AEs for developing and implementing high-quality climate change projects and programmes to contribute towards achieving the goals of the Paris Agreement.
3. The GCF accreditation strategy is grounded in meeting priorities set out in the Governing Instrument for the GCF and Board-approved policies, as follows: ensuring thematic and geographic balance; in the context of allocating resources for adaptation, prioritizing developing countries that are Parties under the United Nations Framework Convention on Climate Change that are particularly vulnerable to the adverse effects of climate change, including least developed countries (LDCs), small island developing States (SIDS) and African States; paying specific attention to adaptation activities; significantly increasing funding channelled through DAEs relative to the initial resource mobilization period; and promoting the participation of local private sector actors in developing countries, including small and medium-sized enterprises and local financial intermediaries.
4. To optimize the GCF operating model, the accreditation strategy aims to:
  - (a) Enhance the efficiency of the GCF accreditation and re-accreditation process;
  - (b) Strategically use accreditation of partners to fill in gaps in capabilities and coverage; and
  - (c) Optimize incentives for partners to invest in a dedicated capacity to programme for GCF.

### I. Enhance the efficiency of the GCF accreditation and re-accreditation process

5. AEs are critical to developing countries' access to GCF resources and delivery of climate mitigation and adaptation impact.<sup>1</sup> GCF programming directions, as set out by the Board, drive the various attributes required of entities aiming to be accredited to GCF. Attributes for AEs include the access modality (e.g. direct or international access); public or private sector; GCF results areas the entity is capable of programming in; maximum size of the intended projects/programmes; fiduciary modalities and financial instruments; and maximum environmental and social risk levels.
6. Recognizing the role and responsibilities of an AE, entities seeking to become an AE must be willing and capable of undertaking all of the responsibilities expected of an AE. To this end, GCF will seek to accredit institutions that have potential to submit for consideration and then implement projects and programmes. Entities that are not suitable or willing to undertake the full role and responsibilities of the AE will be encouraged, where appropriate, to partner

<sup>1</sup> Decision B.27/06.

with AEs in GCF projects and programmes (e.g. as an executing entity, co-financier role or contractor), noting that such organizations do not need to undergo accreditation.

7. GCF will continue to enhance the efficiency of the accreditation and re-accreditation processes in order to support the identification of the most suitable partners and AEs capable of programming with GCF, while reducing time and resources required to operationalize such processes. This objective will be realized through the following actions:

(a) **Improve guidance on the role of AEs and the accreditation process by:**

- (i) *Developing clear guidance on the various types of partnerships that can be built with GCF.* The options include partnering as an AE, or as an entity under the project-specific assessment approach (PSAA), or other roles such as executing entity, co-finance and contractor that work with programming partners, as well as delivery partner to provide readiness and preparatory support;
- (ii) *Clarifying the obligations and responsibilities of AEs through guidance to provide organizations with a clear indication of the specific role, responsibility and performance measures AEs must commit to;*
- (iii) Encouraging entities to choose the right approach to accreditation depending on the project/programme pipeline size and intended duration of the partnership with GCF. This will be based on one of the following two models:
  - (1) *Project-specific assessment approach*  
Through the PSAA the GCF will seek to deliver project- and programme-level impacts, broadening access for developing countries by working with entities – known as PSAA entities – that are seeking non-recurring programming engagement with GCF, or entities that may not be ready to manage a portfolio of GCF programming. PSAA will provide the GCF with a targeted approach to match the programming and project delivery capabilities needed to implement developing countries' programming priorities in line with the strategic priorities of the GCF. The PSAA will complement the institutional accreditation approach; and
  - (2) *Institutional accreditation*  
GCF will seek to accredit entities, with the aim of building a network of long-term programming partners – known as AEs. The primary objective is that these partners will deliver regularly on high-quality climate change project and programme portfolios aligned with GCF's programming targets. The secondary objective is to build institutions that are capable of developing and implementing climate change programming. The institutional capacity built through institutional accreditation will enable GCF to continue incentivizing capacity-building and alignment of programming with the mandate and the strategic priorities of the GCF; and
- (iv) *Updating re-accreditation and accreditation guidance to NDAs and entities,* based on GCF strategic priorities and programming directions, and the accreditation strategy. GCF will proactively engage with and incentivize national designated authorities (NDAs) to ensure quality AE nominations are made by NDAs, and will support their capacity to undertake this role;

(b) **Streamline the accreditation and re-accreditation processes by:**

- (i) *Exploring the development of a metric on climate change programming development and implementation capacity.* This will include an indication of the

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- systems, policies, procedures, capacities and expertise required to meet such a metric. If developed, the metric will be part of the accreditation and re-accreditation processes with the aim of transforming institutional capacities in order to advance the mandate and objectives of the GCF;
- (ii) Authorizing the Secretariat to actively guide entities both at the pre-accreditation stage and during stage I of the accreditation process towards the appropriate accreditation track (PSAA or institutional accreditation), and to decline those that may not be suitable for these roles based on the criteria against which applicant entities are assessed during stage I “institutional assessment” of the accreditation process, as set out in the GCF accreditation framework;
  - (iii) *Prioritizing the re-accreditation of AEs to minimize lapses in accreditation terms;*
  - (iv) *Streamlining the process for approval of “substantive changes” to the template accreditation master agreement (AMA).* Notwithstanding decision B.12/31, paragraph (d), and decision B.13/29, paragraphs (c) and (d), the Board authorizes the Executive Director of the Secretariat, in consultation with the relevant Secretariat divisions, offices and units, to determine on a case-by-case basis whether or not a change to the AMA template proposed by an AE is considered substantive, and would therefore require Board approval during stage III of the AMA process;
  - (v) *Encouraging rapid signing of AMAs.* AEs approved by the Board during stage II (step 2) of the accreditation process will be expected to complete stage III by signing and making effective their AMA with GCF within eighteen (18) months from the date of the Board decision to accredit the entity, and their amended and restated AMA for re-accreditation within twelve (12) months from the date of the Board decision to re-accredit the entity;
  - (vi) *Updating the accreditation framework to align with the accreditation strategy* including establishing clear, transparent and predictable criteria for re-accreditation; detailing the further streamlined processes for re-accreditation and accreditation; and ensuring monitoring and reporting by AEs at the institutional-level includes an assessment of AE performance, results and alignment with the GCF mandate; and
  - (vii) *Establishing milestones and performance indicators:* indicative milestones for pace of accreditation will be set on the basis of degree of AE readiness. Expected times for strengthening capacities will be built into the expected timelines for the accreditation process. A reduction in speed to deliver access and capacity-building outcomes will be accepted and time frames established; and
- (c) **Enhance engagement and build institutional capacity**, including through:
- (i) *Developing tailored guidance on and providing institutional capacity support measures for AEs and entities* by adapting the support according to the level of capacity of AEs to enable them to programme with the GCF. Support mechanisms will be deployed depending on programming priorities;
  - (ii) *Investing in AE capacity pre- and post-accreditation* through the GCF Readiness and Preparatory Support Programme and in alignment with GCF strategic priorities;
  - (iii) *Continuing to allow for conditions of accreditation* as a means for entities to continue meeting GCF standards throughout their partnership with GCF.

Meanwhile, encouraging the Accreditation Panel to recommend entities that, where possible, are ready to fully meet the GCF accreditation standards for the Board's consideration;

- (iv) *Delivering tailored support to AEs and to foster greater engagement with NDAs, particularly in supporting DAEs in addressing accreditation conditions and to develop and implement climate change projects/programmes; and*
- (v) *Adjusting its own capacity, including the Secretariat and the Accreditation Panel, to support the accreditation and re-accreditation processes.*

## **II. Strategically use accreditation of partners to fill in gaps in capabilities and coverage**

8. Since the inception of GCF and up to 31 May 2022, the GCF Board has accredited 113 entities, of which 77 are fully accredited by having signed and made effective their AMA with GCF and by completing the accreditation or re-accreditation process, making them eligible to submit projects or programmes for Board consideration. Yet of the 113 entities accredited, only 51 AEs (45 per cent) have an approved project/programme. Furthermore, a review of the GCF portfolio against priorities during the first replenishment period reveals an uneven project quality at pipeline entry and programming gaps.

9. To enable GCF to fill gaps in capabilities and coverage, GCF will strategically use accreditation of partners to fill in gaps in capabilities and coverage through the following key actions:

- (a) **Provide programming directions and guidance to support AEs to deliver on such programming.** The guidance will also identify which attributes and capacities may be further strengthened to support AEs in their programme delivery. This will be done through three differentiated approaches:
  - (i) *Consolidate programming engagement with capacity-ready AEs, for them to generate project/programme ideas, in line with country programming priorities, and steer AEs towards specific strategic goals or funding modalities;*
  - (ii) *Incentivize and engage AEs to programme in underserved areas of programming.* This may include geographic areas (underserved countries/regions), public or private sector, GCF results areas and financing instruments (e.g. equity and guarantees); and
  - (iii) *Support an increase in programming by DAEs that have demonstrated an ability to deliver on programming targets, especially for adaptation and the private sector;*
- (b) **Address GCF programming objectives by:**
  - (i) *Prioritizing expanding the AE network to align with programming gaps and to enable the GCF to implement its strategic priorities and respond to developing countries' needs.* The prioritization of applicants by the Secretariat will be based on priorities set by the Board. The prioritization of applicants will be revisited annually to align with programming gaps or opportunities that may arise. This will include supporting a shift in the AE network towards prioritized thematic and geographic areas. The aim of this measure is to ensure all recipient countries have coverage and choice of AEs to support mobilization of private and public investments for climate action;

- (ii) *Using PSAA strategically to identify the most innovative projects and programmes to enable GCF to meet its programming targets; and*
- (iii) *Optimizing the performance of the AE network:* Recognizing that the GCF AE network has evolved over the initial resource mobilization and first replenishment periods to include a diverse set of partners with capabilities to programme across any of the financing sizes, financial instruments, environmental and social risk levels and sectors that GCF offers, *GCF will maximize use of the existing AEs to address GCF programming directions, including targeting gaps in the portfolio;* and
- (c) **Provide capacity development support for climate programming**, in particular for DAEs, through the GCF Readiness and Preparatory Support Programme and the Project Preparation Facility to strengthen their capabilities to develop and implement projects and programmes aligned with GCF programming directions and developing countries' needs.

### **III. Optimize incentives for partners to invest in a dedicated capacity to programme for GCF**

10. Building on the measures to enhance the efficiency of the GCF accreditation and re-accreditation processes and strategically using the accreditation of partners to fill in gaps in capabilities and coverage, GCF will also optimize incentives for partners to invest in a dedicated capacity for GCF. Accreditation to GCF can provide several benefits to partner entities. While accessing GCF financing is the primary motivation, accreditation also enables entities to join, collaborate, co-invest and share knowledge with the largest climate network in the world. Furthermore, the institutional and skill investment required to be accredited to GCF and to develop GCF projects prepares entities for accessing other sources of climate finance, including for some domestic and international capital markets. GCF will increasingly operate as a convener, building new coalitions of AEs and consolidating different sources of finance, as well as a knowledge sharer to optimize this range of benefits and incentivize AEs to build or strengthen a dedicated capacity to programme for GCF.

11. **To that end, GCF will aim for each AE to have at least two projects/programmes every 5-year accreditation term.**

12. In order **to further optimize performance of the AE network**, GCF will dynamically manage the AE network through the following key actions:

- (a) **Provide options for AEs to:**
  - (i) *Continue the partnership with GCF* in order to further build on their portfolio of funded activities and pipeline of funding proposals in response to the needs of developing countries and in alignment with the GCF strategic objectives and programming targets;
  - (ii) *Graduate out of the AE role and onto other forms of partnering with GCF*, which may include supporting and partnering with DAEs and co-financing GCF projects and programmes, in order to advance the objectives of the GCF; or
  - (iii) Conclude the partnership with GCF;
- (b) **Prioritize the re-accreditation of AEs with funding proposals** submitted during their accreditation term that address the GCF programming targets set out in the updated Strategic Plan 2020–2023;

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- (c) **Prioritize the re-accreditation of AEs that have demonstrated or delivered results** through the implementation of a GCF-funded project or programme;
  - (d) **Retire non-performing AEs at the end of their accreditation term** that (1) do not have either a funding proposal submitted nor an approved GCF funded project or programme, or (2) have received post-accreditation support to build capacity for programming, but have not submitted a concept note during their accreditation term;
  - (e) **Inform re-accreditation decisions** through an assessment of the extent to which an international access AE has worked with or commits to work with national or regional entities, including DAEs, in the development and/or implementation of climate change projects/programmes; and
  - (f) **Inform re-accreditation decisions** through an assessment of the extent to which an AE's overall portfolio of activities beyond those funded by the GCF has evolved towards low-emission and climate-resilient development pathways.

## IV. Review

- 13. With clear programming directions communicated through strengthened programming guidance, systems and tools, coupled with investment in the capacity of AE partners to meet the GCF standards at both the institutional and project levels, the AE network will be better aligned with and deliver on GCF's evolving programming direction. Setting out a transparent and clear prioritization mechanism for the accreditation and re-accreditation of AEs will allow the GCF to improve response times, deliver on the strategic programming goals, and continue to be an attractive climate financing partner.
- 14. The accreditation strategy will be reviewed periodically in accordance with the GCF strategic programming goals set for each replenishment period.

## Annex III: Consultation feedback

[Feedback from consultations with the Board, NDAs, AEs and Accredited Observers to be added following consultations.]