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FUND**

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# Accreditation strategy of the Green Climate Fund

## 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 response to paragraph (p) of decision B.31/06, the Secretariat, under the guidance of the Co-Chairs, prepared the accreditation strategy in document GCF/B.33/08 for consideration by the Board. Consultations were conducted with the Board, AEs, national designated authorities and observers and circulated to the Board in document GCF/B.33/08/Add.01.

This document lays out a draft 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 draft accreditation strategy includes proposals aiming to:

- Enhance the efficiency, effectiveness and inclusiveness of the GCF accreditation and re-accreditation process;
- Strategically use accreditation of partners to advance the goals of GCF, including by filling gaps in capabilities and coverage to deliver on high quality, transformational and paradigm-shifting programming while increasing the share of direct access entities; 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 71 are fully accredited for programming as of 30 September 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, which have expired since March 2020.<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. In response to decision B.31/06, the Secretariat presented an analysis of the AE portfolio (AE Portfolio Analysis) in document GCF/B.32/08 at the thirty-second meeting of the Board (B.32). Pursuant to paragraph (p) of that decision, the Secretariat, under the guidance of the Co-Chairs, prepared the accreditation strategy contained in document GCF/B.33/08 and submitted it for consideration by the Board at B.33. Consultations with the Board, AEs, observers and national designated authorities (NDAs) were conducted on the draft accreditation strategy presented in document GCF/B.33/08. Document GCF/B.33/08/Add.01 contained a compilation of comments received during the process of consultation with the Board, AEs, NDAs and observers. The Secretariat's responses to the Board's comments are contained in document GCF/B.34/27/Add.01. The Co-Chairs held discussions with the Board during the thirty-fourth meeting of the Board.

5. Key topics and areas have emerged from the comments received during the consultations, with some areas where comments converge, and others where they diverge. The draft accreditation strategy in annex II contains comments where there is convergence. Strategic matters to be taken up in the Strategic Plan of the Fund are contained in section I of

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<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 to prioritize certain types of applicants in the accreditation process are no longer applicable as they have expired since 12 March 2020 (end of the twenty-fifth meeting of the Board). See 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) for details on the types of accreditation applicants previously prioritized by the Board.

annex III. Strategic matters relating to accreditation that require further Board consideration are contained in section II of annex III. Matters to be taken up in the revised accreditation framework, in line with decision B.31/06, paragraph (m), are contained in section III of annex III.

6. Further information on the background of this document, policy rationale and policy analysis is contained in annex IV of this document.

## **II. Implementation arrangements and operational impact**

7. Annex I contains a request for the Secretariat to present the resourcing implications of implementing the accreditation strategy for the Board's consideration at its thirty-fifth meeting .

8. To ensure a comprehensive rather than fragmented or phased roll-out of the updates to the accreditation framework, it is recommended that the Board consider aligning the launch date of a revised accreditation framework for measures approved in decision B.31/06 related to the institutional accreditation process (expected to be launched by 1 April 2023) with the accreditation strategy contained in annex II (potentially to be revised in 2023). Without alignment of the launch date, there is the potential for three versions of the accreditation framework to apply at different times during 2023 alone, which could cause operational challenges and confusion among AEs, applicants and NDAs. PSAA may still be launched by 1 April 2022, as per decision B.31/06, since it is a new accreditation modality.

## **III. Recommended action by the Board**

9. It is recommended that the Board:

- (a) Take note of the information presented in document GCF/B.34/27 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.34/27 titled “Accreditation strategy of the Green Climate Fund”:

- (a) Adopts the accreditation strategy contained in annex II to this document;
- (b) Agrees to further consider at its thirty-fifth meeting the strategic matters relating to accreditation that require further Board consideration contained in section II of annex III to this document;
- (c) Requests the Secretariat to present the resourcing implications of implementing the accreditation strategy referred to in paragraph (a) above for the Board’s consideration at its thirty-fifth meeting;
- (d) Agrees to consider, in the context of the revision to the accreditation framework to be developed pursuant to decision B.31/06, paragraph (m), the matters to be taken up in the revised accreditation framework contained in section III of annex III to this document;
- (e) Also requests the Secretariat to report on progress on the accreditation strategy at the first Board meeting of each year from 2024;
- (f) Further requests the Secretariat, in order to simplify and enhance access, to prepare a document considering the potential for GCF to enable all accredited entities to apply their own systems and policies (including with respect to GCF policies and standards not assessed during accreditation or re-accreditation) while:
  - (i) Maintaining best practices for all stages of the project and programme activity cycle, including during project design and implementation; and
  - (ii) Ensuring that the relevant accredited entities’ systems and policies are substantially equivalent to the relevant GCF policies and standards,and to present options for consideration by the Board no later than its thirty-sixth meeting. Such assessment will include a review of the relevant GCF policies and standards to determine how they are intended to apply to, and be applied by, accredited entities during the accreditation process and through all stages of the project and programme activity cycle;
- (g) Approves an additional budget of USD 220,000 in professional services to prepare the document referred to in paragraph (b) above, to be executed during the years 2022 and 2023;\*
- (h) Agrees to explore the establishment of a direct access entity window under the GCF Readiness and Preparatory Support Programme as part of the revised strategy for the Readiness and Preparatory Support Programme, in line with decision B.33/04, paragraphs (g) and (h), to be presented to the Board for its consideration at its thirty-fifth meeting; and
- (i) Requests the Secretariat to prepare an information paper on (i) the climate change programming development and implementation competencies and capacities relevant to programming with GCF; as well as (ii) options for building or strengthening such capacities of accredited entities, particularly direct access entities, including support provided through the Readiness and Preparatory Support Programme, such as through the provision of technical assistance; cooperation between international access accredited entities and direct access entities; and peer learning; and, as appropriate, present for consideration any recommendations that require decision by the Board.

\* To be considered for endorsement by the Budget Committee.

## Annex II: Draft 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 goals, 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 in order to deliver on the GCF’s mandate, objectives and programming directions. 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, the GCF Strategic Plan, and Board-approved strategies and policies, as follows: ensuring thematic and geographic balance; in the context of allocating resources for adaptation, prioritizing developing countries that are Parties to 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, effectiveness and inclusiveness of the GCF accreditation and re-accreditation process;
- (b) Strategically use accreditation of partners to advance the goals of GCF by filling gaps in capabilities and coverage to deliver on high quality, transformational and paradigm-shifting programming while increasing the share of direct access entities; and
- (c) Optimize incentives for partners to invest in a dedicated capacity to programme for GCF.

### **I. Enhance the efficiency, effectiveness and inclusiveness 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.

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

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 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, effectiveness and inclusiveness 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 with an aim to increase GCF's capacity to process re-accreditation, upgrades in accreditation scopes and new applications from the historical rate of 15 applications per year to 25–30 per year. 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 in another role such as executing entity that works with programming partners as well as delivery partners 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 and national designated authorities (NDAs) to choose the right approach to accreditation depending on the project/programme pipeline size.* This will be based on one of the following two models:
  - (1) *Project-specific assessment approach*

Through the PSAA, GCF will seek to broaden access to GCF resources and expand the Fund's potential to fulfil strategic objectives by working with countries, entities, sectors and technologies that have been underserved by GCF to date and that cannot or will not be delivered by the existing AE network. It is envisioned the three-year pilot will demonstrate the long-term value of PSAA to GCF through efficient implementation and coordination with the institutional accreditation process as needed to ensure proper alignment of incentives across both modalities. PSAA entities are those 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 on high-quality climate change project and programme portfolios aligned with GCF's programming goals. The secondary objective is to support the capacity-building of national and regional direct access institutions so they can support the needs and

climate change priorities of developing countries. 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, including reflecting 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) *Examining the potential for GCF to increase its reliance on AEs' systems and policies (particularly those not assessed in accreditation), in order to *simplify and enhance access while maintaining best practices for all stages of the project and programme activity cycle and comparability with GCF policies and standards;**
  - (ii) *Aiming to build and strengthen the climate change programming development and implementation competencies and capacities of the AE network to enable AEs, particularly DAEs, to programme with GCF;*
  - (iii) *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);*
  - (iv) *Prioritizing the re-accreditation of AEs, particularly DAEs, to minimize lapses in accreditation terms;*
  - (v) *Encouraging rapid signing of AMAs; and*
  - (vi) *Establishing milestones and performance indicators for the GCF processing of accreditation/re-accreditation applications: indicative milestones for the pace of accreditation (including re-accreditation) will be set taking into account the degree of AE readiness. Expected times for strengthening capacities will be built into the expected timelines for the accreditation and re-accreditation processes. 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 DAEs by adapting the support according to the level of capacity of DAEs to enable them to programme with the GCF;*
  - (ii) *Investing in the capacities of nominated direct access entities and accredited DAEs to programme while meeting GCF's accreditation standards through the GCF Readiness and Preparatory Support Programme and in alignment with GCF strategic priorities. This may include the creation of a dedicated DAE window within the GCF Readiness and Preparatory Support Programme where accredited DAEs could directly request such support;*
  - (iii) *Delivering tailored support to AEs under the GCF Readiness and Preparatory Support Programme 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*
  - (iv) *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 advance the goals of GCF by filling gaps in capabilities and coverage to deliver on high quality, transformational and paradigm-shifting programming while increasing the share of direct access entities

8. Since the inception of GCF and up to 30 September 2022, the GCF Board has accredited 113 entities, of which 71 are fully accredited by having signed and made effective their AMA with GCF and by completing the accreditation or re-accreditation process. By having at least a signed AMA, AEs are 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. GCF will strategically use accreditation of partners to advance the goals of GCF by filling gaps in capabilities and coverage to deliver on high quality, transformational paradigm-shifting programming while increasing the share of direct access entities 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 in four ways:
- (i) *Consolidate programming engagement with capacity-ready DAEs* 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 setting priorities for types of funding proposals to be submitted for Board consideration, such as considering geographic areas (underserved countries/regions), public or private sector, GCF results areas and financing instruments (e.g. equity and guarantees);
  - (iii) *Support an increase in programming by DAEs* that have demonstrated an ability to deliver on programming goals, especially for adaptation and the private sector; and
  - (iv) *Create incentives to encourage IAEs to partner with DAEs.* This may include IAEs selecting DAEs as executing entities for projects/programmes; IAEs and DAEs submitting their respective funding proposals under an overarching programme; and IAEs taking the role of the executing entity where a DAE is in the AE role for the project/programme. This would enable DAEs to gain a track record (including project track record) in applying institutional-level systems, policies and procedures that meet GCF accreditation standards;
- (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, particularly for adaptation.* The types of institutional accreditation applicants prioritized during Stage I and Stage II (Step 2) of the (re)accreditation process will be based on the GCF strategic objectives and programming directions adopted by the Board, and reviewed in the first year of each replenishment cycle accordingly. 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 new partners, countries and technologies to that have been underserved by GCF to date and contribute to GCF programming goals.* In addition to working with new sub-national, national, regional or international entities, GCF will seek to use PSAA to finance projects in countries that do not already have a GCF funded activity, including those countries that are in global projects but do not yet have a single-country project approved, countries that do not have an accredited DAE or sectors that have been underserved by existing GCF programming. PSAA also opens the possibilities for more innovative programming, partners, technologies or models of working together; 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, effectiveness and inclusiveness 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 an investment platform 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 high quality projects and programmes at pipeline entry aligned with GCF's objectives and programming goals.

11. As the Board considers the revision of the accreditation framework and the re-accreditation policy, GCF will focus on:

- (a) **Prioritizing the re-accreditation of AEs with funding proposals** submitted during their accreditation term that address the GCF programming goals;
- (b) **Prioritizing the re-accreditation of AEs that have demonstrated or delivered results** through the implementation of a GCF-funded project or programme;

- (c) **Informing 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 accredited DAEs and those nominated by their respective national designated authorities for accreditation, in the development and/or implementation of climate change projects/programmes. In this context, within the pipeline of IAEs seeking re-accreditation, prioritize the re-accreditation of those IAEs that have partnered with subnational, national or regional entities (including accredited DAEs) based in developing countries in the development and/or implementation of GCF climate change projects/programmes; and
- (d) **Informing 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, where AEs apply the GCF methodology for establishing a baseline of greenhouse gas emissions and climate resilience for the portfolio of AEs.<sup>2</sup>

#### IV. Review

12. 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.
13. The accreditation strategy will be reviewed five years after its approval by the Board.

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<sup>1</sup> See document GCF/B.28/11/Add.02.

## **Annex III: Strategic matters to be taken up in the Strategic Plan of the Fund, strategic matters relating to accreditation that require further Board consideration and matters to be taken up in the revised accreditation framework**

1. Section I of this annex includes information on the matters to be taken up in the Strategic Plan of the Fund.
2. Section II of this annex includes information of the areas of divergence on strategic matters related to accreditation identified through the consultation process on document GCF/B.33/08 and discussions the Co-Chairs held with the Board during the thirty-fourth meeting of the Board (B.34) that require further Board consideration.
3. Section III of this annex includes information on the matters to be taken up in the revised accreditation framework, in line with decision B.31/06, paragraph (m).

### **I. Strategic matters taken up in the Strategic Plan of the Fund**

4. Programming goals.

### **II. Strategic matters relating to accreditation that require further Board consideration**

#### **2.1 Enhance the efficiency, effectiveness and inclusiveness of the GCF accreditation and re-accreditation process**

5. **Prioritization of applicants:** There is one view that the GCF should prioritize re-accreditation over accreditation applications with the aim of reducing lapses in accreditation terms. However, there is divergence on the balance between re-accreditation and new accreditation applications. Considerations must be made when defining the potential balance, given that the pipeline of re-accreditation and accreditation applications far exceed the processing capacity of GCF. This may mean that accredited entities (AEs) may experience lapses in accreditation terms while seeking re-accreditation, or that there are fewer new AEs being accredited.

#### **2.2 Strategically use the accreditation of partners to advance the goals of GCF by filling gaps in capabilities and coverage to deliver on high quality, transformational and paradigm-shifting programming while increasing the share of direct access entities**

6. Noting that there is convergence on the need to prioritize within the accreditation and re-accreditation workstreams, there is divergence on which types of applications to prioritize (e.g. re-accreditation or new accreditation) and on the types or characteristics of applicants to prioritize (e.g. first national direct access entity (DAE) for the developing country, private sector entities, entities (including direct access and international access) that have a focus on adaptation, etc.). Given the size of the re-accreditation and accreditation pipelines and the rate of processing applications, in the absence of a prioritization approach, the Secretariat and

Accreditation Panel will continue to review all applications received on a first come, first complete basis.

7. Below are the proposed actions to be further considered by the Board.
8. **Proposal:** Prioritizing entities under institutional accreditation in accordance with the GCF strategic objectives and programming directions.
9. As indicated in the report on the analysis of the accredited entity (AE) portfolio (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, AEs with a specific combination of AE attributes to address GCF programming priorities appear to be lacking in the AE network, such as private sector DAEs with proven expertise in adaptation. **Proposal:** Prioritizing the following for institutional accreditation:
  - (a) 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 that (i) are of a large or medium-sized 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
  - (b) National DAEs, 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 DAE.

### 2.3 Optimize incentives for partners to invest in a dedicated capacity to programme for GCF

10. The Board will continue to consider measures to right-size the AE network to address mission overload, incentivize AEs to build a dedicated GCF programming capacity, and manage performance of the AE network. This includes reconciling the tension between programming at speed and scale, and building/strengthening the capacities of (D)AEs, as well as the trade-offs considering resourcing of the Secretariat and how it may engage with different AEs based on programming capacities and capacity building needs.
11. **Proposal: GCF will aim for each AE to have a minimum number of projects/programmes every accreditation term** to incentivize AEs to build or strengthen dedicated capacity to programme high quality projects and programmes at pipeline entry aligned with GCF's objectives and programming goals. The size of the AE network will be dynamic in order to respond to developing country climate change needs and GCF's programming directions as they evolve. The AE network size will reflect the aimed project-to-AE ratio for each accreditation term, the GCF's processing capacity for (re-)accreditation and programming, and funds available during each replenishment period.
12. **Proposal:** In order to further optimize performance of the AE network, GCF will dynamically manage the AE network through the following key actions:
  - (a) **Develop key performance indicators to define AE performance and non-performance:** key performance indicators may be related to the closing of (re-) accreditation conditions; preparation and submission of high-quality, transformative funding proposals; and implementation of an approved project on time, on scope and on budget, among other things;
  - (b) **Provide options for AEs to:**

- (i) *Continue the partnership with GCF as an AE* 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 goals;
- (ii) *Graduate out of the AE role and into other forms of partnering or engaging with GCF.* Entities may still wish to contribute to GCF's mandate and objectives even if they are no longer an AE. Other existing partnership approaches are available to such entities after concluding their AE role, which may include using the entity's own resources to co-finance GCF projects and programmes throughout the project cycle; operating instead as an executing entity; or integrating the needs of GCF national designated authorities and DAEs into their own technical assistance and capacity-building activities; or
- (iii) End the partnership with GCF as an AE.

13. **Proposal: Retire non-performing AEs at the end of their accreditation term** that (1) did not have, at the date the accreditation term ends, an approved GCF funding proposal; or (2) have received post-accreditation support to build capacity for programming, but have not submitted a concept note during their accreditation term.

14. Re-accreditation decisions are to be informed 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. **Proposal:** In addition to applying the methodology for establishing a baseline of greenhouse gas emissions and climate resilience for the portfolio of AEs,<sup>1</sup> GCF will explore the development of a metric for mainstreaming climate considerations into the AE's broader investment portfolio besides that funded by GCF.

### III. Matters to be taken up in the revised accreditation framework

15. *Revising 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.

16. *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.

17. *Accreditation term and re-accreditation:* The current timeframe of an accreditation term is five years.<sup>2</sup> AEs are considered fully accredited to GCF upon the effectiveness of the accreditation master agreement.<sup>3</sup> 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.<sup>4</sup> **Proposal:** Exploring extending the duration of the accreditation term to a longer timeframe (e.g. ten years) or an indefinite timeframe (i.e. removing re-accreditation of AEs altogether). In this context, GCF would also need to consider potential changes to related elements applicable to

<sup>1</sup> See document GCF/B.28/11/Add.02.

<sup>2</sup> 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."

<sup>3</sup> Decision B.23/11, paragraph (a).

<sup>4</sup> Decision B.24/13, paragraph (a) and annex XXVI to the decision.

AEs. This includes reporting requirements for AEs, such as those identified in the GCF monitoring and accountability framework related to AE institutional-level reporting for annual self-assessments and mid-term accreditation reviews, and components of the re-accreditation process (e.g. 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).

## Annex IV: Background, policy rationale and policy analysis

### I. Additional introductory information

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>5</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 71 are fully accredited for programming as of 30 September 2022.<sup>6</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>7</sup> fast-tracking organizations accredited to similar funds,<sup>8</sup> and prioritizing certain types of applicants in the accreditation process, which have expired since March 2020.<sup>9</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>10</sup> stated that the GCF will, in 2020–2023:

- (i) 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
- (ii) 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:

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<sup>5</sup> Decision B.27/06.

<sup>6</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>7</sup> Decision B.08/02.

<sup>8</sup> Decision B.08/03.

<sup>9</sup> Decisions to prioritize certain types of applicants in the accreditation process are no longer applicable as they have expired since 12 March 2020 (end of the twenty-fifth meeting of the Board). See 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) for details on the types of accreditation applicants previously prioritized by the Board.

<sup>10</sup> Decision B.27/06, annex VI.

- (iii) Adopting a more strategic approach to accreditation;
  - (iv) Streamlining the accreditation process and developing alternative accreditation modalities, including a PSAA; and
  - (v) Fostering climate mainstreaming across the GCF partnership network.
6. The Independent Evaluation Unit (IEU) conducted the 2020 “Independent Synthesis of the Green Climate Fund’s Accreditation Function” (IEU Synthesis), which includes a series of recommendations centred around:<sup>11</sup>
- (a) Strengthening the governance structure for accreditation, clarifying the strategic role of accreditation in GCF, and critically addressing the mission overload. In particular, the IEU recommended the development of a strategy on accreditation that resolves the mission overload that the function witnesses. All recommended actions in this group were for the Board to address;
  - (b) Assessing and incentivizing capacity-building and alignment with the GCF mandate, within the accreditation function. The recommended actions in this group are aimed at the Secretariat to address, noting that such action is dependent upon the setting and articulation of GCF’s programming targets and priorities, and relevant policy frameworks;
  - (c) The selection of AEs and composition of the AE portfolio should be based on an overall strategy that indicates how these entities will help support GCF’s mandate, with recommended actions addressed to the Board (such as on the development of the accreditation strategy) and the Secretariat; and
  - (d) GCF should clarify the aim and limitations of PSAA before piloting; GCF-1 strategic planning should include targets and plans. The recommended actions were addressed to the Board and Secretariat.
7. Since the IEU Synthesis, many of the recommendations have been addressed through the Board’s adoption of the USP 2020–2023, Private Sector Strategy (particularly in relation to the accreditation of private sector entities),<sup>12</sup> and updates to the accreditation framework adopted in decision B.31/06, among others. While the updates to the Strategic Plan for the Fund for the second replenishment period from 2024 to 2027<sup>13</sup> and the revision of a strategy for the GCF Readiness and Preparatory Support Programme (Readiness Programme)<sup>14</sup> are in development, the key action of adopting an accreditation strategy, however, remains pending.
8. In response to decision B.31/06, the Secretariat presented an analysis of the AE portfolio (AE Portfolio Analysis) in document GCF/B.32/08 at the thirty-second meeting of the Board (B.32). Pursuant to paragraph (p) of that decision, the Secretariat, under the guidance of the Co-Chairs, prepared the accreditation strategy contained in document GCF/B.33/08 and submitted it for consideration by the Board at B.33. Consultations with the Board, AEs, observers and national designated authorities (NDAs) were conducted on the draft

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<sup>11</sup> The Secretariat’s management response to the IEU Synthesis is contained in document GCF/B.28/16/Add.01 dated 15 March 2021. The Secretariat agreed or partially agreed with the recommendations and, at the time of the document, had either already taken actions on many of them or was in the process of doing so. Such actions include strengthening internal processes, structures and incentives within the Secretariat, updating guidelines and information materials, as well as strengthening the capacities of countries, particularly national designated authorities or focal points and direct access entities. The management responses also indicated that, in addition to the aforementioned actions, the Secretariat continued to support the Accreditation Committee in its development of an accreditation strategy and updates to the accreditation framework, as well as the Board in its development of an updated strategic plan, which included directions on an accreditation strategy.

<sup>12</sup> Decision B.32/06 and annex V to the decision.

<sup>13</sup> Decisions B.32/04 and B.33/11.

<sup>14</sup> Decision B.33/04.

accreditation strategy presented in document GCF/B.33/08. Document GCF/B.33/08/Add.01 contained a compilation of comments received during the process of consultation with the Board, AEs, NDAs and observers. The Co-Chairs held discussions with the Board during the thirty-fourth meeting of the Board.

9. Key topics and areas have emerged from the comments received during the consultations, with some areas where comments converge, and others where they diverge. A synthesis of the key topics and areas, and the proposed way forward for the accreditation strategy, is below.

10. **Duration of the accreditation strategy and its link with the updates to the GCF Strategic Plan:** Some comments indicated that the accreditation strategy should be long-term and de-linked from an updated Strategic Plan for the second replenishment period from 2024 to 2027 (GCF-2), particularly with respect to the review of the accreditation strategy. Other comments indicated that there is a relationship between the two documents, with various views expressed or clarifications sought on what aspects may be considered under each strategy. GCF is still early in the process of updating its Strategic Plan for GCF-2, with a zero draft to be considered by the Board at B.34.<sup>15</sup> Under the approach proposed in the zero draft, the updated Strategic Plan would maintain the Board's long-term vision for the Fund, set strategic objectives encompassing mid-term programming goals and directions (e.g. through to 2030), and identify at a high level the priority actions needed to adapt the Fund's operating model and modalities to deliver those objectives. The accreditation strategy (and other thematic strategies) would dovetail into this by further detailing how programming directions and priorities may be achieved through AEs as programming partners.

11. **GCF's operating model and duality of the objective of accreditation:** comments converged on recognizing that the objective of accreditation is both to identify high performing programming partners that can deliver on transformative projects/programmes *and* build the capacity of partner entities. Defining the balance between these two objectives is where there are potential tensions in the operating model and GCF's own capacity to support it. Fulfilling both objectives may require GCF to engage and manage partnerships with AEs tailored to their level of engagement (e.g. activity in preparing, submitting and implementing GCF projects/programmes) and capacity (e.g. meeting GCF accreditation standards to programme).

12. Some AEs may have limited capacity but are willing to enhance it to programme with GCF. GCF's tailored approach for these AEs could be to support these AEs in building their institutional capacities while recognizing that they may programme a low number of projects/programmes during their accreditation term. Other AEs may have capacity but may not be utilizing the full extent of their accreditation scope in programming, such as in their sector expertise or geographic coverage (as indicated in the AE Portfolio Analysis contained in document GCF/B.32/08). GCF's engagement with these AEs could aim to better align the AE's project pipeline with GCF's strategic objectives and programming directions and promote high quality, country-driven proposals at pipeline entry.

13. **Options for programming partnerships through institutional accreditation and PSAA:** there is a recognition that there are different ways organizations can partner with GCF generally, including for programming (AEs and PSAA entities that go through accreditation, as well as executing entities, co-investors / co-financiers and contractors that can work with and under AE and PSAA entities' management and supervision in GCF projects and programmes) and for technical assistance and capacity building (delivery partners for the Readiness Programme). For programming partners, comments converged around having options for

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<sup>15</sup> Decision B.32/04.

entities to pursue different types of accreditations, including institutional accreditation and PSAA.

14. **Right-sizing the AE network to address mission overload and incentivize AEs to build a dedicated GCF programming capacity:** some comments reflected the need to cap the number of AEs accredited through institutional accreditation, while other comments did not favour a limit on the size of the AE network and supported the continued accreditation of entities, specifically DAEs.

15. The IEU Synthesis indicated that the Global Environment Facility (GEF) “expanded the GEF Partnership to 18 agencies, adding 8 agencies between 2013 to 2015 to the previous 10. These included five national and regional agencies. In 2017, the GEF Council decided to not expand accreditation beyond the 18 agencies.” The IEU Synthesis also indicated that “the expansion of the GEF partnership has been challenging” and “the increased number of agencies, the predictability of the allocation system, and the small scale of resources allocated to many countries have contributed to increased competition among implementing agencies for resources.” As at 28 February 2022, the Adaptation Fund (AF) had accredited a total of 56 implementing entities comprising 34 national implementing entities (NIE), 8 regional implementing entities and 14 multilateral implementing entities.<sup>16</sup> The IEU Synthesis indicated that “the Adaptation Fund limits countries’ nominations to one NIE, whereas no limit has been established on the number of DAEs that can be nominated by a country in the GCF.”

16. The IEU Synthesis concluded that there is “no direct comparator among the multilateral climate organizations to the scale and scope of accreditation currently practised in the GCF. The GCF is the only organization with three specific features: direct access as a mandate, no limit on the number of AEs and the use of delivery partners.”

17. **Prioritizing re-accreditation applications and AE attributes for new accreditation applicants:** comments received converged around prioritizing re-accreditation applications in order to avoid or minimize lapses in accreditation terms. There is also convergence around the prioritization of certain AE attributes for new AE partners. However, there is divergence around the drivers of accreditation. Some comments focused on prioritizing DAEs to increase the share of DAEs in the AE network, whereas other comments pointed to high quality transformative programming as the driver for the accreditation of new AEs. The differing comments are inherent to a hybrid approach to the GCF operating model and duality of accreditation objectives mentioned above.

18. As indicated in the AE Portfolio Analysis, 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, AEs with a specific combination of AE attributes to address GCF programming priorities appear to be lacking in the AE network, such as private sector DAEs with proven expertise in adaptation.

19. **Efficiency and application processing capacity:** comments converged around the need to improve efficiency in the accreditation and re-accreditation process. However, there were comments seeking clarifications on what appear to be inconsistencies in seeking to increase the processing capacity of the GCF from the historical rate of 15 applications per year to 25–30 applications per year, and GCF AE network already including 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.

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<sup>16</sup> See <<https://www.adaptation-fund.org/apply-funding/implementing-entities/>>.

20. About 30 AEs per year are expected to seek re-accreditation from 2023 onwards. AEs are also applying to upgrade their accreditation scopes, and a pipeline of over 140 applicants seeking to become AEs. As a consequence, further efficiencies in the re-accreditation and accreditation processes are needed to at least raise the processing capacity from 15 to 25–30 applications per year in order to at least cope with the re-accreditation pipeline.

21. **Re-accreditation:** some comments suggested that re-accreditation may not be needed, noting that similar institutions such as the GEF do not have a re-accreditation process, or that the time frame for an accreditation term could be extended beyond five years so that re-accreditation is less frequent. The re-accreditation process has been established to assess whether AEs continue to meet GCF accreditation standards and AE performance, as defined in the scope of the review in the process,<sup>17</sup> and therefore manage the AE network.

22. **Graduation out of the AE role into other forms of partnership:** most comments received were queries on what is meant by ‘graduation’ and whether it is the creation of a new accreditation modality. Graduation out of the AE role as chosen by the AE does not entail the creation of a new GCF modality for partnership. Instead, it is intended to recognize that entities may still wish to contribute to the GCF mandate and objectives even if they choose to no longer be an AE, and that other existing partnership approaches are available to entities after concluding their AE role. For example, entities may seek to coordinate their activities on climate action in alignment with GCF’s mandate and objectives, informed by country programming priorities and areas where institutional and capacity building and strengthening of NDAs and DAEs may be needed. Entities can also serve as an executing entity working with an AE or a co-financier for a GCF project/programme, or a Delivery Partner for the Readiness Programme to provide technical and capacity building assistance, after concluding their role as AE.

23. **DAE capacity development, and the role of GCF and international access entities (IAEs) in supporting these efforts:** comments converge around the need to support DAE institutional capacity-building, particularly for programming. However, there were also comments and questions on who provides what type of support and at what stage for DAEs. Annex II recalls that GCF’s Readiness Programme allows for DAEs – through their NDAs and focal points – to request for capacity-building support to meet the GCF accreditation standards (including for first accreditation, upgrades and re-accreditation), support the development of programming for GCF (as well as access to the Project Preparation Facility), and strengthen capacities for project/programme implementation (e.g. monitoring, reporting and evaluation). It proposes to create a dedicated DAE window within the GCF Readiness and Preparatory Support Programme so that accredited DAEs could directly request for capacity strengthening support.

24. Some comments raised during B.33 point to having IAEs use their own resources to support DAE capacity-building. Some IAEs do not have a capacity development arm as their mandate is centred around projects/programmes and investments. Considerations may include what role IAEs can play in supporting DAEs by engaging them in their GCF projects/programmes. GCF may consider incentivizing IAEs to partner with DAEs. This may include IAEs selecting DAEs as executing entities for projects/programmes; IAEs and DAEs submitting their respective funding proposals under an overarching programme; and IAEs taking the role of the executing entity where a DAE is in the AE role for the project/programme. This could enable DAEs to gain a track record (including project track record) in applying institutional-level systems, policies and procedures that meet GCF accreditation standards in order to become accredited or re-accredited.

25. Some other comments raised during B.33 suggested that GCF should also develop a system to monitor and verify information provided by IAEs on subnational, national and

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<sup>17</sup> Decision B.24/13 and annex XXVI to the decision.

regional entities based in developing countries and accredited DAEs that the IAEs have supported in capacity-building. The GCF monitoring and accountability framework (MAF) establishes the main monitoring approach and tools related to AEs, including on an institutional AE and project levels. In this context, GCF may wish to review and revise the MAF to develop a system and the resources required for the Secretariat to verify such information provided by IAEs, including checking with the subnational, national and regional entities based in developing countries and accredited DAEs indicated in such reporting.

26. **Building and strengthening climate change programming competencies and capacities:** comments received appear to agree on the importance of AEs having climate change programming competency and capacity as a missing element from the set of accreditation standards in the accreditation framework. Comments received also contained questions on what a competency and capacity standard would look like and whether it would be applied in accreditation and/or re-accreditation.

27. In annex II, it is proposed that GCF aim to build and strengthen the climate change programming development and implementation competencies and capacities of the AE network to enable AEs, particularly DAEs, to programme with GCF.

28. **Creating incentives for AEs to mainstream climate considerations into their wider investment portfolios:** comments received suggested developing a metric for mainstreaming climate considerations into the AE's broader investment portfolio besides that funded by GCF. To advance the goal of the GCF to promote the paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development, the re-accreditation decision by the Board considers the Secretariat and Accreditation Panel's (AP) assessment of the extent to which the AE's overall portfolio of activities beyond those funded by GCF has evolved in this direction during the accreditation period. The AP developed the methodology for establishing a baseline of greenhouse gas emissions and climate resilience for the portfolio of AEs<sup>18</sup> in response to the Board's request. However, there is no metric for such assessment and considerations for the Board in its decision-making on re-accreditation.

## II. Objective of the accreditation strategy

29. The GCF's Strategic Plan sets out the Board's long-term strategic vision for the Fund, as well as its objectives, strategic priorities and operational priorities for the current programming period. The USP 2020–2023 guides policy, programming of the Fund's resources and annual work planning for GCF-1. As noted above, GCF is in the process of updating its Strategic Plan for GCF-2.

30. The objective of the accreditation strategy is to clarify the GCF operating model and guide the evolution of the GCF network of AEs in order to deliver on the GCF's mandate and objectives. It notes that GCF is implicitly following a hybrid operating model with both ambitious transformative programming goals and AE capacity development objectives.

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

- (a) Enhance the efficiency, effectiveness and inclusiveness of the GCF accreditation and re-accreditation process;
- (b) Strategically use accreditation of partners to advance the goals of GCF by filling gaps in capabilities and coverage to deliver on high quality, transformational and paradigm-shifting programming while increasing the share of direct access entities; and

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<sup>18</sup> See document GCF/B.28/11/Add.02.

- (c) Optimize incentives for partners to invest in a dedicated capacity to programme for GCF.
32. Implementation of the accreditation strategy will require a reprioritization of tasks and capacity augmentation of the Secretariat.

### III. Policy rationale

33. 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.
34. 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.
35. 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 goals 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.
36. In between these two options lies a combination that aims to optimize both allocation of climate funding volumes and capacity-building.
37. 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.
38. 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.

### IV. Analysis of policy proposal

39. 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.

40. 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.

#### 4.1 Enhance the efficiency, effectiveness and inclusiveness of the GCF accreditation and re-accreditation process

41. 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.

42. Following the Board's decision to accredit 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 date the AMA becomes effective is the start of the five-year accreditation term during which AEs can programme with GCF. The Board has approved a template AMA, and the Secretariat has been given the authority to negotiate the AMA with all AEs on the basis of such template. Through decision B.33/02 (20 July 2022), part of the process for AMA approvals has also been streamlined. Once the Secretariat reaches a working level agreement with the AE on the text of the AMA, the Executive Director, in consultation with the relevant Secretariat divisions, offices and units, now has the authority to determine whether there are any "substantive changes" from the template AMA. If the Executive Director determines there have not been any "substantive changes", the AMA is signed by GCF and the AE. If there are "substantive changes" from the AMA template, the Secretariat 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 GCF and the AE sign the negotiated and approved 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, and a handful of others taking over five years.

43. 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 and effectiveness for accreditation and re-accreditation to cope with this growing workload and to avoid accreditation lapses and delays in project development and approval.

44. 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. Although previously considered in the development of the accreditation framework, concrete concept notes or funding proposals are not required as a part of the accreditation or re-accreditation application. The absence of related information makes it challenging to assess alignment between an entity's potential capacity to programme climate change projects/programmes and GCF's 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.

45. 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.

46. The recently approved PSAA modality has the potential to enhance the efficiency, effectiveness and inclusiveness of the GCF accreditation process through accreditation for a single project for entities that do not have the desire or ability 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.

47. 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.

48. 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.

49. Improving accreditation and re-accreditation process efficiency, effectiveness and inclusiveness 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, based on the scope of the Stage I review contained in the accreditation framework adopted in decision B.31/06 and annex IV to the decision and GCF strategic programming directions set out in its Strategic Plan. 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 may 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, including re-accreditation, upgrade and new accreditation applications.

## 4.2 Strategically use accreditation of partners to advance the goals of GCF by filling gaps in capabilities and coverage to deliver on high quality, transformational and paradigm-shifting programming while increasing the share of direct access entities

50. As highlighted in the AE Portfolio Analysis 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 August 2022**

<b>GCF-1 portfolio targets</b>	<b>Portfolio as at 31 August 2022</b>	<b>Programming gaps and opportunities to further meet the GCF-1 targets</b>
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: 64% (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 final year of GCF-1 to increase allocations against IRM, notably in SIDS.
Significantly increase funding channelled through DAEs	Met, but can be improved: 17% (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, 19% of the project portfolio by financing volume and 22% by number of approved projects/programmes is through 26 DAEs.  However, the overall ratio remains low, as 71 DAEs have been accredited, <sup>19</sup> accounting for 64% of the AE network.

<sup>19</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.

<b>GCF-1 portfolio targets</b>	<b>Portfolio as at 31 August 2022</b>	<b>Programming gaps and opportunities to further meet the GCF-1 targets</b>
Allocation to PSF exceeds 20%	Not being met: 17% (GE)	Private sector AEs account for 24% of the AE network and 35% of the financing in nominal terms but only 17% 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.

51. 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.

52. 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 each 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.

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

54. 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.

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

55. Approximately one-third of AEs accredited by the Board have not signed or do not have an effective AMA (42 out of the 113 accredited, as at 31 August 2022), 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.

56. 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.

57. 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 an investment platform 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.

58. 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. It is also relevant to determining the size of the AE network.

59. Since the approval of its first project in 2015, the GCF project portfolio has grown to 200 projects totalling USD 10.8 billion in GCF commitments and USD 29.4 billion in direct co-financing, giving an average of USD 53.9 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).

60. 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.

61. 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.

62. As developing country needs and GCF's programming directions may change, it is vital for the AE network to be nimble and responsive to those needs and directions. The optimal size

of the AE network will need to remain dynamic – rather than static – in order to ensure that the capabilities and coverage remain relevant. The size of the AE network will be a function of the capabilities and coverage to respond to developing country needs and GCF’s programming directions, GCF’s processing capacity for accreditation and programming, and funds available during each replenishment period.

63. Recognizing the dynamic nature of GCF programming, GCF might opt for a ratio rather than a fixed number to right-size its portfolio of AEs. Given the current challenges in terms of AE engagement, GCF may further decide to maintain the current average AE to project 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. Entities may also choose to graduate out of the AE role and on to other forms of partnering or cooperating with GCF. For example, entities may better serve GCF’s strategic objectives and priorities by using their resources to co-finance GCF projects/programmes throughout the project cycle, or integrate the needs of GCF NDAs and DAEs into their technical assistance and capacity-building activities. They may also seek to serve as an executing entity instead of as an AE, working with GCF AEs, particularly DAEs, in project execution. Entities that deliver technical assistance as the primary mode of engaging with GCF may instead seek to focus on a Delivery Partner role for the GCF Readiness and Preparatory Support Programme instead of an AE role.

64. In line with this proposed dynamic management of the AE network, 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.

## V. Policy linkages

65. 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).

66. 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 and related matters	“Independent Evaluation Unit’s Independent Synthesis of the Green Climate Fund’s Accreditation Function (2020)” (decision B.31/06)	IEU recommendations for the development of an accreditation strategy
	“Independent Evaluation of the Green Climate Fund’s Country Ownership Approach” (document GCF/B.27/12)	IEU recommendations on the GCF’s country ownership approach
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

Linkage	Decisions	Relevance
		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
	“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

Linkage	Decisions	Relevance
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
	“Matters relating to risk management” (decision B.33/02)	Amends the process for AMA negotiation and approval from the date of the decision (20 July 2022), whereby the Executive Director, in consultation with the relevant Secretariat divisions, offices and units, will determine on a case-by-case basis, whether a change to the AMA template as approved by the Board, proposed by an AE and acceptable to the Secretariat, is considered substantive, and would therefore require Board 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.

67. 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.

## VI. Consultations

68. 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. Document GCF/B.33/08/Add.01 contains a compilation of comments received during the process of consultation with the Board, AEs, NDAs and observers on the accreditation strategy presented in document GCF/B.33/08. Section I above contains the summary of key topics raised during the consultation process, which have been taken into account in the update of the accreditation strategy presented in annex II to this document. Annex IV contains responses to comments received during the consultation process, as compiled in document GCF/B.33/08/Add.01.

## VII. Implementation arrangements and operational impact

69. With the capacity development of relevant GCF organs approved for USP 2020–2023 implementation,<sup>20</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.

70. Annex I contains a request for the Secretariat to present the resourcing implications of implementing the accreditation strategy for the Board’s consideration at its thirty-fifth meeting .

71. The capacity and focus of the GCF will depend on the path chosen to clarify the GCF operating model (see paragraph 38 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 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.

72. To ensure a comprehensive rather than fragmented or phased roll-out of the updates to the accreditation framework, it is recommended that the Board consider aligning the launch date of a revised accreditation framework for measures approved in decision B.31/06 related to the institutional accreditation process (expected to be launched by 1 April 2023) with the accreditation strategy contained in annex II (potentially to be revised in 2023). Without alignment of the launch date, there is the potential for three versions of the accreditation framework to apply at different times during 2023 alone, which could cause operational challenges and confusion among AEs, applicants and NDAs. PSAA may still be launched by 1 April 2022, as per decision B.31/06, since it is a new accreditation modality.

73. On an operational level, the Secretariat, in coordination with the Accreditation Panel as relevant, will update relevant application forms, guidance notes and other documents related to partnership modalities with GCF, the AE role and responsibilities as compared to other partnership types, and the (re)accreditation

## VIII. Monitoring and review

74. In line with decision B.31/06, paragraph (m), the Board will present a revised accreditation framework to address matters outlined in paragraph 26(a)(i)–(v) of the USP 2020–2023, as well as the accreditation strategy set out in annex II to this document.

75. The accreditation strategy will be reviewed five years after Board approval.

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

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<sup>20</sup> Decision B.30/06.