Introduction to the Fund & accreditation processes

UN Economic Commission for Europe

13th September 2016
Background to the Fund
Origins of the Fund?

- Established as an operating entity of the financial mechanism of the UNFCCC at CoP16
- Primary channel for climate finance to implement the Paris Agreement particularly long term finance
- Secretariat established in CoP19, December 2013 Songdo with 50 full time staff and network of advisors and consultants
The GCF mission is to expand collective human action to respond to climate change. The Fund aims to mobilize funding at scale to invest in low-emission and climate-resilient development on our home planet.

One Major Challenge. One United Vision.
Governance Structure

Board
24 members from developing and developed countries

Secretariat
Executive Director with 3 directors and operational team

Civil Society Observers (CSO) Network
Private Sector Advisory Group (PSAG)

Guidance from the UNFCCC COP

Trustee World Bank
Accreditation Panel
Independent Technical Advisory Panel (ITAP)

Independent Accountability Units
GCF Engagement Infrastructure

Financial Instruments offered by the Fund – *instrument choice depends on the demonstrated need of the programme/project*
Roles of NDAs and focal points
139 NDAs as at 1 August 2016
Accreditation State of Play

33 accredited entities as at 1 August 2016

As of 31 July 2016

*Five entities have been recommended for accreditation by the Accreditation Panel, for consideration by the Board.

**Accreditation Master Agreements (AMAs) signed with Accredited Entities
Investment Mandate

- $10.3 billion in pledges
- $5.5 billion (58.5%) in signed contributions
- 50/50 split between adaptation & mitigation
- Geographic balance
- 50% of adaptation resources for SIDS, LDCs and African states

Project Updates

- $168 million GCF funds committed (8 projects) at Zambia Board meeting
- Current portfolio overview: http://www.greenclimate.fund/ventures/portfolio
- 12% mitigation & 63% adaptation with 25% cross cutting – 83% coverage for Africa, LDC & SIDS

Investment target is up to $ 2.5 billion per year over 2015-18...
Programming of GCF resources
8 Strategic Results Areas

programmes/projects to demonstrate these key impacts:

With a focus on...
- Impacts
- Programmes
- Paradigm-shift potential
- Adaptation-mitigation co-benefits
The Fund’s Six High-level Investment Criteria

- **Impact potential**: Potential of the programme/project to contribute to the achievement of the Fund's objectives and result areas

- **Paradigm shift potential**: Degree to which the proposed activity can catalyze impact beyond a one-off project or programme investment

- **Sustainable development potential**: Wider benefits and priorities, including environmental, social, and economic co-benefits as well as gender-sensitive development impact

- **Responsive to recipients needs**: Vulnerability and financing needs of the beneficiary country and population in the targeted group

- **Promote country ownership**: Beneficiary country ownership of and capacity to implement a funded project or programme (policies, climate strategies and institutions)

- **Efficiency & effectiveness**: Economic and, if appropriate, financial soundness of the programme/project, and for mitigation-specific programmes/projects, cost-effectiveness and co-financing
Country programmes

- Country’s GCF priorities
- Led by NDA/focal point
- Stakeholder engagement

Entity work programmes

- Responds to country priorities
- Identifies regional or multi-country initiatives

Pipelines

- Projects/programmes developed for funding
- Aligned with country/entity programmes
Iterative programming process

- Country programme
- Entity programme
- Pipeline development
- Funding proposals
- Project implementation
- Results & learning
Programming support offered

- Institutional support for NDAs
- Development of country programmes
- Development of National Adaptation Plans ($3m)
- Pre assessment of ESS & fiduciary standards for potential accredited entities
- Support for follow up actions of potential accredited entities
- Ongoing responsive based on demonstrated country and entity needs for readiness/implementation
Accreditation: accessing GCF resources
Access to Green Climate Fund resources

- Through a **country-driven approach**, the [National Designated Authority (NDA) of a country](#) can facilitate the strategy by which it will address climate change, and provide broad strategic oversight of the Fund’s activities in the country.

- **Access to Fund resources** to undertake climate change projects/programmes will be through [accredited national, regional and international entities](#).

- Therefore important to match likely [countries priorities/activities](#) with entities who are able to provide this **avenue/modality of access and support**.
Fit-for-Purpose Accreditation

Mandate & track record
• Alignment with Fund objectives
• At least 3 year of operations

Project size
• Micro (>10mn)
• Small (10-50mn)
• Medium (50-250mn)
• Large (>250mn)

Fiduciary functions
• Basic
• Specialized

Environment & Social risk category
• A (high)
• B (medium)
• C (low)
Who can apply for accreditation?

**All entities**, including international, regional, national and subnational and public and private entities, can apply for accreditation through one of two modes of access:

**Direct access modality**: for regional, national and sub-national entities.

- Entities will need to accompany their application for accreditation with evidence of their **nomination** from the NDA or focal point designated from their country with their application for accreditation.

- Entities may be eligible to receive **readiness and preparatory support** in terms of capacity-building in order to meet the Fund’s accreditation requirements.

**International access modality**: for international entities, including United Nations agencies, multilateral development banks, international financial institutions and regional institutions.

Entities seeking accreditation to the Fund will be assessed against the Fund’s **fiduciary principles and standards**, **environmental and social safeguards (ESS)** and **gender policy**.
Robust and rigorous accreditation process fit for an entity’s purpose

- Assuming all documentation is provided in a timely and complete manner, the applicant does not opt for readiness support while the application is being processed, and the applicant is found to meet all of the standards for which it originally applied for, the accreditation review and decision-making process (Stages I and II) may be completed within 6 months.

- For entities eligible for the fast-track accreditation process, under the assumptions above, the accreditation review and decision-making process may be completed within 3 months.

- Applications that are incomplete or for which the standards that are applied for change will generally require additional time during the process. Applicants may refer to examples of supporting documents.

- Questions and requests for clarification may be sent to applicants at Stage I and Stage II (Step 1) of the accreditation process

- The Secretariat and Accreditation Panel use checklists during the Stage I check and Stage II review.
Results of the accreditation process

The decision on accreditation will be taken by the Board at its meetings.

Based on the application and the entity’s track record, the Accreditation Panel will make a recommendation to the Board on the potential of the entity for accreditation with the following indications:

- Maximum size of project/activity within a programme
- Maximum environmental and social risk category
- Sector (in some cases where there may be a limited track record)

Accreditation broadly defines the way in which an entity can access the Fund’s resources, but the Board will take decisions on individual projects and programmes consistent with the Fund’s investment framework.
Program & Project Development
Beyond accreditation ... developing paradigm shifting interventions
Approval process

Simplified for micro- and small-scale funding proposals with low/no risk

Applies to all accredited entities, especially direct access entities

Revised funding proposal template for micro- and small-scale activities

At B14, Board to consider GCF’s share in projects, level of detail for documentation, and risks
Project preparation facility

**What is on offer?**
- Support for project/programme development
- Especially micro-to-small size projects
- Up to $1.5M per project preparation request

**How to apply?**
- Accredited entities, especially direct access, submit requests
- Request submitted with project/programme concept
- In conjunction with no-objection letter from NDA/focal point

**What is assessed?**
- Secretariat assesses concept against investment criteria
- Also assesses request for justification of needs & GCF policies
- Executive director approves requests
Financial Terms and Conditions of instrumentals offered by the Fund

- Major convertible currencies;
- Grants
  - Without repayment – Public Sector
  - With repayment – Private
- Concessional Loans - Public
  - High- 40 yrs - 10 Yrs; 0%; Service fee 0.25%; Commitment fee -0.5%.
  - Low- 20 yrs - 5 Yrs; 0.75%;0.5%;0.75%.
- Private Sector- case-by-case – 20 Yrs; 5 Yrs max; not more than public;
- Consider terms & conditions to recipient by AE vs what is requested;
Current Request for proposals

Enhancing direct access (EDA)

- $200M allocation
- Up to 10 pilots
- Min 4 SIDS, LDCs & Africa
- 31 Jan 2017
- Accredited or potential entities

Micro-, small- & medium-sized enterprises (MSME)

- $200M allocation
- $100M for first pilot
- $100M SIDS, LDCs & Africa
- 30 Aug 2016
- Accredited or potential entities
Concluding Remarks
GCF Value Add?

- Maximize country ownership... 139 NDAs and focal points
- Balance between adaptation and mitigation
- Balanced governance with equal voice for contributors and recipients
- Diversity of Partners ... entities globally have applied for accreditation
- Diversity of financial instruments
- Dedicated Private Sector Facility (PSF)
- Largest dedicated climate fund globally: Committed to Paris Agreement
Access to the fund’s resources for programmes and projects can only happen through entities **accredited by the Fund** – these should be nominated by the NDA.

Through a **3-stage accreditation process** and the **fit-for-purpose approach**, entities will be accredited for certain **fiduciary functions**, **size of project/activity within a programme**, and **environmental and social risk category**. Some entities are eligible for fast tracking if already accredited to GEF, Adaptation Fund, EU DEVCO.

Entities can apply on a rolling basis and applications are reviewed on a rolling basis. Decisions on accreditation will be made by the Board at its meetings.

Several entities are already accredited in the region - **no limit on the number of accredited entities** that can be supported by a country.

Readiness support is available to entities seeking accreditation to the Fund, subject to the request by the NDA.

**Beyond accreditation** = developing paradigm shifting investment towards low emission climate resilient development as partner to government.
Additional Information
33 Accredited Entities to the Fund –
diverse channels of implementation

Regional
- ACUMEN
- Caribbean Community Climate Change Centre
- CAF Development Bank of Latin America
- SPREP Secretariat of the Pacific Regional Environment Programme

National
- CSE
- Environmental Investment Fund of Namibia | ensuring sustainability
- National Bank of Agriculture, Rural and Rural Development (NABARD)
- Professional Organisations for the Financing of Environmental Protection (PROFONANPE)

International
- Africa Finance Corporation (AFC)
- Agence Française de Développement (AFD)
- Asian Development Bank (ADB)
- Conservation International
- Deutsche Bank
- European Bank
  for Reconstruction and Development
- Inter-American Development Bank (IDB)
- The World Bank
- KfW
- United Nations Development Programme (UNDP)
- United Nations Environment Programme (UNEP)
Eligibility – how to self assess readiness for accreditation?

Legal personality:
Is your entity a legally established entity with its own legal personality?

Institutional system:
What are your policies, procedures, guidelines, etc. at the organizational level?

Track record:
Can you demonstrate that these policies, procedures, guidelines, etc. are implemented?

Eligible to apply.
ACCREDITATION: Fiduciary functions

<table>
<thead>
<tr>
<th>Examples of fiduciary functions</th>
<th>Basic fiduciary criteria</th>
<th>Specialized fiduciary criteria for project management*</th>
<th>Specialized fiduciary criteria for grant award and/or funding allocation mechanisms</th>
<th>Specialized fiduciary criteria for on-lending and/or blending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthening institutional and regulatory systems</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implementing projects using Fund’s resources, where the entity itself executes the project</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implementing projects using Fund’s resources, where the project is executed by another entity</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Awarding grants</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Managing lines of credit using the Fund’s resources</td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>On-lending</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Blending Fund’s resources with other sources of funding</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
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<tr>
<td>Using Fund’s resources for guarantees</td>
<td>✓</td>
<td></td>
<td></td>
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<tr>
<td>Using Fund’s resources for equity investments</td>
<td>✓</td>
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</tbody>
</table>

* Assessment of the entity against this standard will take into account whether the entity is overseeing or implementing projects/programmes.
# ACCREDITATION: Environmental and social risk categories

<table>
<thead>
<tr>
<th>Risk level</th>
<th>Funding proposals</th>
<th>Intermediation*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>High</strong></td>
<td><strong>Category A</strong></td>
<td><strong>Intermediation 1 (I1)</strong></td>
</tr>
<tr>
<td></td>
<td>Activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented</td>
<td>When an intermediary’s existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented</td>
</tr>
<tr>
<td><strong>Medium</strong></td>
<td><strong>Category B</strong></td>
<td><strong>Intermediation 2 (I2)</strong></td>
</tr>
<tr>
<td></td>
<td>Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures</td>
<td>When an intermediary’s existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented.</td>
</tr>
<tr>
<td><strong>Low/No</strong></td>
<td><strong>Category C</strong></td>
<td><strong>Intermediation 3 (I3)</strong></td>
</tr>
<tr>
<td></td>
<td>Activities with minimal or no adverse environmental and/or social risks and/or impacts</td>
<td>When an intermediary’s existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts.</td>
</tr>
</tbody>
</table>

* Activities involving investments through financial intermediation functions or through delivery mechanisms involving financial intermediation.
## Accreditation fees*

<table>
<thead>
<tr>
<th>Financial capacity category</th>
<th>Total projected costs at the time of application, irrespective of the portion that is funded by the Fund, for an individual project or activity</th>
<th>Fee Level for accreditation application for undertaking activities related to Basic Fiduciary Standards, ESS and gender</th>
<th>Fee Level for accreditation application for undertaking activities related to each Specialized Fiduciary Standard(^a, b)</th>
<th>Other Fees</th>
</tr>
</thead>
</table>
| **Micro**                   | Less than or equal to USD 10 million                                                          | Subnational and national entities in developing countries including SIDS and LDCs: no fee  
All other entities: US$ 1,000 | USD 500 each                                                                                   | Other fees may apply if the application is reviewed by the Secretariat or Accreditation Panel more than twice. The amount of the fee is to be determined on a case-by-case approach by the Secretariat. |
| **Small**                   | Above USD 10 million and up to and including USD 50 million                                      | SIDS and LDCs: no fee  
Subnational and national entities in developing countries other than SIDS and LDCs: US$ 3,000  
All other entities: US$ 5,000 | USD 1,000 each |
| **Medium**                  | Above USD 50 million and up to and including USD 250 million                                     | USD 10,000                                                                                   | USD 3,000 each |
| **Large**                   | Above USD 250 million                                                                           | USD 25,000                                                                                   | USD 7,000 each |

* Refer to the Fund’s Policy on fees for accreditation of the Fund decided at the Board’s eighth meeting located [here](#).

\(^a\) Specialized Fiduciary Standards refer to: 1) project management; 2) grant award and/or allocation mechanisms; and 3) on-lending and/or blending (for loans, equity and/or guarantees).

\(^b\) For example, an entity seeking accreditation for large activities; basic fiduciary standards, ESS and gender (US$ 25,000); and all 3 specialized fiduciary standards (US$ 7,000 each: US$ 7,000 x 3 = US$ 21,000) will be required to pay a total of US$ 46,000 (US 25,000 + US$ 21,000) in accreditation fees to the Fund.
Accreditation Stage I

**Accreditation Process**

1. **OAS account request**
   - Direct access
   - Applicant receives OAS account
   - International access

2. **NDA/FP nomination of accreditation application**
   - Application submission via OAS
   - Applicant sent confirmation of receipt of submission and then invoiced for accreditation fees

3. **Payment of accreditation fees**
   - Applicant sent confirmation of starting Stage I
   - Direct access
   - International access

4. **STEP 1: Confirm receipt of NDA/FP nomination**
   - Applicant sends communication with NDA/FP

5. **STEP 2: Institutional assessment and completeness check by the Secretariat***
   - Applicant sent confirmation that the application is considered complete (Stage I closed) and forwarded to Stage II
   - Response from applicant*
   - Questions to applicant*

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

**STEP 1(a): Accreditation review by the Accreditation Panel***
- Questions to applicant**
- Response from applicant**
- Applicant sent confirmation

**STEP 1(b): Recommendation to the Board**
- Applicant sent confirmation Stage II (Step 1) closed and recommendation submitted to the Board

**STEP 2: Decision by the Board**
- Communication of the Board’s decision to the applicant

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* With support from external technical experts on an as-needed basis
** The number of rounds of questions may vary. Interview and a site visit may be required.
Accreditation Stage III

STEP 1: Validation of payment instructions

STEP 2: Finalization and signature of the AMA between the Fund and the accredited entity

Post-accreditation Process

Project and programme funding proposal preparation, assessment and approval process as per the Fund’s investment framework and results management framework
Private Sector Facility Overview

- To mainstream the private sector into climate change mitigation and adaptation
- Fund climate risk assessment models and tools
- Long-term debt; liquidity backstops and refinancing;
- Equity required to develop a project to full bankability
- Guarantees to bear specific risk to entice hesitant investors
- Financial intermediaries that meet the Fund’s standards
- Accredited entities present funding proposals, either spontaneously or as a response to an RFP
Private Sector Facility Areas of Priorities

Urban
- Public Transportation
  - Bus, Rail, Metro and Bike
- Waste & Water Management
  - Waste-to-Energy
  - Waste Recycling
  - Water Treatment
- Energy Smart Buildings, Companies & Cities
  - Buildings
  - Public Lighting
  - SMEs
  - Traffic Systems
  - Industry
  - Homes

Water
- On & Off Grid
- Low-Emission Energy

Rural
- Agriculture
  - Irrigation
  - Land and Water Efficiency
  - Crop Diversification
- Forestry
  - Pulp and Paper
  - Forest Farms
  - Eco Tourism

Private Sector Facility Areas of Priorities

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