

## Annex VIII: 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.