AE/NIE Guidance Document – Steps to Accreditation to the GCF and the AF

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List of Acronyms

AE Accredited Entity

AF Adaptation Fund

AMA Accreditation Master Agreement

CBNRM Community Based Natural Resource Management

CDKN Climate Development Knowledge Network

CSO Civil Society Organisation

DG DEVCO European Commission's Directorate-General for International Cooperation and Development

EBRD European Bank for Reconstruction and Development

EDA Enhanced Direct Access

EIB European Investment Bank

ESS Environmental and Social Safeguards

GCF Green Climate Fund

GEF Global Environment Facility

GIZ German Technical Cooperation

ICCAD International Centre for Climate Change and Development

IFC International Finance Corporation

IIED International Institute for Environment and Development

IISD International Institute for Sustainable Development

IUCN International Union for the Conservation of Nature

KFW Kreditanstalt für Wiederaufbau

LDC Least Developed Country

NAP National Adaptation Plan

NDA National Designated Authority

NDC Nationally Determined Contribution

NGO Non-Governmental Organisation

PPF Project Preparation Facility

PIFS Pacific Islands Forum Secretariat

Profanape Peruvian Trust Fund for National Parks and Protected Areas

PSF Public Sector Facility

PSO Private Sector Organisation

RCM Readiness Coordination Mechanism

SAP Simplified Approval Process (of GCF)

SIDS Small Island Developing States

SPREP South Pacific Regional Environment Programme

UNDP United Nations Development Programme

UNEP UN Environment

UNFCCC United Nations Framework Convention on Climate Change

USD United States Dollars

WRI World Resources Institute

Introduction

In the climate finance arena, the Adaptation Fund (AF) pioneered direct access (through entities known as National Implementing Entities (NIEs)) - an access modality that allows developing countries to receive funds for project and programme implementation directly without going through an intermediary. Since then the GCF has progressed a process of accreditation that also allows direct access (known as Accredited Entities (AEs) and this has sparked great interest by various possible entities in the Pacific to consider the process to become a Direct Accredited Entities (DAEs).

The accreditation in 2016 of the Ministry of Finance and Economic Management (MFEM) in the Cook Islands marked a milestone in the Pacific on the debate on channelling climate finance. Further, the subsequent approval of the first direct access project in the Cook Islands in 2018 – offered a new narrative, which assumes that national entities, even in small countries, have the capacity to meet international best practice standards in managing funds and are able to submit tangible projects in the adaptation field.[1]

To date (in December 2020), in the Pacific only three countries (NIEs/AEs) have completed the process of programming direct access funding domestically (the Cook Islands MFEM, the Tuvalu Ministry of Finance and Economic Development and the Fiji Development Bank). However, if we include regional entities, such as Micronesian Conservation Trust (MCT), the Secretariat of the Pacific Regional Environment Programme (SPREP) and the Pacific Community (SPC) as accredited entities based in the region then there are six entities in the Pacific.[2] Their combined experiences provide rich lessons, in determining how the provision of innovative financing mechanisms through accreditation can work in practice and how direct access can be programmed more broadly into guidance.

The lessons learnt regarding challenges and enabling factors during accreditation, project development and approval, as well as project implementation can be used to strengthen support processes for the accreditation of future NIEs/DAEs to the AF and to the Green Climate Fund (GCF). This is increasingly relevant as both organisations continue to promote and call for access to their funds and Pacific needs in responding to the challenges of climate change continue to expand.[3]

Scope of the Paper

GIZ working with the Pacific Islands Forum Secretariat, requested a paper to be developed on a framework for accreditation for Pacific island countries considering the process. This paper was written to provide that guidance with links to the specific technical requirements and the experience of entities that have successful been accredited. The main objectives of this guidance paper is to:

- Outline the GCF/AF processes, standards, responses and guidance. Identify the standards in approaches that need to be cleared and considered for accreditation.

[1] In 2017 Antigua and Barbuda had an Adaptation project approved as the NIE.
[2] There is one national entity on the Caribbean – in Antigua and Barbuda and two regional the CDB and CCCCC. There are none in the other SIDS regions.
[3] The submission of revised NDCs will likely see a lot of countries more clearly define their climate change pipelines.

- Learning pathways – what do you need to learn, build capacity and guide. Lessons from SIDS and LDCs on resourcing, motivation and implementation plans.
- Give insights from experts and agencies on country efforts and how accreditation can improve climate finance access pathways.

The main deliverables of the assignment for this report are to allow an understanding of the:

- Steps required to be undertaken for accreditation and the associated materials and documents necessary to support that application.
- Lessons from the accreditation processes in SIDS.

Why finance is needed

The Pacific region is a diverse array of 7,500 islands scattered across an area of 30 million square kilometres. As of 2020, an estimated 10.9 million people inhabit its 14 countries. The region has varying topographies, cultures, and economies. Many islands are small and geographically remote, with fragile biodiversity and a limited natural resource base. These features make the region particularly vulnerable to global warming, with increasing and more intense cyclones, floods, and drought. Climate change affects food production and uses of land, coastal, and marine resources; damages infrastructure and water resources; and adds risk to human health.

Pacific island countries are exposed to climate risk and face substantial challenges as average global temperatures rise and aspects such as changes in the weather increase. For example, the ADB (2013) has estimated that the regions needs for adaptation alone amount to 2.9% to as high as 12.7% of annual gross domestic product (GDP) equivalent by 2100.

All in all, economic costs of climate change have been large and are expected only to increase. In 2012, the World Bank (2012) estimated that since 1950, extreme events have affected approximately 9.2 million people in the Pacific region, with 9,811 reported deaths and damage of USD 3.2 billion. Furthermore, in the last 10 years the Pacific has been affected by some of the strongest tropical cyclones in recorded history. The losses in terms of life and income have been large, such losses cannot be sustained and there is no guarantee that further cyclones or other slow onset hazards will not occur.[4]

[4] For instance, Cyclone Evan in Samoa in 2012 was estimated to have cost 30% of GDP. Damages from Cyclone Pam in 2015 cost Vanuatu over US$450 million, while costs of damage from Cyclone Winston in Fiji in 2016 were over FJD 1 billion, Gita 2017 left damages of $US250 million, and Harrold in 2020 saw a damage bill estimated at over US$120 million. Similarly, slow onset events (such as droughts) in recent years have affected the Republic of the Marshall Islands, Federated States of Micronesia, Palau and Papua New Guinea.

Section 1: Introduction to the Entities

To understand the funds, some background is needed on them in terms of their origin, objectives and development.

The *Adaptation Fund (AF)* was established in 2001 to finance concrete adaptation projects and programmes in developing country Parties to the Kyoto Protocol that are particularly vulnerable to the adverse effects of climate change. The Adaptation Fund was initially financed with a share of proceeds from the clean development mechanism (CDM) project activities and other sources of funding. The share of proceeds amounted to 2 per cent of certified emission reductions (CERs) issued for a CDM project activity. However, this source of finance has basically dried up as the CDMs no longer were able to generate enough revenue, hence the AF has relied on contributions from countries.

In decision 1/CMP.8, the Parties decided that for the second commitment period, the Adaptation Fund shall be further augmented through a 2 per cent share of the proceeds levied on the first international transfers of AAUs and the issuance of ERUs for Article 6 projects immediately upon the conversion to ERUs of AAUs or RMUs previously held by Parties.

Through decisions 13/CMA.1 and 1/CMP.14, it was decided that the Adaptation Fund shall serve the Paris Agreement under the CMA with respect to all Paris Agreement matters, effective 1 January 2019. Parties also decided that once the share of proceeds becomes available under Article 6, paragraph 4, of the Paris Agreement, that the Adaptation Fund shall no longer serve the Kyoto Protocol. Furthermore, Parties decided that the Adaptation Fund shall continue to receive the share of proceeds, if available, from activities under Articles 6, 12 and 17 of the Kyoto Protocol.

In terms of governance, the Adaptation Fund is supervised and managed by the Adaptation Fund Board (AFB). The AFB is composed of 16 members and 16 alternates and meets at least twice a year. The membership arrangement provides for equal representation amongst Annex 1 and non-Annex 1 countries.

For the *Green Climate Fund* (GCF), at COP 16 held in Cancun, by decision 1/CP.16, Parties established the Green Climate Fund (GCF) as an operating entity of the Financial Mechanism of the Convention under Article 11. The Fund is governed by the GCF Board and it is accountable to and functions under the guidance of the COP to support projects, programmes, policies and other activities in developing country Parties using thematic funding windows.

The GCF was designed by the Transitional Committee (TC) as per decision 1/CP.16, paragraph 109. Based on the report of the TC (FCCC/CP/2011/6 and Add.1), at COP 17 held in Durban, Parties adopted decision 3/CP.17 and approved the Governing Instrument for the GCF.

The Governing Instrument for the GCF stipulates that the assets of the GCF will be administered by a trustee only for the purpose of, and in accordance with, the relevant decisions of the GCF Board. The World Bank was invited by the COP to serve as the interim trustee of the GCF, subject to a review three years after operationalization of the Fund. In 2015, the GCF Board invited the World Bank to continue serving as the Interim Trustee until a permanent Trustee is appointed (Board decision B.08/22).

What is the Role of the NDA/DA?

For the Adaptation Fund, "Designated Authorities" (DA) are government officials who act as points of contact for the Adaptation Fund. On behalf of their national governments, the designated authorities endorse:

a) the accreditation applications of National or Regional Implementing Entities before they are sent to the fund's secretariat for assessment; and/or,

b) proposals by National, Regional, OR Multilateral Implementing Entities for adaptation projects and programmes in the DA's country.

The National Designated Authority (NDA) is the national focal point as agreed with the GCF. The NDA should: "ensure that activities supported by the Fund align with strategic national objectives and priorities, and help advance ambitious action on adaptation and mitigation in line with national needs" (GCF, 2015b). The NDA has 5 key roles:

- **Provide broad strategic oversight aligned to national priorities**: Ensure that project/programmes are aligned with national development documents such as National Climate Change Policies or Development Agendas.
- **Convene national stakeholders including public, private and civil society stakeholders**: Help to organize stakeholder workshops to raise awareness about the GCF and to gather input regarding the design of GCF projects/programmes.
- **Provide nomination letters for direct access AEs**: All entities must request and acquire letters of nomination in order to be eligible to begin the GCF accreditation process.
- **Implement process to approve projects/programmes and grant letters of no-objection for projects/programmes**: The NDA serves as the catalyst for implementing the process to engage stakeholders to discuss the project/programme design provide feedback to the AE on the design, and, upon approval, grant letters of no-objections.
- **Provide leadership on the deployment of readiness and preparatory support funding in the country**: The NDA can receive readiness support and may facilitate the provision of readiness support to other stakeholders.

Section 2: Eligibility

Pacific island countries need significant amounts of finance to help them adapt to the changing climate and follow a path of low-carbon development. The international community has set up multilateral funds to help support climate change mitigation and adaptation in these nations. Two of the largest climate funds, the Adaptation Fund (GCF/AF) and the Green Climate Fund (GCF), have committed to allowing institutions from developing countries to seek direct access to finance. *Direct access* in this context means that national or subnational entities can become accredited to receive finance directly from the funds without going through an international intermediary (like a Multilateral Development Bank or a regional entity). The goal of such direct access is, amongst other things, to reduce transaction costs and enhance national ownership over available financing. The following reflects on a range of view and experiences on the accreditation process from the Pacific and other Small Island States and Less Developed Countries.

Why pursue this?

There has been regular decisions by Forum Economic Ministers and Leaders[5] to seek improved and simplified access to climate change finance.[6] While not the only way to access climate finance, direct access can have multiple benefits. Beyond supporting country ownership, the process of arranging for and implementing such access can help strengthen national institutions in countries, such as the experience in the Cook Islands, Micronesian Conservation Trust and the Fiji Development Bank. Although the accreditation processes require applicants to undergo rigorous assessments focused on how they meet relevant fiduciary, environmental, and social standards, most of the countries and AEs/NIEs that have undergone this process report that the scrutiny has helped strengthen their ability to perform effectively (PNG/USAID meeting report 2020).

According to Masullo et al. 2015, direct access can in some cases also enhance efficiency. Allowing national institutions to access finance without an international intermediary can potentially reduce the number of actors involved in transactions, and thus overall costs and coordination challenges. According to the Adaptation Fund Board Secretariat, international intermediaries have generally experienced longer delays in project inception compared to their national counterparts (Adaptation Fund 2018).

Are there any Drawbacks to Direct Access?

While direct access can improve the results of climate finance, it also entails challenges. When international funds use multilateral or bilateral institutions to manage the implementation of funded activities, they do so because these institutions are known entities with relatively strong systems for financial, environmental, and social risk management. National entities, in contrast, may have had fewer opportunities to showcase their competence and independence in these areas.

Hence, national institutions may need to undergo significant institutional reconfiguration to meet the relevant standards and this can stretch out the accreditation process and then pipelines for projects. In discussions with those SIDS that have been accredited, this can be tedious and expensive, particularly for those that cannot immediately meet the requirements without

[5] Reflect on relevant decisions.
[6] Include a definition of climate finance.

additional investment of financial and human resources. As a result, those agencies that have undertaken this process have progressed through several internal stages of consideration and analysis prior to undertaking accreditation (Barrigh 2016). While others may continue to work with multilateral and regional partners it is about matching national priorities with national capabilities. As a result, the decision to progress accreditation for a local entity is not made rashly.

Section 3: Access Modalities

Accredited Entities, can be: national, regional and international, public and private sector entities. Entities that wish to submit projects for funding, have to show their compliance to the standards of the AF/GCF, and undertake the AF/GCF accreditation process. There are two modalities or ways for entities to become National Implementing Entity (NIE) or Accredited Entity (AE) by the AF/GCF respectively:

1. Direct Access Entities/National Implementing Entities: are sub-national or national entities that need to be nominated by developing country focal points as the National Designated Authorities (NDAs for the GCF) or DA for the AF.

2. RIE/RAEs: are regional organisations that need to be nominated by at least 2 developing country NDAs.

3. International Access Entities: can include United Nations agencies, multilateral development banks, international financial institutions and regional institutions. Some of the most common in the Pacific include: UNDP and UNEP, the World Bank, the European Bank for Reconstruction and Development, the Asian Development Bank and international NGOs like IUCN and WWF. These entities do not need to be nominated by developing countries NDAs/DA focal points.

Indirect Access

The option of gaining access to the AF/GCF through an international entity remains where direct access is not feasible/appropriate. Note that this is the dominant form of access to date, signalling the challenges inherent in getting accredited entity status at the national level for direct access. Nevertheless, access via an international entirety does allow countries that are not yet ready to apply for direct access or that are in the process of developing their readiness capacity, to access funds for climate projects.

There have been some ongoing developments by the GCF to consider new means to allow for access to funds. The following look at the Enhanced Direct Access and the Simplified Approval Process.

Enhanced Direct Access

The objective of Enhancing Direct Access is to devolve decision-making to the accredited entity while ensuring strong country ownership and multi-stakeholder engagement. The GCF board decided that enhanced direct access was needed so that decision-making on the specific projects and programmes to be funded could be made at the country/entity level thereby increasing country ownership. The approach means that the screening, assessment and selection of specific pilot activities would be made at the national or subnational level. At the same time, mechanisms will be set up to increase oversight and multi-stakeholder engagement at the country level. Countries participating in the pilot phase of enhanced direct access are invited to establish or use an existing oversight body with the involvement of the NDA to ensure that governance standards, including accountability standards, are met and to ensure transparency and multi-stakeholder engagement in the decision-making process. At its 10th GCF Board meeting, the Fund agreed to initially provide up to USD 200 million for at least 10 enhanced direct access pilots, including at least four to be implemented in small island developing States, the least developed countries and African States.

One project for the Caribbean has been approved under this approach in 2018. Antigua and Barbuda, Dominica and Grenada are using the funds to provide small grants for community organizations, together with revolving loans for households and businesses, to improve the resilience of infrastructure to withstand category 5 hurricanes. A funding mechanism for public infrastructure (including drainage and irrigation) and ecosystems will also reduce disruptions in the water system and improve soil and water conservation, which are all threatened by the results of climate change.

Simplified Approval Process

The Simplified Approval Process was launched by GCF in 2017 and aims to simplify and streamline the approval of low risk, small scale projects, particularly from direct access entities. The simplifications are designed to reduce the time and effort required to go from project conception to implementation. It involves:

- A reduction in the amount of documentation to be provided with the Funding Proposal; and,
- Streamlined review and approval processes.

Projects or programmes are eligible for the simplified approval process if they meet three main eligibility criteria: Firstly, the activities in the project or programme are ready for scaling up; Next, the request for financing to the GCF is up to USD 10 million; and lastly, the environmental and social risks and impacts are classified as minimal to none.

Eligible activities include capacity development, planning support and institutional development; household-level facilities and production within an already built-up area; and small-scale rural and urban community-based projects.

The project in Fiji was approved under the SAP in 2020. The project will support innovative technology that combines photovoltaic power generation and agricultural production. It will do this by financing a 4 MW solar agrophotovoltaic (APV) system and 5MW battery energy storage system (BESS) in Ovalau. It will develop solar power generation simultaneously with battery storage and, as a co-benefit, boost local agricultural production. A key feature of this initiative is the way it will provide technical assistance to strengthen the capacity of local communities while also establishing a climate project financing facility within Fiji's Development Bank (FDB).

Section 4: Accreditation Process

During the accreditation process, an applicant entity's policies & procedures, track record, and demonstrated capacity to undertake projects/programmes of different financial instruments and environmental and social risk categories are assessed against the AF/GCF standards. All applicant entities must comply with Basic Fiduciary Standards, Environmental and Social Safeguard and Gender Policy. Additionally, depending on the core or nature of the institution, GCF applicants can seek accreditation under Specialized Fiduciary Standards: project management Grand award and/or Funding allocation mechanism, and On-lending and/or blending.

Accreditation Process – Adaptation Fund

The accreditation process of the Adaptation Fund aims to ensure that the entity follows fiduciary and safeguard standards while accessing financial resources of the Adaptation Fund. During the Adaptation Fund's accreditation process, each type of entity undergoes an assessment for accreditation to make sure they adhere to sound standards and implements effective social and environmental safeguards to identify any project risks in advance, prevent any harm and improve the effectiveness and sustainability of results.

The Adaptation Fund's uses an Accreditation Panel which is composed of experts to conduct a detailed assessment and deliver comprehensive advice and suggestions to help applicants strengthen various aspects of their accreditation standards in order to meet eligibility. The Panel provides a recommendation on accreditation to the Adaptation Fund Board, which determines final approval of the application.

The following summary is a step-by-step guide on how an entity can become accredited with the Adaptation Fund:

1. Nomination: An entity that meets the accreditation standards identified and nominated as an implementing entity by the national Designated Authority:

- A National Implementing entity (NIE) must be nominated by their respective government Designated Authority prior to submitting an application for accreditation.
- A Regional Implementing Entity (RIE) must receive a letter of support from at least 2 of the countries in which they operate.
- Multilateral Implementing Entities (MIE) are invited by the AF Board to apply for accreditation and do not require an endorsement letter to submit an application

2. Application: The nominated entity submits an accreditation application and supporting documentation through Adaptation Fund's Accreditation Workflow online system (access is granted once a nomination letter is received). The application form and relevant supporting documentation must be submitted in English and in electronic/digital format through the Accreditation Workflow. It is important to note that there can be multiple documents requested for different policies and processes.

3. Screening is undertaken by the Adaptation Fund Board secretariat: The secretariat screens the application for completeness and requests any missing part of the application.

4. Review by the Accreditation Panel[7]: Once the application is complete it is forwarded to the Accreditation Panel for review. The Panel identifies any questions and potential gaps and communicates directly with the applicant until it is ready to make a final assessment. The Accreditation Panel will provide its final assessment to the Board with a recommendation.

5. Accreditation Panel recommendation: The Adaptation Fund Board approves the recommendation of the Accreditation Panel. All accreditation or non-accreditation decisions are ultimately made by the Adaptation Fund Board based on the Panel's assessment and recommendation.

Accreditation standards
The Adaptation Fund's accreditation process is composed of a set of accreditation standards that consist of four broad categories: legal status, financial and management integrity, institutional capacity, and transparency, self-investigation and anti-corruption. These are explained by the AF as:

- Legal status: Status to contract with the Adaptation Fund Board.
- Financial and management integrity: Accurate recording of transactions, disbursing funds on a timely basis, and audited periodically by an independent firm or organization.
- Institutional capacity: Ability to manage procurement procedures, ability to identify, formulate and appraise projects/programmes, competency to manage or oversee the execution of the project/programme, competency to undertake monitoring and evaluation, including monitoring of measures for the management of environmental and social risks.
- Transparency, self-investigation, & anti-corruption: Mechanism to monitor and address complaints about environmental or social harms caused by projects.
- In addition, the AF requires all entities to be in compliance with Adaptation Fund's Gender Policy.

Streamlined Accreditation Process
Since its twenty-third meeting in March 2014, the Adaptation Fund Board has continued its consideration of approval for accreditation of smaller National Implementing Entities (NIE) based on a "Streamlined Accreditation Process" (Decision B.23/17). This process is designed to open up possibilities for a smaller NIE to access the resources of the Fund while taking into account the limited capacities of these entities.

The streamlined process officially starts when the applicant NIE sends the secretariat an official letter of agreement to pursue the streamlined process.

The streamlined process aligns the Fund's accreditation process further with the Paris Declaration on Aid Effectiveness (2005) and the Accra Agenda for Action (2008) as well as the Paris Agreement, which emphasizes the importance of efficient access to financial

[7] The Accreditation Panel experts have backgrounds and lengthy careers in auditing and evaluating the efficacy of institutions. The experts conduct a detailed assessment and deliver comprehensive advice and suggestions to help applicants strengthen various aspects of their accreditation standards in order to meet eligibility. The Panel thus plays a dual role of both vetting and advising applicants while maintaining confidentiality

resources through simplified approval procedures and enhanced readiness support for developing country Parties, in particular for the least developed countries (LDCs) and small island developing States (SIDS), in the context of their national climate strategies and plans. In the case of the Pacific, the Cook Islands, MCT and Tuvalu have all progressed using this streamlined process.

The specific link to the process and materials is included in the following link - [Accreditation - Adaptation Fund (adaptation-fund.org)]

Box 1: *The Cook Islands Experience of AF accreditation*.

The Cook Islands started the process of applying to become an NIE in 2012 with the endorsement of the delegated authority of the Ministry of Finance and Economic Management (MFEM). Technical assistance was received from UNDP through an initial assessment of NIE capability to understand gaps in 2012. This was followed by funding from an EU-SPC project to support the employment of TA. TA was also provided by a panel through the Frankfurt School of Finance and Management. Various work to meet the necessary requirements was undertaken with inception and analysis reports being completed and capacity support being provided. This enabled the development of a local Roadmap to build systems and capacity for the MFEM. In terms of its roadmap, gaps were identified in documentation and capacity, they included actions for:

1. Training to familiarise their role of a NIE if accredited.
2. Build long-term climate finance readiness of the Cook Islands to secure domestically and international additional sources of finance for carrying out climate adaptation activities and projects.
3. TA support to build capacity in areas of Anti-corruption, Activity Management, Procurement, and Transparency.

The application was submitted in December 2014 and feedback was received in March 2015, with the final accreditation decision being undertaken by the AFB in July 2016.

Specific issues lessons included:

- Encouraging more training and capacity building in the Pacific on the accreditation process.
- The accreditation process provided an opportunity in strengthening country systems to ensure development partners have confidence in national systems
- Challenges can be overcome, and the NIE status is worth the pursuit as a country continues to build on improved systems and capability in the process leading to a stronger Cook Islands.

Source: various documents and interviews.

The Green Climate Fund

The GCF accreditation assessment is based on a "fit-for-purpose" approach, which classifies applicant entities based on the nature of their organizations and the intended scale, nature and risks of their proposed climate finance activities. This means that, the some of the application process requirements varies depending on type and size of the project/programme that the accreditation applicant intend to implement, avoiding unnecessarily burdensome accreditation process for entities that will expose the Fund to little or no financial risks. The fit-for-purpose accreditation review is based on: proposed project and programme activity size; fiduciary standards; and environmental and social risk category.

The following steps walk through the process for the Green Climate Fund Accreditation process.

Step 1: Self-assessment

Before starting the application process, organisations can assess whether they meet the basic requirements to become Accredited Entities. They can do this by considering a series of questions through GCF's self-assessment tool.

This online questionnaire helps organisations assess:

- whether they are considered to have full legal capacity to undertake activities funded by the Green Climate Fund,
- what their institutional arrangements are - including their systems, policies, procedures and guidelines,
- their track record – considering whether their systems, policies, procedures and guidelines have been implemented systematically.

Once an organisation is confident it has the credentials to become an Accredited Entity, it can start the three-stage application process. Entities applying for accreditation should have been operating for at least three years. The CGF highlights that this is a critical stage and that it can benefit countries further if they spend time looking into the reasons behind their choice in an entity. Simple aspects such as the a relationship with the NDA, understanding of national policy priorities in climate change and a project pipeline can ensure that the entity is the best fit for the national priorities.

Step 2: Preparing an application

All Direct Access Entities need to be nominated by a developing country NDA/focal point. International Access Entities can seek GCF accreditation directly without nomination by a developing country National Designated Authority/focal point. NDA/focal points nominate Direct Access Entity applicants by filling out the NDA nomination template and sending it to GCF Accreditation.

All accreditation applicants need to apply to join GCF's Online Accreditation System (OAS) by submitting an OAS application form. Once the complete form is accepted by the Secretariat, applicants will receive a log-in to access GCF's online application system. Next, they will be asked to fill out an online application form within the OAS. This is the main part of applying for accreditation. The application form contains detailed guidance on how to fill it out.

Organisations that have already been accredited by the Global Environmental Facility (GEF), Adaptation Fund and the Directorate-General Development and Cooperation – EuropeAid of the European Commission (DG DEVCO) may be eligible to apply for fast track accreditation if three pre-requisites are fulfilled.

Organisations submit their application in the OAS after they have completed the online accreditation application form.

Application fees are paid at this point. This amount varies according to the fiduciary functions and the size of financing for project or programmes the accreditation applicant is proposing to receive GCF funding.[8]

Accreditation fees

National and subnational applicants in Small Island Developing States (SIDS) and Least Developed Countries (LDCs) Fees are able to receive waivers of some accreditation fees when seeking accreditation for micro- and small- size categories of projects. However, charges still apply for assessment of specialized fiduciary standards including: 1) project management; 2) grant award and/or allocation mechanisms; and 3) on-lending and/or blending.

Accreditation fees are based on the total projected costs of the proposed climate finance project or activity within a programme at the time of the application. There are four categories which refer to the total projected costs of the activity, irrespective of the portion that is funded by GCF.

- Micro (projects up to USD 10 million): USD 1,000 for the basic fiduciary standards and USD 500 for each specialised fiduciary standard.
- Small (projects between USD 10 million to 50 million): USD 5,000 for the basic fiduciary standards and USD 1,000 for each specialised fiduciary standard.
- Medium (projects between USD 50 million to USD 250 million): USD 10,000 for basic fiduciary standards and USD 3,000 for each specialised fiduciary standard.
- Large (projects above USD 250 million): USD 25,000 for basic fiduciary standards and USD 7,000 for each specialised fiduciary standard.

Step 3: GCF Secretariat application review

Once application fees are received, the GCF Secretariat reviews the application to ensure the mandate of the accreditation applicant aligns with GCF's mandate and objectives in targeting climate finance, and in a manner that can contribute to developing country programming priorities with GCF. The Green Climate Fund has identified eight strategic impact areas[9] for delivering major mitigation and adaptation benefits.

The GCF Secretariat also checks whether the accreditation applicant has provided sufficient information about the applicant's systems, policies, procedures and guidelines related to safeguarding projects against financial, environmental, social and gender risks and impacts. The GCF Secretariat will also check whether information on the applicant's track record of applying the systems, policies, procedures and guidelines have been provided.

[8] Fees from entities from SIDS and LDCs have the fees waived for the Micro and Small level of accreditation related to fiduciary and ESS.

[9] The eight areas include: energy generation and access, transport, buildings, cities, industries and appliances, forests and land use, livelihoods of people and communities, health, food and water security, infrastructure and the build environment and ecosystems and ecosystem services.

The GCF Secretariat may ask applicants questions about their accreditation application with the aim to have a complete application. This often involves considerable back and forth correspondence between the applicant and the GCF Secretariat.

The specific link to the GCF process and materials is included in the following link - https://www.greenclimate.fund/accreditation.

Issues with Accreditation

An AF workshop in 2019 in Durban, South Africa, included countries that had gone through the process and found that with accreditation the following challenges in Accreditation and Reaccreditation (accredited entities have to undertake reaccreditation after 5 years). Key challenges identified in the accreditation and reaccreditation process were as follows (Adaptation Fund 2019):

i. Deficiency in internal human and institutional capacity to meet the requirements for accreditation and reaccreditation. It was noted that both accreditation and reaccreditation are long processes that are capacity intensive and costly for entities.

ii. Lack of clarity around what documents are required and/or not required, especially related to the fast-tracking accreditation process. Entities also attributed this lack of clarity and associated delays to the constantly changing policies and requirements from funders.

iii. Language was a key issue raised amongst the French and Spanish groups. Translating national policies and legal documents into English is costly and often multiple iterations are needed when document requirements are unclear.

iv. Entities have to spend time and money duplicating and adapting existing national laws and government policies into organisational documents to satisfy funding requirements that are not tailored to the local context and type of organisation seeking accreditation. Entities face capacity challenges when tailoring existing national policies and laws into their institutional frameworks and policies to meet accreditation requirements.

Readiness Support and Project Preparation Grants

For the Adaption Fund there is a Readiness Programme with support available to accredited implementing entities, which includes introduction seminars, facilitating peer to peer learning and the provision of small grants to support project formulation and the implementation of specific policies such as the environment and social policy. There is also the opportunity to form knowledge management including the publishing of country case studies, media outreach and the documentation of lessons learnt on Climate Finance Ready website (see https://www.adaptation-fund.org/readiness/).

AF Readiness Grants

The Adaptation Fund Board has made available several small grants under the Readiness Programme to help national implementing entities (NIEs) provide peer support to countries seeking accreditation with the Fund and to build capacity for undertaking various climate finance readiness activities. There are also:

- South-South Cooperation Grants.
- Project Formulation Assistance Grants.
- Technical Assistance Grants.

- Project Scale-up Grants.
- Capacity Building Events.

Policies and Guidelines

The Fund has published guidance documents for implementing entities on compliance with the Adaptation Fund Environmental and Social Policy (ESP) and Gender Policy. The documents provide practical guidance to implementing entities on achieving and demonstrating compliance with the ESP and Gender Policy in the project and programme cycle whenever project implementation has the potential to trigger risks in those areas. (see https://www.adaptation-fund.org/documents-publications/operational-policies-guidelines/)

GCF Support

The GCF Readiness Support programme is a funding programme to strengthen the institutional capacities of Nationally Designated Authorities/focal points and direct access entities to engage with the Fund. It aims to ensure that the accreditation standards of the GCF do not pose an impediment to direct access. The readiness programme is a good place to start for countries just getting to know the GCF or with little experience in applying to international climate change funds.

This support can be delivered to countries directly through National Designated Authorities (NDAs) or Focal Points or through a wide range of delivery partners with relevant expertise and experience (e.g. UNDP, UNEP). Consultations carried out to inform this guide indicate that where possible countries should apply for readiness support directly so as to build institutional capacity through the process.

The GCF guidebook "*Accessing the GCF Readiness and Preparatory Support Programme*"[10] sets out the steps involved in accessing readiness support. This is the primary route to readiness support for countries wishing to build their capacity to access the fund. All developing countries can access the Readiness Programme and overall the aim is to deliver 50% of readiness support to LDCs, SIDS and African countries. As of 2017 over half of the countries accessing some form of readiness support were SIDs, LDCs or African states. The support available covers:

- Up to USD 1 million per country per year. Of this, NDAs or focal points can request up to USD 300,000 per year to establish or strengthen an NDA/focal point. Readiness support can also be used to support direct access entities to become accredited and for assessments of institutional capacity, fiduciary and ESS policies and to develop strategic frameworks at national level.
- Up to USD 3 million per country to develop National Adaptation Plans or other adaptation processes.

Other sources of GCF readiness support, in addition to the GCF readiness programme there are other delivery partners/readiness support programmes in Pacific are delivered by:

- UNDP Pacific Office and UNDP Bangkok.
- GIZ/DFAT climate finance readiness programme.
- USAID Ready and ISSAC (now closed).

[10] This can be accessed through the following link https://www.greenclimate.fund/document/readiness-and-preparatory-support-guidebook

- Pacific Islands Forum Secretariat.
- Asian Development Bank.
- Pacific NDC Hub (through the revitalised Regional Technical Support Mechanism).
- Others including the FAO, the Commonwealth Secretariat (through the Climate Finance Hub).

Regional meetings can help share lessons learned and enable to sharing of experiences and building of capacity. Antigua and Barbuda held a regional meeting for eastern Caribbean states in the spring of 2017 to share their experiences to date. A meeting of partners supporting readiness in the Pacific took place in Fiji in 2016, Tonga in 2017 and FSM in 2018 (a link to the meeting is here https://www.greenclimate.fund/event/structured-dialogue-pacific-2018) to improve the coordination of country and regional GCF support activities. The meeting addressed the challenges NDAs and focal points were experiencing due to working with multiple partner initiatives.

The Project Preparation Facility (PPF) is another part of the readiness support available to countries and accredited entities under the GCF. It aims to support project and programme preparation requests from all accredited entities, especially direct access entities and micro-to small scale projects. Accredited entities can access funding support (as a grant, repayable grant or as equity in the case of private sector projects) to assist with project development.

The GCF emphasises the need to ensure synergies between its project preparation activities and the Readiness Programme in order to ensure country ownership and facilitate the development of standard tools, methods and project documents, as well as increasing efficiency by building institutional capacity in implementation. The Guidelines for the PPF (the link is here https://www.greenclimate.fund/projects/ppf) set out the process for accessing support . The PPF provides support up to USD 1.5 million per project for the following activities associated with project and programme development:

1. Pre-feasibility and feasibility studies, as well as project design;

2. Environmental, social and gender studies;

3. Risk assessments;

4. Identification of programme/project-level indicators;

5. Pre-contract services, including the revision of tender documents;

6. Advisory services and/or other services to financially structure a proposed activity; and

7. Other project preparation activities, where necessary, provided that sufficient justification is available.

Section 5: Lessons Learned

Based on interviews conducted for this assignment and a review of papers the following are lessons learned by national institutions seeking accreditation from the Adaptation Fund and the GCF, these include:

- Although time and resource intensive, accreditation for direct access helps to build institutional capacity and ensure country ownership of projects and funds. Where possible countries should be encouraged to apply directly (rather than through a delivery partner) for readiness support in order to build institutional capacity. For the MCT, they found that the strengthened internal controls and mechanisms and robust operational frameworks create an upgraded level of accountability and transparency, thereby increasing trust and confidence in country systems and enable countries to negotiate and bargain harder for other mediums of climate finance such as budget support from bilateral donor partners in the future
- Direct access through a nationally accredited entity also builds capacity for project development at the national level and leads to projects that are more programmatic and inclusive. The MCT identified that it reduces transaction costs and could potentially lead to greater alignment and better targeting of national priorities. Direct access is more favourable to countries with relatively well-established institutions and not necessarily the most vulnerable. Many FICs are highly vulnerable yet have low levels of institutional capacity.
- It is important to take time at the national level (coordinated by the NDA) to decide on which entity to put forward for accreditation – to maximise the chances of successful accreditation and to avoid overloading the GCF proposal pipeline with multiple applications from the same country. Likewise taking time to identify finance gaps (by mapping climate finance flows and needs) and to identify the projects best suited to the GCF will contribute to success.
- It is important to spend time at the outset planning for engagement with the GCF secretariat, identifying the relevant stakeholders and making the links to relevant national policies. Rigorous accreditation process to meet the fiduciary principles and standards, environmental and social safeguards and gender policy of the GCF can be burdensome as well as time and resource consuming for the limited capacities of FICs.
- It is critical to choose the right institutions to play the roles of NDA and accredited entity. To be successful these institutions must have the necessary procedures and policies in place and be suited to play the role. For example, institutions acting as NDA should be well placed to fill a coordination and facilitation role.
- The accreditation process is rigorous and time-consuming. It is important to have the right team in place, with a senior level leader and adequate human and financial resources. However, the benefits include increased national ownership and control. Greater national ownership is created as national entities prepare to bear responsibility for financial management, monitoring and overall programme/project management. There is also greater control of funding and how they are being directed to national priorities
- It is important that senior management prioritise accreditation as the process requires institutional endorsement and senior level support is needed to authorise access to confidential documents and to sign off on legal agreements. It is also useful to assign

one person to lead on organising all the supporting documents and coordinate all interactions and correspondence with the GCF secretariat.

- Engage with the AF/GCF and representatives from the start. Build a relationship, ask questions and seek advice.
- Use the GCF accreditation self-assessment to understand the accreditation process, its requirements and to identify any gaps you may have to fill. • Apply for readiness support at an early stage to identify gaps in your institutional processes and to build capacity to fill these gaps. For example, to fulfil the requirements in relation to fiduciary, environmental and social risk. The experience of the MCT was that by complying with environmental and social safeguards and gender policy requirements of global climate funds will strengthen project development capacities, which ensure that projects are inclusive and environmentally and socially responsible (PIFS 2018).
- Make sure project proposals are in line with the objectives of the fund and anticipate that project approval can take as long as the accreditation process. The MCT observed that absorbing the scale of financing available through the Green Climate Fund can be challenging for the limited and already stretched levels of human and institutional capacity that are available in FICs
- To ensure buy in and success engage external stakeholders (communities, CSOs, other government departments etc.) from the early stages of project creation and design right through to implementation and monitoring and evaluation. For example, in Senegal compliance with the GCF environmental and social safeguards meant that stakeholder engagement happened from the early stages of project development rather than kicking in at the implementation stage.

Box 1: Lessons from the Micronesian Conservation Trust

The MCT opened its doors in 2002 as the first conservation trust fund in the region with technical support from The Nature Conservancy. After overcoming various challenges and changes in operational strategy, it began active grant-making in 2004 with two small sinking funds (US$25,000 each) and continued modest fundraising, sustaining operations and grant-making with grants ranging from US$25,000 to US$75,000.

In 2006, MCT was selected as the financial mechanism for the Micronesia Challenge (MC). Through this position MCT assisted the MC jurisdiction in raising, investing, disbursing and managing the MC Endowment Fund. In 2008, MCT completed its transition from a national organisation operating solely in the Federated States of Micronesia (FSM), to a regional organisation supporting and facilitating sustainable development in all five Micronesian jurisdictions (FSM, Republic of the Marshall Islands, Republic of Palau, US Territory of Guam and the Commonwealth of the Northern Mariana Islands). This expansion involved a restructuring of the governing board, from a national Board of Directors composed primarily of conservation professionals to a regional Board of Trustees composed of seven regional representatives and two international members, across a range of fields, from conservation and community development, to law, banking and business.

MCT supports conservation across Micronesia by: providing long-term, sustained funding through grant programmes; building the capacity of Micronesians and Micronesian organisations to design and manage conservation programmes; and providing a regional forum to bring people from government, private enterprise, the wider community and non-profit organisations together to collectively address the challenges of natural resource management in Micronesia. The MCT has a particular focus on small grants programmes, to ensure funding is channelled to the local level and to support the capacity of NGOs and CSOs to also manage finance and projects.

By 2018, MCT was administering over 50 projects across Micronesia funded by over 15 funding sources. MCT is a Regional Implementing Entity to the Green Climate Fund for projects up to US$10 million, and a National Implementing Entity to the Adaptation Fund.

Over that time the MCT has had to adapt and build the strength of the organization as a private corporation working with local partners and balancing it with the expectations of being an RIE to access and manage bigger amounts of money can be strenuous on the limited capacity of the organization.

Source PIFS (2018).

Section 6: Conclusion

AEs or NIEs are responsible for overseeing project and financial management, and so are the only institutions that need to be accredited by the Adaptation Fund or the GCF. Those that have gone through the accreditation process suggest being prepared for a rigorous, time-consuming, but ultimately useful endeavour. From previous work, they generally recommend ensuring that the institution has adequate human and financial resources dedicated to the accreditation process, including a team of people able to access information about the different sections of the institution. Buy-in from the senior level is also reported as crucial.

Some institutions have struggled more to provide documentation related to the accreditation requirements than to actually meet the standards. They therefore encourage others to ensure that they truly understand the application process by, for example, reaching out to the relevant fund early to ask questions about the process. They also recommend beginning early to thoroughly document the institution's systems and processes. Some institutions that did not initially meet all the requirements have benefited from being flexible enough to take on new processes, and from being creative in their thinking about how to meet the standards. Readiness support has helped national institutions overcome some of these challenges.

Overall, reflecting on the Pacific experience some of the key lessons identified for the recommendations going forward.

- This is a national investment – time, resources and people are necessary to be successful. As a result, National consultants are a must.
- At the national/institution level, clear goals, good relations with the NDA and appropriate entity (legal form) to become the AE/NIE are necessary pre-requisites. Local stakeholders and partners also have to be onboard and process is needed for their engagement and understanding of the process.
- There is no one road to successful accreditation.
- Using the guidance – it can be helpful in canvasing support and linkages with partners, regional organisations and training institutions.
- Framework should be partnered with a peer to peer-support process and a technical assistance mechanism to support the process.
- Multi-access strategy – work with RIEs/RAEs and MIEs/MAEs. Country access ambitions should be spread across multiple partners.
- Thinking differently: value of considering local CSOs and/or private sector. There is a focus on government in many AE considerations.
- The value of Readiness efforts to build capacity.
- Entities should work closely with NDAs and ensure that they embark in projects that are in line with country priorities
- The accreditation process is worth it only if the accredited entity intends to implement not one project, but several projects.

Glossary of key terms

Accredited Entities (AE): An entity that is accredited by the Board in accordance with the governing instrument and relevant Board decisions.

Adaptation: Adjustment in natural or human systems in response to actual or expected climatic stimuli or their effects, which moderates harm or exploits beneficial opportunities.

Adaptation Fund (AF): The Adaptation Fund was established to finance concrete adaptation projects and programmes in developing countries that are particularly vulnerable and are Parties to the Kyoto Protocol (and since 2019 the Paris Agreement). The Fund is to be financed with a share of proceeds from Clean Development Mechanism (CDM) project activities and receive funds from other sources. It is operated by the Adaptation Fund Board.

Basic fiduciary standards: These standards assess the capacity of an entity to identify, prepare, submit and implement funding proposals for projects and programmes in line with national needs for mitigation and adaptation to climate change. They include: (a) key financial and administrative capacities; and (b) transparency and accountability.

Capacity building: In the context of climate change, the process of developing the technical skills and institutional capability in developing countries and economies in transition to enable them to address effectively the causes and results of climate change.

Carbon market: A popular (but misleading) term for a trading system through which countries may buy or sell units of greenhouse-gas emissions in an effort to meet their national limits on emissions, either under the Kyoto Protocol or under other agreements, such as that among member states of the European Union. The term comes from the fact that carbon dioxide is the predominant greenhouse gas, and other gases are measured in units called "carbon-dioxide equivalents."

Certified Internal Auditor (CIA): Is a certification offered to accountants who conduct internal audits, offered by the Institute of Internal Auditors (IIA). This credential is the only such accepted worldwide.

Clean Development Mechanism (CDM): A mechanism under the Kyoto Protocol through which developed countries may finance greenhouse-gas emission reduction or removal projects in developing countries, and receive credits for doing so which they may apply towards meeting mandatory limits on their own emissions.

Climate change: A change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural climate variability observed over comparable time periods.

Climate finance: Refers to the financial resources mobilised to help developing countries mitigate and adapt to the impacts of climate change (Overseas Development Institute - ODI)

Climate finance readiness: Capacities of countries to plan for, access, deliver, and monitor and report on climate finance, both international and domestic, in ways that are catalytic and fully integrated with national development priorities and achievement of the Millennium Development Goals (MDGs) (United Nations Development Programme - UNDP).

Code of ethics: A guide of principles designed to help employees and contractors conduct business and operations honestly and with integrity. A code of ethics may outline: the mission and values of an institution, how employees are expected to approach a problem. These ethical principles will generally be based on an organisation's core values. Compliance-based codes of ethics usually outline the guidelines for conduct and the penalties for violations of the principles.

Concept note: A project or programme concept document which provides basic information about a project or programme to seek feedback on whether the concept is broadly aligned with the objectives and policies of the Fund.

Conflict of interest: A situation where a person or organisation with vested interests in another entity, organisation or asset becomes unreliable because of a clash between their personal and professional interests. Self-dealing is the most common conflict of interest and occurs when management level employees accept transactions from another organisation benefiting their manager but harming their organisation.

Delivery Partners (DP): Institutions selected by the National Designated Authority (NDA) or focal point to implement activities approved under the Readiness and Preparatory Support Programme. Delivery partners provide services such as: development of readiness request proposals; implementation and supervision; fiduciary management; progress reporting; and project completion and evaluation. Delivery partners may be AEs or other institutions assessed to meet the financial management capacities requirements of the Fund.

Direct access: Initially presented in 2007 as part of a Decision to operationalise the Adaptation Fund at the United Nations Framework Convention on Climate Change (UNFCCC) conference in Bali, the direct access modality is defined as the possibility to invite eligible Parties and institutions (referred to as "entities") selected by Governments to directly approach the Adaptation Fund and submit project proposals directly to the Fund. This modality is also used by the Green Climate Fund (GCF).

Enhanced Direct Access (EDA): Aims to increase the level of country ownership. Selected accredited entities will submit a proposal in consultation with the NDA describing: (i) The scope of activities that will be considered for financing in conformity with the Fund's eight result areas; (ii) The country/entity level approval process of specific pilot activities set up in conformity with the Fund's investment framework and results management framework; and (iii) The institutional arrangements set up to ensure oversight and multi-stakeholder engagement. Unlike the traditional direct access modality, there will be no submission of individual projects or programmes because decision-making for the funding of specific pilot activities will be devolved at the country level.

Direct access entity (DAE): Refers to subnational, national or regional entities that are accredited by the GCF under the direct access modality to receive direct financial transfers in order to carry out adaptation projects and programmes funded by the GCF. They may include regional agencies, national ministries or government agencies, development banks, climate funds, commercial banks, other financial institutions, etc.

Environmental and Social Management System (ESMS): Processes that institutions have in place to make sure that they adequately identify, assess, manage, mitigate and monitor environmental and social risks and respond to problems that arise. All institutions seeking accreditation to the GCF must have an ESMS. The strength of the ESMS can vary though depending on the accreditation category.

Environmental and Social Safeguards (ESS): A reference point for establishing criteria for accrediting institutional capacities and entities seeking accreditation to the Fund, and for identifying, measuring and managing environmental and social risks. The main purpose of the ESS is to determine the key environmental and social risks the AE intends to address in the conceptualisation, preparation and implementation of funding proposals, and to provide guidance on how these risks are to be managed. ESS is based on the eight performance standards (PS) of the International Finance Corporation.

Evaluation: A systematic assessment of the worth or utility of an intervention at a specific point in time, for example whether a policy has been effective in achieving set objectives.

Executing Entities (EE): With respect to the Green Climate Fund, organisations that execute eligible activities supported by the GCF under the oversight of accredited Implementing or Funding Entities.

External auditing standards: The standards for external auditing are the Generally Accepted Auditing Principles (GAAP) set by the American Institute of Certified Public Accountants. A separate set of standards called the International standards on Auditing were established by the International Auditing and Assurance Board.

Fast-Start Finance (FSF): At COP 15 in Copenhagen in 2009, developed countries pledged to provide new and additional resources, including forestry and investments, approaching USD 30 billion for the period 2010 - 2012 and with balanced allocation between mitigation and adaptation. This collective commitment has come to be known as "Fast-start Finance".

Fiduciary Standards: Refers to the basic and specialised fiduciary requirements of the GCF that accredited entities and readiness partners need to comply with depending on the nature of the activities funded by the GCF.

Financial Mechanism: Developed country Parties (Annex II Parties) are required to provide financial resources to assist developing country Parties implement the Convention. To facilitate this, the Convention established a financial mechanism to provide funds to developing country Parties. The Parties to the Convention assigned operation of the financial mechanism to the Global Environment Facility (GEF) on an on-going basis, subject to review every four years. The financial mechanism is accountable to the COP.

Funding Proposal: Accredited entities can access GCF resources to undertake climate change projects and programmes by submitting funding proposals to the Fund.

Gender: Refers to how societies and specific cultures assign roles and ascribe characteristics to men and women on the basis of their sex. For example, many cultures share expectations that women are more nurturing than men, and that men should be soldiers during wars.

Gender Policy: The Fund's gender policy aims to ensure the GCF will efficiently contribute to gender equality and will, in turn, achieve greater and more sustainable climate change results. The gender policy is applied to all of the Fund's activities, whether implemented by international, regional, national or subnational, public or private entities or institutions that access GCF's resources.

Global Environment Facility (GEF): The GEF is an independent financial organisation that provides grants to developing countries for projects that benefit the global environment and promote sustainable livelihoods in local communities. The Parties to the Convention assigned operation of the financial mechanism to the GEF on an on-going basis, subject to review every four years. The financial mechanism is accountable to the COP.

Green Climate Fund (GCF): At COP 16 in Cancun in 2010, Governments established the GCF as an operating entity of the financial mechanism of the Convention under Article 11. The GCF will support projects, programmes, policies and other activities in developing country Parties. The Fund will be governed by the GCF Board.

Independent Technical Advisory Panel (ITAP): Provides independent technical assessment of, and advice on, funding proposals for the GCF Board. The Panel conducts the technical assessments at the analysis and recommendations to the Board stage of the Fund's project and programme activity cycle. This is done in accordance with the Fund's initial proposal approval process, and in order to provide objective technical advice on funding proposals for the Board.

Indicator: A measurable characteristic or variable which helps to describe an existing situation and to track changes or trends – i.e. progress – over time.

Intended Nationally Determined Contributions (INDCs): Are the primary means for governments to communicate internationally the steps they will take to address climate change in their own countries. INDCs reflect each country's ambition for reducing emissions and adapt to climate change impacts, taking into account its domestic circumstances and capabilities. They pair national policy setting — in which countries determine their contributions — with a global framework under the Paris Agreement that drives collective action toward a zero-carbon, climate-resilient future.

Nationally Determined Contribution (NDC): as countries formally join the Paris Agreement and look forward to implementation of these climate actions – the "intended" is dropped and an INDC is converted into a Nationally Determined Contribution (NDC). Under the provisions of the Paris Agreement, countries will be expected to submit an updated NDC every five years, which will represent a progression beyond the country's then current NDC to reflect its highest possible ambition.

Intergovernmental Panel on Climate Change (IPCC): Established in 1988 by the World Meteorological Organization and the UN Environment Programme, the IPCC surveys world-wide scientific and technical literature and publishes assessment reports that are widely recognised as the most credible existing sources of information on climate change. The IPCC also works on methodologies and responds to specific requests from the Convention's subsidiary bodies. The IPCC is independent from the Convention.

Intermediation: Activities involving investments through financial intermediation functions or through delivery mechanisms involving financial intermediation.

Investment criteria: Six investment criteria adopted by the Board, namely impact potential, paradigm shift potential, sustainable development potential, needs of the recipient, country ownership and efficiency and effectiveness. There are coverage areas, activity-specific sub-criteria, and indicative assessment factors that provide further elaboration. Please refer to the

Board decision on further development of the Initial Investment Framework which provides more detailed explanation of the Fund's investment criteria.

Investment Framework: The Fund's Investment Framework details possible indicators (or indicative assessment factors) that may help entities to quantify impact potential. For example, a renewable energy project/programme may wish to provide the expected number of Megawatt (MW) of low emission energy capacity installed, generated and/or rehabilitated.

Internal audit: Is the examination, monitoring and analysis of activities related to an institution's operations. Audits are important components of an institution's risk management by helping to identify issues before they become major problems. Internal audits may take place over varying periodicities depending on the function being audited, with some departments being audited more frequently than others: a daily, weekly, monthly or annual internal audit may assess the effectiveness of an institutions internal control systems and help to uncover cases of fraud, waste or abuse.

> **Auditing process:** An internal audit will generally begin by the auditing officer assessing current institutional processes and procedures, followed by analyses and comparison of these result versus internal control objectives, to determine whether internal policies, national and international laws are being complied with. Finally, the auditor's report will be presented to senior management.
>
> **Financial auditing:** When auditing financials, the goal will be to determine whether the institutions financial statements comply with the generally accepted accounting principles of that particular jurisdiction. It will ensure that the financial records are a fair and accurate representation of the transactions that they claim to represent.

Internal controls: as defined by the Committee of Sponsoring Organisations (COSO) of the Treadway Commission, internal controls are the processes set by an entity's board of directors, management and other personnel, that are designed to provide assurances that an entity's objectives in the effectiveness and efficiency of their operations, the reliability of financial reporting, and compliance with applicable laws and regulations. No two internal control systems will be the same, however, they should all be documented to create an audit trail. Internal controls will generally be defined in two categories: preventative and detective.

Preventative: Preventative internal controls are policies and procedures that do not allow certain activities to take place, therefore are a proactive first line of defence especially within a financial accounting system. E.g. the segregation of duties whereas tasks are **delegated** amongst several staff members to ensure no single person is in a position to authorise, record, and be in custody of a financial transaction and resulting asset.

Detective: Detective internal controls are the backup procedures that ensure preventative internal controls operate as intended, allowing items or events missed by the first line of defence to be caught within a second set of controls. E.g. performance reviews of budgets, forecasts and other benchmarks; the follow-up of unexpected conditions or unusual results; external audits from accounting firms and internal auditing of assets.

Know your customer (KYC) due diligence: The process of identifying and verifying the identity of clients. This process may also be used for the purpose of ensuring agents, consultants and distributors procured are anti-money laundering, anti-bribery and anti-terrorist financing compliant. KYC should encompass a customer policy, customer identification process, monitoring of transactions and financial risk management, and equivalent processes.

Kyoto Protocol: An international agreement standing on its own, and requiring separate ratification by governments, but linked to the UNFCCC. The Kyoto Protocol, among other things, sets binding targets for the reduction of greenhouse-gas emissions by industrialised countries.

Least Developed Countries (LDCs): The world's poorest countries. The criteria currently used by the Economic and Social Council (ECOSOC) for designation as an LDC include low income, human resource weakness and economic vulnerability.

Least Developed Country Fund (LDCF): the LDCF is a fund established to support a work programme to assist Least Developed Country Parties to carry out, inter alia, the preparation and implementation of national adaptation programmes of action (NAPAs). The Global Environment Facility, as the entity that operates the financial mechanism of the Convention, has been entrusted to operate this fund.

Logframe: One of the most used methods to articulate and clarify how a set of activities will achieve the desired outcomes and objective of a project (or its 'theory of change'). The logframe represents a results map or results framework which is part of Result Management Framework (RMF). The logframe also captures basic monitoring and evaluation (M&E) requirements. The project/programme's logframe is critical to determining the costs at the activity level required in the proposal template, the overall budget, and the timeline and key milestones.

Loss and damage: At COP 16 in Cancun in 2010, Governments established a work programme in order to consider approaches to address loss and damage associated with climate change impacts in developing countries that are particularly vulnerable to the adverse effects of climate change as part of the Cancun Adaptation Framework.

Mitigation: In the context of climate change, a human intervention to reduce the sources or enhance the sinks of greenhouse gases. Examples include using fossil fuels more efficiently for industrial processes or electricity generation, switching to solar energy or wind power, improving the insulation of buildings, and expanding forests and other "sinks" to remove greater amounts of carbon dioxide from the atmosphere.

MRV: Measurable, reportable and verifiable. A process/concept that potentially supports greater transparency in the climate change regime.

Multilateral Implementing Entity (MIE): With respect to the Green Climate Fund or the Adaptation Fund, Multilateral Institutions and Regional Development Banks chosen by eligible Parties to submit proposals to the Board, will bear the full responsibility for the overall management of the projects and programmes financed by the Fund and will bear all financial, monitoring and reporting responsibilities.

Monitoring: Systematic and continuous collection of information that enables stakeholders to check whether an intervention is on track or achieving set objectives.

National Adaptation Plan (NAP): According to decision 5/CP.17, paragraph 1, the objectives of the NAP process are: a) to reduce vulnerability to the impacts of climate change, by building adaptive capacity and resilience; and b) to facilitate the integration of climate change adaptation, in a coherent manner, into relevant new and existing policies, programmes and activities, in particular development planning processes and strategies, within all relevant sectors and at different levels, as appropriate.

National Adaptation Programmes of Action (NAPAs): Documents prepared by least developed countries (LDCs) identifying urgent and immediate needs for adapting to climate change.

National Designated Authority (NDA): A core interface and the main point of communication between a country and the Fund. The NDA seeks to ensure that activities supported by the Fund align with strategic national objectives and priorities, and help advance ambitious action on adaptation and mitigation in line with national needs. A key role of NDAs is to provide letters of no-objections for project proposals.

Paradigm shift: A fundamental shift of all countries towards low-carbon and climate-resilient sustainable development, in accordance with the GCF agreed results areas and consistent with a country-driven approach. It should be noted that this is not an official definition from the GCF and that the terms 'paradigm shift' and 'transformational change' are often used interchangeably. The paradigm shift of a project corresponds to the degree to which the proposed activity can catalyse impact beyond a one-off project/programme investment. This can be emphasised by providing further details on the four related factors:

> **Potential for scaling up and replication**: The proposal should illustrate how the proposed project/programme's expected contributions to global low-carbon and/or climate resilient development pathways could be scaled up and replicated, including a description of the steps necessary to accomplish it.
>
> **Potential for knowledge and learning**: Any potential for the creation or the strengthening of knowledge, collective learning processes or institutions should be highlighted.
>
> **Contribution to the creation of an enabling environment**: The sustainability of outcomes and results beyond the completion of the intervention should be highlighted. The proposal should explain how proposed measures will create conditions that are conducive to effective and sustained participation of private and public-sector actors in low-carbon and/or resilient development that go beyond the programme.
>
> **Contribution to regulatory framework and policies**: The proposal should elaborate on how the proposed project/programme advances national/local regulatory or legal frameworks to systematically drive investment in low-emission technologies or activities, promote development of additional low-emission policies, and/or improve climate-responsive planning and development.

Performance Measurement Framework (PMF): A performance measurement system intended to monitor the Fund's results at the project, programme and aggregate portfolio levels. The GCF has distinct PMFs for mitigation, adaptation and REDD+ activities. The PMFs comprise a set of indicators that measure progress towards intended results based on the paradigm-shift objective, Fund-level impacts and project/programme outcomes outlined in the Fund's mitigation, adaptation and REDD+ logic models.

Private climate finance: The financial resources mobilised from private sector to leverage the public climate finance in mitigating and adaptation on the impact of climate change in developing countries. Private climate finance is represented in many forms such as Foreign Direct Investment (FDI), and philanthropic to mention a few.

Procurement: The process through which products and services are acquired or purchased. Procurement takes into account the budgeting, supply chain and payment, amongst other factors. The procurement process will also involve identifying an entity's needs, identifying and evaluating potential suppliers, and negotiating with these suppliers over the price and quantity to find the best result for an organisation with respect to their culture, mission and mandate.

Project: A set of activities with a collective objective(s) and concrete outcomes and outputs that are narrowly defined in scope, space, and time; and that are measurable, monitorable, and verifiable.

Project Preparation Facility (PPF): Supports AEs in project and programme preparation. It is especially targeted to support direct access entities, and micro-to-small size category projects. The PPF can support project and programme preparation costs from all AEs, especially direct access entities and especially for projects in the micro-to-small size category. Funding available is up to USD 1.5 million for each PPF request, and can be provided through grants and repayable grants while equity may be considered for private sector projects through grants or equity. Funding proposals developed with the PPF should be submitted to the GCF Board within two years of the approval of a PPF request.

Programme: A set of interlinked individual sub-projects or phases, unified by an overarching vision, common objectives and contribution to strategic goals, which will deliver sustained climate results and impact in the GCF result areas efficiently, effectively and at scale.

Public climate finance: The financial resources that are mobilised from the public revenues sources such as taxes to mitigate and adapt to the impacts of climate change in developing countries.

Results Management Framework (RMF): A life-cycle approach to results management through measurements to improve decision making, transparency and accountability. The approach is in line with improving the way that the Fund functions by achieving outcomes through implementing performance measurement, learning and adapting, in addition to reporting performance.

Small Islands Developing States (SIDS): Low-lying coastal countries that tend to share similar sustainable development challenges, including small but growing populations, limited resources, remoteness, susceptibility to natural disasters, vulnerability to external shocks, excessive dependence on international trade, and fragile environments. The SIDS were first recognised as a distinct group of developing countries at the United Nations Conference on Environment and Development in June 1992.

Special Climate Change Fund (SCCF): The SCCF was established to finance projects relating to adaptation, technology transfer and capacity building, energy, transport, industry, agriculture, forestry and waste management and economic diversification. This fund should complement other funding mechanisms for the implementation of the Convention. The Global

Environment Facility (GEF), as the entity that operates the financial mechanism of the Convention, has been entrusted to operate this fund.

Specialised Fiduciary Standards: These standards refer to the institutional capacities that will make entities eligible to undertake specialised activities within the GCF based on the nature and scope of their mandate. These include (a) Project management; (b) Grant award mechanisms and/or funding allocation mechanisms; and (c) On-lending and/or blending.

Strategic planning: Is an organisation's process of defining its strategy or direction. In addition, making decisions on the allocation of resources, either financial or in-kind resources, towards the pursuit of this strategy or direction. Strategy itself has many definitions, but generally describes how an organisation's ends (goals) will be achieved by the means (resources).

Theory of change: A methodology for planning, participation and evaluation that is used to promote long-term change. The theory of change defines long-term goals and then maps backward to identify necessary preconditions. The innovation of theory of change lies in making the distinction between desired and actual outcomes, as well as in requiring stakeholders to model their desired outcomes before they decide on forms of intervention to achieve those outcomes. The theory of change is an inclusive process involving stakeholders with diverse perspectives in achieving solutions. The ultimate success of any theory of change lies in its ability to demonstrate progress on the achievement of outcomes. Evidence of success confirms the theory and indicates that the initiative is effective. Therefore, the outcomes in a theory of change must be coupled with indicators that guide and facilitate measurement. The added value of a theory of change lies in outlining a conceptual model that demonstrates the causal connections between conditions that need to change in order to meet the ultimate goals.

Trust funds: Funds earmarked for specific programmes within the UN system.

United Nations Framework Convention on Climate Change (UNFCCC): Is an international environmental treaty negotiated at the Earth Summit in Rio de Janeiro from 3 to 14 June 1992, then entered into force on 21 March 1994.

Vulnerability: The degree to which a system is susceptible to, or unable to cope with, adverse effects of climate change, including climate variability and extremes. Vulnerability is a function of the character, magnitude and rate of climate variation to which a system is exposed, its sensitivity and its adaptive capacity.

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