

# **Mapping Study**

## **A report on the Accreditation process for the Green Climate Fund and the Adaptation Fund**

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# Mapping Report – Understanding the Green Climate Fund and Adaptation Fund processes for accreditation and their relevance for a Framework Design

## 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 greater interest in various possible entities in the Pacific to consider the process to become 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 for 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.<sup>1</sup>

To date, 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 (as accredited entities based in the region) then there are six entities in the Pacific.<sup>2</sup> 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 as part of this project.

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 the 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.<sup>3</sup>

## Scope of the Paper

The main objectives of this mapping paper are to:

- Report on the GCF/AF processes, standards, responses and guidance. Identify the standards in approaches that need to be cleared and considered for accreditation.
- Give context to supporting climate resilient development in the light of COVID19.

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<sup>1</sup> In 2017 Antigua and Barbuda had an Adaptation project approved as the NIE.

<sup>2</sup> 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.

<sup>3</sup> The submission of revised NDCs will likely see a lot of countries more clearly define their climate change pipelines.

- Learning pathways – what do we need to learn, build capacity and guide. (What stage are you at and how serious are your efforts – resourcing, motivation and 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 challenges, enabling factors and benefits related to direct access to the AF/GCF (from accreditation, project development and project implementation) and where possible document the different ways in which stakeholders, especially vulnerable communities, have participated in the direct access process;
- Discuss lessons from the accreditation processes in SIDS; and
- Examine examples of NIEs/DEAs, and explore their characteristics, and analyse the lessons that can be learned.

## Why finance is needed

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.

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 inhabited 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. All in all, economic costs of climate change have been large and are expected only to increase. In 2012, the World Bank 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.<sup>4</sup>

## How successful has the Pacific been to date

One of the common justifications given for countries to direct access funds from has been the problems in working with multilateral agencies to access funds from the AF and GCF as well as other multilateral funds (such as the Climate Investment Fund), bilateral sources and private funds as well. According to analysis by Atteridge and Canales (2017), that is now somewhat dated, the global amount of funds accessed by the Pacific was estimated around US\$745

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<sup>4</sup> 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 Harold 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.

million over the period 2010-14. More recent (and less reliable) sources such as Lowly Institute estimate that the Pacific has accessed from the major multilateral climate funds around US\$315.56 million for climate finance over the 2010-20 period.<sup>5</sup>

In terms of the specific funds, there has been some success for access to funds:

- Since the launch of the GCF, the GCF Board has approved 29 projects that include SIDS, for a total of USD 818 million.
- For the Adaptation Fund, the AFB has approved 11 Pacific projects for a total of \$47.7 million.

While not meeting the amount of funds necessary for the Pacific or SIDS, this represents a reasonable proportion of total approved finance, in consideration of per capita representation. However, substantially less co-finance has been catalysed for SIDS compared to non-SIDS. The specific projects for the AF and GCF are explained in the following tables 1 and 2. The GCF has seen a mixture of funds between adaptation and mitigation but there have been a bias to adaptation overall. The funds from the adaptation fund have been predominantly directed to urban and disaster risk reduction programmes.

**Table 1:** Access to GCF Funding by SIDS

Country	Type of Access	Type of project	Amount	Implementing Entity
Fiji	Direct	Mitigation	\$US3.9 m (loan)	Fiji Development Bank
Antigua and Barbuda	Direct	Adaptation	\$US32 m	Department of the Environment
Caribbean	RIE	Adaptation	\$US20 m	Caribbean Development Bank
Vanuatu	RIE	Adaptation	\$US23 m	SPREP
Pacific Regional	MIE	Adaptation	\$US47.4 m	UNEP
RMI	MIE	Adaptation	\$US18.6 m	UNDP
Tonga	MIE	Mitigation	\$US29.9 m	ADB
RMI	MIE	Adaptation	\$US25.0 m	World Bank
Tuvalu	MIE	Adaptation	\$US36.0 m	UNDP
Total (Pacific)			\$183.8 m	

Source: GCF website.

The type of funds that have been accessed by the Pacific have been almost uniformly been grant based finance. This reflects the underlying notion that much of the priorities for action are adaptation and that according to the UNFCCC Article 4 that this is the responsibility of developed countries and should be addressed by them providing funding. The AF only provides grants to countries but the GCF has a range of modalities that include grants, loans, guarantees or equity. Only the recently approved FDB Fiji project for a mitigation project was a loan.

<sup>5</sup> The sources include the Adaptation Fund (US\$38.7m), the Climate Investment Fund (US\$14.76m), the Global Environment Facility (US\$236.87m), Global Green Growth Institute (5.43m), and Green Climate Fund (US\$19.8m). These are actual funds received rather than the funds promised. Source: Lowy Institute Pacific Aid Map - <https://pacificaidmap.lowyinstitute.org/>.

**Table 2:** Access to Adaptation Fund Finance

Country	Year	Type of project	Amount	Implementing Entity
FSM	2018	Adaptation – multisector	US\$970,000	MCT
Cook Islands	2018	Adaptation – multisector	US\$2,999,125	MFEM
Fiji	2017	Adaptation – urban	US\$4,235,995	UN Habitat
Solomon Islands	2017	Adaptation – urban	US\$4,395,877	UN Habitat
FSM	2017	Adaptation – coastal	US\$9,000,000	SPREP
PNG	2012	Adaptation – disaster risk reduction	US\$6,530,373	UNDP
Samoa	2011	Adaptation – multisector	US\$8,732,351	UNDP
Cook Islands	2011	Adaptation – disaster risk reduction	US\$5,381,600	UNDP
Solomon Islands	2011	Adaptation – urban	US\$5,533,500	UNDP
Total			US\$47,778,821	

Source: Adaptation Fund website.

Access is difficult and has been slow, a study by the Saunders for the Stockholm Environment Institute (SEI) titled, ‘*Climate Change Adaptation Finance: Are the Most Vulnerable Nations Prioritized?*’ in 2019 warned that “the allocation of adaptation finance is not consistently aligned with the sentiment of the Paris Agreement.” The findings demonstrate that:

- The most vulnerable nations are the least likely to be selected as finance recipients by both bilateral and multilateral donors;
- Multilateral donors are found to allocate more adaptation finance to SIDS, yet they are not observed to prioritize vulnerable nations in the selection stage;
- Multilateral donors are less orientated towards recipient needs than their bilateral counterparts; and
- Countries that are most vulnerable to climate change receive smaller allocations of adaptation finance from bilateral donors than their less vulnerable counterparts.

The paper found that bilateral donors allocate more adaptation finance to recipients with a higher level of need, determined by gross domestic product (GDP) per capita. Supported countries with more strategic importance, for example, those with whom they share a larger amount of bilateral trade and have a higher levels of good governance, where aid is presumed to be more effective.

Multilateral donors, the article also noted, prioritize well-governed nations. In spite of targeting groups vulnerable to climate change, multilateral donors do not prioritize the most vulnerable within those groups. The study concludes that there are barriers that limit the ability of the most

climate vulnerable countries to access a share of adaptation finance proportionate to their level of need. Hence, there is an underlying support for the notion that SIDS should consider accreditation to ensure that there is access.

## Where are countries at?

There is a lot of time and resources that have to be invested to enable access to climate finance in the last decade. Reflecting on the interviews (see Interview paper) and a desk-based assessment of the experience of Pacific island countries and other entities based in region in accessing finance that the following issues are important for access to finance:

1. Priorities – clear and well understood national climate change actions.
2. Pipeline – project proposals that have undergone an initial pre-feasibility or multi-criteria assessment to consider the possible net benefits and co-benefits linked to national plans (such as the NDC).
3. Plans for Accreditation – process that has developed a criteria for possible NIEs/AEs and list of possible applicants who are willing to undertake the process. There is also a process of linking finance that will be necessary for the process, consultants and capacity building to achieve accreditation.

Table 4, brings together the analysis and consideration of these priorities.

Current Pacific plans are at different stages, according to the GCF and AF and other partners contacted for this paper there are varying levels of engagement by the countries. Issues such as capacity, political will to ensure the process continues and financial support to develop a project pipeline were identified as some of the reasons why countries have not progressed as quickly as others.

**Table 4:** Review of Pacific island countries pipelines and plans.

Country	Pipeline Plans	Accreditation Plan	Remarks
Cook Islands	Yes – GCF Country Programme	Yes, MFEM already accredited to AF and GCF.  Working on BCI (GCF).	Well advanced with access experience and integrated Readiness programme to support.
Fiji	Proposal to be completed by end of 2020	FDB already accredited (GCF).  Additional plan for government agency to undertake the process.	Progressed first Pacific DAE project.  Undertaken policy processes but implementation has been slow.
FSM	Being developed and expected to be completed in coming months.	Yes, progressing with support from USAID Ready project.	MCT is based in FSM and has received support from the NDA.
Kiribati	GCF plan is ready to be finalised.	Yes there are plans.	Australian funded Adviser provided advice on climate finance access.
Nauru	No recent pipeline development.	No firm plans at this time.	Project being led through GCF process to identify pipeline.
Niue	Yes, pipeline has been developed but not published.	Yes, plan to progress an AE.	
Palau	No.	No.	Palau has yet to access any Readiness funds to support any work by the DA or NDA.
PNG	Yes, pipeline developed in the GCF Work Programme.	Yes, several agencies have approached the NDA to express interest and learn more about the process.	PNG has been progressing it policy, and institutional. Support is being drawn from Readiness funds.
RMI	Yes, in process to develop specific pipeline.	Yes.	RMI is already benefiting from several GCF projects being implemented by MIEs.



<b>Country</b>	<b>Pipeline Plans</b>	<b>Accreditation Plan</b>	<b>Remarks</b>
Samoa	Yes.	Yes, process is progressing slowly.	Samoa has not accessed any GCF Readiness funds, but plans are underway.
Solomon Islands	Yes, there are a range of project ideas but no specific feasibility studies.	Yes, two agencies have been identified but still in early stages of the process.	NAPA completed in 2008. GCF Readiness applications are underway to complete NAP.
Tonga	Yes, plans are advanced.	Yes, early stages with the Tongan Development Bank.	Accessed GCF through the ADB.
Tuvalu	Yes, plans are underway.	Yes, Ministry of Finance and Economic Development (already an NIE).	Continues to progress national plans on accreditation and has access to GCF Readiness funds to build capacity.
Vanuatu	Yes, work is near completion.	Discussions are underway with several entities.	Process being led by a Government committee.

Source: Interviews various.

## Why is it so hard? Is a gap in adaptation plans and the finance necessary.

There are many factors affecting the ability of countries to access climate finance. In the technical review advice to the Parties for the sixth review the Financial Mechanism (UNFCCC 2017) the review noted that in terms of accessibility to finance, some major gaps highlighted in a number of studies included: the lack of developing country capacity to devise a national strategy for utilizing available climate finance resources and for attracting climate-friendly investments; legal issues within entities; financial management and integrity; institutional capacity at the design, appraisal and implementation phases; and risk assessment capacity. These are common issues that were also identified in the interviews conducted for this report.

To overcome these gaps at the international level, scaling up and coordinating financial resources to support capacity-building initiatives have appeared as a need. The Review went onto note that at the national level, better coordination among the national focal points across different ministries was underscored as being necessary. The increasing complexity of the global climate finance architecture, while in principle creating more choice for recipient countries, could create complications as countries often find it difficult to understand the requirements of the different funds and the differences between them. These also reflected some of the common views that were discussed in the assessment of interviews and feedback from countries and other stakeholders. This is echoed by the Chase et al (2020) report that saw that in the key challenges to meet SIDS needed to consider [their]:

“Lack of capacity to develop concept notes and funding proposals to the GCF standard is the greatest challenge SIDS face in receiving GCF finance. SIDS appreciate and access GCF support for concept note development under RPSP 2.0. However, the Secretariat’s short-term technical assistance for this is not regarded as sufficiently hands-on for SIDS. Further, the typical RPSP delivery partner model of training workshops does not build sustainable or sufficient capacity for developing concept notes. SIDS require not only technical assistance but also support to address human capacity constraints.” GCF 2020.

An additional concern for SIDS regarding GCF project development is the separation of climate change from development activities. Many SIDS lack the historical local or national climatological data necessary to substantiate claims that GCF investments are required for adaptation. While not a focus of this paper, the ongoing hesitation between linking development and action on climate change is going to delay access, project development and implementation.

A Peruvian based NGO has undertaken several reviews of their accreditation processes. The following are some of the common challenges, identified by Barrigh (2016), that they faced during both the GCF and AF experience. These are useful in reinforcing some of the similar challenges being faced by the Pacific.

**Operationalization of New Policies/Procedures:** though it had the institutional flexibility to incorporate new procedures into its Operations Manual, it was time consuming to sufficiently implement such procedures and provide documented evidence that reflected its operationalization.

**Fit-for-Purpose:** Strategising the most obtainable and appropriate fit-for-purpose selection was demanding. Barrigh (2016) identified that they opted for a strategy that aimed to increase its chances of being amongst the first institutions to become accredited, with the goal to upgrade after gaining additional experience and enhancing institutional capacities to meet the other fit-for-purpose standards.

**Evidence of Institutional Capacity:** difficulty in identifying what institutional specific documents – such as policy, procedures, manuals, guidelines – were best suited to demonstrate the capacity or required standards sought by the Funds. Even more challenging, was to understand what supporting documents could be used to demonstrate that new procedures/committees/policies etc. had been operationalized.

**Transparency:** The GCF/AF's transparency and anti-corruption measures required the development of additional institutional reporting pathways as well as the creation and implementation of a way to “report” incidence via their website. It was challenging and time consuming to identify what measures the GCF/AF required to increase transparency.

**Documentation:** it was necessary to ensure that one person to organize all the supporting documents, verify relevance or responsiveness of documents to the questions posed and coordination of the translation effort greatly facilitated the process.

**Uniformity of Institutional Policy Regardless of Donor:** To meet GCF standards, Profonanpe needed to develop and operationalize its own institutional policies and procedures instead of using those of the donor funds.

**Risk Management and Project oversight:** To better anticipate project risk, Profonanpe needed to design a risk management plan which included project categories and risk identifier including both risks anticipated and unforeseen. To maintain strong oversight, Profonanpe also needed to develop a template for project oversight that contains a means to evaluate that risk mitigation measures were functioning.

## Who are these entities?

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

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 is financed with a share of proceeds from the clean development mechanism (CDM) project activities and other sources of funding. The share of proceeds amounts 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*, 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, 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).

## Understanding the Accreditation Process

To enable this paper to be developed and crafted to respond to the scope of work it is important that the processes associated with accreditation are explained. Overall, the processes for each organisation for accreditation is a combination of minimum standards in administrative and financial capacity that ensure transparency and accountability in operations. Combined with specific standards for project management, grant and award funding allocation processes and specific policy and procedures for dealing with environmental, social safeguards issues and specific areas such as gender.

To reduce the burden on applications there has been ongoing work by both the AF and GCF to ensure that accreditation for one entity allows for a more rapid process of accreditation for the other. In interviews conducted for this paper the GCF was clear that they would accept the AF processes. However, in a review by the AF in 2018 and feedback from different entities that had participated in the process, they highlighted that there was still some overlap and a requirement to complete the specific standards of each body.

It appears that further work needs to be done in the COP advice to ensure that the AF and GCF continue to work to ensure that their criteria is harmonised further to ensure shorter processes

for accreditation by an agency once an entity has satisfied the criteria for either the AF or the GCF.

### 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: A national entity that meets the accreditation standards is identified and nominated as an implementing entity by the national Designated Authority, for each of the difference categories:

- A National Implementing entity (NIE) must be nominated by their respective government 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 AFB 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. Supporting documents can include a range of internal policy, governance and procedures in key areas (basic operations and advanced fiduciary processes) the standards are explained in the next section.

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<sup>6</sup>: 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

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<sup>6</sup> 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

Accreditation Panel will provide its final assessment to the Board with a recommendation. There is often several stages of comments and feedback given to prospective entities.

5. Accreditation Panel recommendation: The Adaptation Fund Board considers 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: this included such matters as accurate recording of transactions, disbursing funds on a timely basis, and audited periodically by an independent firm or organization. This requires the organisation to have an operational history.
- 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 initiates 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 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 \(adaptation-fund.org\)](https://adaptation-fund.org)

## Accreditation Process - The Green Climate Fund

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 (and it is strongly recommended that they do) 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 GCF 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 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. International Access Entities can seek GCF accreditation directly without nomination by a developing country National Designated Authority. An NDA nominates Direct Access Entity applicants by filling out the NDA nomination template and sending it to the GCF.

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

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

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.<sup>7</sup>

#### Accreditation fees

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 the GCF.

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

National and subnational applicants in Small Island Developing States (SIDS) and Least Developed Countries (LDCs) 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.

#### *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 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.

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.

#### Independent Review

Once the GCF Secretariat is satisfied that application completeness requirements are met, submitted documents are then forwarded to the Accreditation Panel. The Accreditation Panel

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<sup>7</sup> Fees from entities from SIDS and LDCs have the fees waived for the Micro and Small level of accreditation related to fiduciary and ESS.



is an independent technical panel, composed of six (6) senior experts, that provides advice to the GCF Board on results of the in-depth assessment and review of individual applications for accreditation. At this point, the Accreditation Panel may ask applicants to provide clarifications, while liaising with the GCF Secretariat.

#### *Step 4: Recommendation to the GCF Board*

The GCF Secretariat and the Accreditation Panel then send their recommendations to the GCF Board. This recommendation will include the GCF Secretariat's assessment and the recommendation by the Accreditation Panel regarding accreditation and the accreditation criteria. The Accreditation Panel may also, in cases where it finds gaps in the accreditation applicant meeting the GCF standards it is applying for, recommend conditions of accreditation. For example, conditions may be prior to first disbursement for the amendment or development of a policy or procedure, or an ongoing condition applied to all GCF-funded projects regarding information to be provided or additional monitoring requirements.

If the application is complete and does not require follow up questions, the duration of the review process by both the GCF Secretariat and the Accreditation Panel could be a minimum of six months, or three months for fast-tracked applications. The GCF Board, which generally meets three times a year, makes the final decision about whether to accredit the entity. The GCF Secretariat then informs the applicant entity about the result of the GCF Board decision.

#### *Step 5: Legal arrangements*

The approved Accredited Entity will then sign an Accreditation Master Agreement (AMA) with GCF. AMAs are legal agreements that set out the terms and conditions for an entity's use of GCF resources. They formalise the Accredited Entity's accountability in carrying out GCF-approved projects appropriately. For individual GCF-funded activities approved by the Board, the Accredited Entity enters into a Funded Activity Agreement (FAA) for each approved project, which contains project-specific terms.

Accredited Entities are required to carry out a yearly self-assessment of their operations to assess whether they continue to meet the accreditation standards they have applied for. They are also required to submit yearly progress reports about their management of GCF-approved climate finance projects or programmes. Accredited Entities will need to re-apply to retain their status every five years.

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

#### **Have the Institutions been responsive to the needs of SIDS?**

An ongoing issues for many SIDS and LDCs undergoing these processes has been the ability of the various entities to respond to the criteria laid out the entities. The criteria is uniform for all prospective applicants. For example, in a recent Report by the GCF in SIDS experience, they identified a couple of key issues in terms of relations with SIDS (GCF 2020), noting that this refers to all GCF interventions and not just accreditation. They included:

- **Flexibility of policies.** The report found that discussions on GCF policies and frameworks make specific mention of the consideration of SIDS and refer to capacity needs. Flexibility is less frequently mentioned and is required in the interpretation and

application of GCF policies to account for the specific circumstances of SIDS. However, the absence of guidance on what flexibility means in practice translates into a risk of misinterpretation or misapplication.

- **Relevance of policies.** Lack of Board-approved policies on critical issues was also reported to have inhibited project development in SIDS. Half of the policies that are of most concern and interest to SIDS – including incremental costs, concessionality, co-financing and programmatic approach – are yet to be approved by the GCF Board. In particular, a lack of clear policy guidance on the programmatic approach is holding back AEs from developing such programmes for SIDS.
- **Responsiveness to Conference of the Parties (COP) guidance.** The GCF has responded to SIDS specific COP guidance – which relates to private sector engagement, simplified and efficient access, and readiness and accreditation – but the outcomes of those actions have only been partially effective. Further engagement is also needed around the topic of the GCF’s role in financing activities related to loss and damage, which is of keen interest to SIDS.

There is an ongoing need to evaluate and assess the performance of the various entities that provide climate finance to SIDS. The development of guidance in the UNFCCC process and careful scrutiny of reports to the COP are valuable in the ongoing accountability of these bodies.

There has also been much criticism by SIDS of the slow pace in which funds from the AF and GCF have been accessed. SIDS in the UNFCCC process have sought to have improvements in the processes of both entities to enable faster and simpler means for SIDS and LDCs to access funds through national accredited entities. In regard to the GCF Accreditation process, the GCF internal audit unit reviewed the GCF processes for accreditation (for all entities and not just those from SIDS), they found the following, which are useful on understanding the ongoing context of access.

- The AC established by the Board has not been able to deliver on its overall mandate for a variety of reasons. This means that so far there is little guidance or examination of critical issues related to the mix and distribution of AEs in the GCF. The alignment and effectiveness of the accreditation process, its function and its evolution require that such an oversight body is able to function properly.
- The AP interacts primarily with the Secretariat and has little interaction with the Board. Its TORs indicate the AP’s role in technical reviews of applications, but in reality, the AP does not review AE’s alignment with GCF strategic priorities.
- The Accreditation and Entity Relations team is responsible for managing and executing the accreditation process and function. This important function is delivered by two full-time equivalent employees who are currently stretched. The team’s 2020 workplan does not explicitly mention the project-specific assessment approach, or its role in assessing the alignment of AEs with the GCF’s mandate.

## Approaching climate change priorities in a COVID era

While not in the specific ToR for this work, the current COVID-19 pandemic and associated responses is provoking or exacerbating regression in both efforts to build resilient societies and nurture a culture of risk reduction, as well as progress in realising the goals and targets for

sustainable development and climate change adaptation and mitigation. It is clear that global interconnectedness through supply chains has highlighted that the transmission of risk from one country/region to another can happen quickly and disrupt governance, economic and social systems.

As a result of the pandemic, the Pacific region faces two generation-defining challenges – recovering from the coronavirus pandemic and responding to climate change. Despite their serious, deep and global impacts, both present transformational opportunities. They are also closely entwined. If they can enable an economic recovery that aligns with a transition to lower carbon emissions (and eventually zero carbon), they have the chance to capture a ‘triple dividend’ of economic, social and environmental benefits and embed resilience into development. There remains great value in countries continuing their efforts to invest in blue and green growth plans to shift the paradigm from carbon to decarbonisation.

A low to zero-carbon economy transition strategy has the potential to create significant economic and employment opportunities across all regions of the Asia-Pacific. To succeed, this strategy will need to be well informed, well planned, well implemented, and appropriately resourced. The additional stimulus, rebuilding and recovery measures that can be introduced by governments as the COVID-19 policy moves from response to recovery and rebuilding is the platform for recasting the current institutions, systems and societies into the foundations for such a strategy.

For its part, the GCF notes that climate resilient development is aimed at helping countries and communities withstand unexpected shocks. In the short term, the GCF has announced initial measures to respond to the impacts of COVID-19. The Fund announced in April 2020 that it has enhanced its ICT capabilities to better enable its staff to work from home to minimise risk of infection and comply with travel restrictions. The GCF has also announced some flexibility for project partners, with a 6-month no-cost extension to certain grants under the Readiness and Preparatory Support Programme and Project Preparation Facility, and a reasonable reallocation of travel budgets. More recently, the GCF has announced another set of financial support and access to TA to enable a greening of resilient recovery through readiness funds to undertake pre-feasibility work associated with low carbon and climate resilient projects; country readiness and preparation support for proposals; and accelerated development of investment to raise climate ambitions that have strong socio-economic co-benefits.

## Guidance in other regions

There have been a variety of papers and guidance that has been developed to walk countries through the accreditation process. The following reflect a range of relevant publications that have been found and referenced in this publication. These should be helpful in developing that specific guidance that have been used in this consultancy to help guide and shape the content and analysis.

An analysis by Barrigh (2016) has developed a good set of principles:

- An external pre-screen assessment or an extensive institutional self-assessment prior to beginning the accreditation process provides valuable institutional insight. The identification of capacity gaps, or potential gaps, at the beginning of application process ensures additional time is allotted for their resolution.

- In order to facilitate on-going progress and avoid delays in the application process, the applicant must be responsive, efficient and timely with submission of Fund requests/requirements - regardless of the time the Fund takes to respond.
- Collaboration and communication with the Accreditation Panel is key. Dialogue provides clarification, guidance and direction on application requirements, facilitates the preparation of the application and increases institutional capacity building.
- Applicants must anticipate the need for a testing period for new/revised procedures in order to obtain documented evidence of its successful implementation and operationalization.
- Every statement on the application must be backed by evidence of its existence through provision of documented policies/manuals or project examples.

In addition to those principles identified, the following lessons during the GCF/AF accreditation were identified:

- Applicants benefit from maintaining institutional flexibility. An entity's willingness and ability to adjust procedures and incorporate new institutionally appropriate policies will allow the entity to meet GCF standards.
- A strong accreditation team representing expertise in all application areas coupled with support from top management will ensure forward momentum of the application process.
- The accreditation application provides an opportunity for the entity to differentiate itself and highlight how it specifically contributes to the GCF objective for a paradigm shift.
- Application answers should be specific and clear – each statement or project example must be backed with evidence demonstrating experience and capabilities.
- Obtaining a deep and specific knowledge of safeguards will facilitate the accreditation process as well as benefit the likelihood of successfully designing GCF project proposals.
- Develop a Gender Policy that is institutionally and nationally appropriate and that can be applied to the various types of projects undertaken by the entity.

## Principles for progressing a Framework

In drawing together this work and reflecting on the interviews the following points are made about approaching the development of a NIE/AE Framework:

- No one road to access is correct but developing and retaining new knowledge is critical to success. Knowledge and capacity has to be captured and retained.
- This is a national decision, and requires commitment and investment – time, resources and people are necessary to be successful. To make that more likely to be successful, local stakeholders and development partners (for technical assistance) have to be onboard.
- Furthermore, at the national/institution level, having clear climate change priorities, good relations with NDA/DA and choosing an appropriate entity (one with a legal form) to become the AE/NIE are necessary pre-requisites.
- Countries should be willing to consider a multi-access strategy – opportunities with RIEs/RAEs and MIEs/MAEs should be explored.

- Readiness programmes are a good way to support capacity building and reduce the direct cost of accreditation. For example, the Bank of Cook Islands.
- General guidance rather than specific steps (processes will evolve) with case examples is probably the best way forward.
- Track the development of knowledge and experience and identify appropriate interventions.
- Framework should be partnered with a peer to peer-support process and a technical assistance mechanism to support the process.
- Using the guidance – it can be helpful in canvassing support and linkages with partners, regional organisations and training institutions.

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