Green Climate Fund Overview & Accreditation Process: Ministry Discussion

30 March 2017
Session 1: Green Climate Fund Overview
Green Climate Fund (GCF): Overview

• **GCF mission:**
  • to support a paradigm shift in the global response to climate change
  • to mobilize funding at scale
  • to invest in low-emission and climate-resilient development

• *The Fund pays particular attention to the needs of societies that are highly vulnerable to the effects of climate change, in particular Least Developed Countries (LDCs), Small Island Developing States (SIDS), and African States.*
## GCF Investment Areas

### Reduced emissions from
- Energy generation and access
- Transport
- Buildings, cities, industries, and appliances
- Forests and land use

### Increased resilience of
- Livelihoods of people and communities
- Infrastructure and built environment
- Health, food and water security
- Ecosystems and ecosystem services
GCF Investment Criteria for Projects & Programmes (D.1-D.3)

D.1: **Climate Impact Potential** – climate mitigation and/or adaptation impact

- Specific values or best estimate of CO$_{2\text{eq}}$ reduction
- Total # of direct/indirect beneficiaries

D.2: **Paradigm shift potential** – to catalyze impact beyond one-off investment

- Estimates and/or details about scale-up and replication
- Potential for knowledge & learning
- Contribution to creation of enabling environment

D.3: **Sustainable development potential** – to provide wider development, economic & social co-benefits

- # of jobs created
- Govt budget deficits reduced
- Improved access to education, health & safety, air quality, gender sensitive development etc
GCF Investment Criteria for Projects & Programmes (D.4-D.6)

**D.4: Needs of recipient** – vulnerability to climate change & financing needs of recipients.
- Level of exposure to climate risks for beneficiary country & groups
- Fiscal or balance payment gap that prevents country from addressing needs
- Needs for strengthening institutions & implementation capacity

**D.5: Country ownership** – led by country not outside donors, interests
- Alignment with national strategies, priorities in mitigation or adaptation plans
- Roll for local developers, partners, service providers, etc

**D.6: Effectiveness and efficiency** – economic & financial soundness of proposed activities
- Costs per tCO$_{2eq}$
- Co-financing ratio (total amount of Fund’s investment as % of project
- Economic financial rate of return, etc.
Readiness Programme

• Funding programme to enhance country ownership and access to the GCF
  • Resources: Strengthening the institutional capacities of NDAs or focal points and direct access entities to efficiently engage with the Fund.
  • All developing countries can access the Readiness Programme

• The Readiness Programme provides:
  ➢ Up to USD 1 million per country per year. Of this amount, NDAs or focal points may request up to USD 300,000 per year to help establish or strengthen a NDA or focal point to deliver on the Fund’s requirements.
  ➢ Up to USD 3 million per country for the formulation of national adaptation plans and/or other adaptation planning processes. *(Nepal NAP proposal approved in November 2017)*
Readiness Programme Funding Areas

1. Establishing and strengthening national designated authorities or focal points
2. Strategic frameworks, including the preparation of country programmes
3. Support for accreditation and accredited direct access entities
4. Formulation of national adaptation plans and/or other adaptation planning processes
GCF Total Funding

<table>
<thead>
<tr>
<th>PLEDGED</th>
<th>SIGNED</th>
<th>COMMITTED</th>
<th>TOTAL VALUE</th>
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<td>10.3 billion</td>
<td>10.1 billion</td>
<td>1.5 billion</td>
<td>4.7 billion</td>
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Approved Projects as of March 2017

- 35 Projects
- 103m Beneficiaries
- 183m TONNES of CO2

GEOGRAPHIC DISTRIBUTION
- Eastern Europe: 2
- LATAM & Caribbean: 7
- Asia Pacific: 13
- Africa: 15

PRIORITY COUNTRIES
- SIDS: 7
- LDCs: 12
- AFRICAN STATES: 15
Access Modalities for GCF Funding
GCF Accreditation

• GCF provides funds through a wide range of institutions to finance projects and programmes.

• To access funding, institutions go through a process of “accreditation,” designed to assess whether they are capable of:

  i. strong financial management;

  ii. safeguarding funded projects and programmes against any unforeseen environmental or social harm; and

  iii. managing GCF's resources in line with the Fund's fiduciary standards, E&S standards, and Gender Policy Entities seeking accreditation to access GCF resources will also be assessed
Accredited Entities

• Accredited Entities have different characteristics:
  • private or public
  • non-governmental
  • sub-national
  • national, regional or international
• Must meet the standards of the GCF
• AEs carry out a range of activities, including:
  • Development of funding proposals
  • Management and monitoring of funded projects and programmes
Role of Accredited Entities

- Once accredited AEs bear the **full responsibility** for the overall management of the projects and programmes approved by the GCF Board

- Prepare projects
- Respect country ownership
- Project appraisal, structuring, supervision and evaluation
- Reporting
Implementation Functions:

• Management and delivery of project/programme activities to achieve specified results,

• Responsible for the project cycle management services with due diligence management of a project throughout the entire project cycle;

• Accountable to donors for the cost effective use of donor funds in the implementation of project activities; and

• Compensated for their services in management of the project cycle through an agency/entity fee
Execution Functions

**Execution Functions:**

- Responsibility for specific project/programme activities and acceptance of accountability for results;

- Accountable to Implementing Entity (IE) and responsible for the day-to-day activities of the project;

- Responsible for following all fiduciary policies and procedures of the IE as well as national policies and procedures of the beneficiary country;

- Receive Project Management Cost of 5-10% to finance the execution functions of an Executing Partner/Executing Entity.
Enhanced Direct Access (EDA)

Background:

- Objective: To strengthen country ownership by allowing an effective operationalization of modalities with potential to enhance access by direct access entities from both public and private sector.
- A pilot program ($200m for 10 pilots)
- At least 4 pilots to be implemented in SIDS, LDCs and African States
- An access modality for Direct Access (accredited) entities
- Devolves decision making on specific activities to the direct access entity
  - Existing modalities require approval through the GCF board
  - EDA would allow for a grant process where approval lies with implementing entity
    - Identification, screening, assessment and selection is made at regional, national, subnational level
EDA Proposed Mechanism

- Financial instruments available include grants, loans, equity and guarantees
- EDA promotes a consultative multi-stakeholder approach at all levels
  - **Identification and design of activities**: ‘inclusion of a wide range of stakeholders including local actors, especially...vulnerable communities and those representing gender aspects, public institutions, local bodies, NGOs, CSOs SMEs”
  - **Review and approval of activities**: the decision making body should include civil society, private sector, and other relevant stakeholders
  - **Oversight and accountability**: ‘countries participating in the EDA are required to exercise oversight of the activities to ensure transparency…and should include relevant stakeholders
  - **Activities Funded**: Both adaptation and mitigation activities contributing to one or more of the GCF’s result areas. A significant share of small-scale activities should directly support communities or SMEs through, for example, small-scale grants or extended lines of credit.
GCF Accreditation Process
GCF Accreditation Application Stages

Application received

Stage I
180+ questions

Stage II (Step 1)
260+ questions

Stage II (Step 2)
Board decision

For National Entity – NDA Nomination Required to Apply
NUMBER OF ENTITIES AT EACH STAGE

As of 28 February 2017

TOTAL PIPELINE OF ACCREDITED ENTITIES AND ENTITIES SEEKING ACCREDITATION: 202

76
OAS ACCESS
Before submission

71
STAGE I
Applications submitted and under Stage I check

7
STAGE II
Step One Applications under Accreditation Panel review

48
STAGE II
Entities accredited

19*
STAGE III
Legal agreements signed

*Accreditation Master Agreements (AMAs) signed with Accredited Entities

Direct access entities
Private sector
International access entities
accreditation applications, such as standardized checklists that reviewers use in the Stage I institutional assessment and completeness check and the Stage II (Step 1) accreditation review.

Figure 4: Accreditation process

Abbreviations:
- AMA = accreditation master agreement
- FP = focal point
- NDA = national designated authority
- OAS = Online Accreditation System
- Stage I: The Stage I and Stage II checklists are available at <http://www.greenclimate.fund/partners/accredited-entities/get-accredited>.

Stage I

1. OAS account request
2. Application submission via OAS
3. Payment of accreditation fees
4. STEP 1: Confirm receipt of NDA/FP nomination
5. STEP 2: Institutional assessment and completeness check by the Secretariat*
6. Applicant sent confirmation of starting Stage I
7. Communication with NDA/FP

Stage II

8. STEP 1(b): Recommendation to the Board
9. STEP 2: Decision by the Board
10. Accredited entity

Stage III

11. Project and programme funding proposal preparation, assessment and approval process as per the Fund’s investment framework and results management framework

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

* With support from external technical experts on an as-needed basis

Post-accreditation Process

From Stage I

To Stage II and Stage III

From Stage II

To Stage III

To Stage III
Minimum Eligibility Criteria to apply for GCF Accreditation

1. Need to have a **legal personality** (entity needs its own legally personality)
2. Need to have **strong institutional system** with appropriate policies, procedures, guidelines, etc at the organizational level
3. Need to have a **track record** to demonstrate that policies, procedures, guidelines etc are being implemented by organization
Fit for Purpose Accreditation

Choices for accreditation within three categories:

1. **Size:**
   a) Micro (USD 0-10 M)
   b) Small (USD 10-50 M)
   c) Medium (USD 50-250 M)
   d) Large (USD over 250 M)

2. **Environmental Risk Category:**
   a) Low risk/Category C
   b) Medium risk/Category B
   c) High risk/Category A

3. **Fiduciary Function:**
   a) Project Management
   b) Grants
   c) On-lending/Blending
Fiduciary Function

• **Grant award and/or funding allocation mechanism.** This category refers to institutions that intend to provide grants to other institutions using money received from the GCF.

• **On-lending.** On-lending in this context refers to using money from the GCF to provide loans to other actors. This could also include providing equity or guarantees to other institutions. Institutions seeking accreditation do not need to meet this requirement if they intend to receive loans from the GCF but not on-lend that money to others.

• **Blending.** Blending in this case refers to combining finance from the GCF with money received from other international financial or multilateral institutions.
Basic Fiduciary Criteria: All Applicants
GCF Financial and Administrative Standards

1. General Management and Administrative Capacities
2. Financial Management and Accounting
3. Internal and External Audit
4. Control Frameworks
5. Procurement
Transparency and Accountability Standards

1. Code of Ethics
2. Disclosure of Conflicts of Interest
3. Preventing Financial Mismanagement
4. Investigations
5. Anti-money Laundering and Anti-Terrorist Financing Policies
Specialized Fiduciary Criteria
1. Project Identification, Preparation and Appraisal
2. Project Oversight and Control
3. Monitoring and Evaluation
4. Project-at-risk systems and related project risk management capabilities
Grant Award and/or Funding Allocation Mechanism

1. Grant award procedures
2. Public access to information on beneficiaries and results
3. Transparent allocation of financial resources
4. Good standing for financial requirements with regard to multilateral funding
On-Lending or Blending

Institutions need to provide documentation related to each of the following if they wish to become accredited to conduct on-lending or blending:

i. Prove appropriate registration and/or licensing by a financial oversight body or regulator in the country and/or internationally, as applicable.

ii. Expose track record, institutional experience and existing arrangements and capacities for on-lending and blending with resources from other international or multilateral sources.

iii. Show adequate creditworthiness.

iv. Conduct due diligence policies, processes and procedures.

v. Ensure financial resource management, including analysis of the lending portfolio of the intermediary.
vi. Ensure public access to information on beneficiaries and results.

vii. Demonstrate investment management, policies and systems, including in relation to portfolio management

viii. Prove capacity to channel funds transparently and effectively, and to transfer the GCF’s funding advantages to final beneficiaries.

ix. Manage financial risk management, including asset liability management.

x. Illustrate governance and organizational arrangements, including relationships between the treasury function and the operational side.
Environmental and Social Safeguards & Gender
Environmental and Social Risks

- Environmental and Social Policy
- Identification of Risks and Impacts
- Management Programme
- Organizational Capacity and Competency
- Monitoring and Review
- External Communications
Environmental and Social Safeguards (ESS)

Institutional ESMS policy-level:
✓ Performance Standard (PS) 1:
  Assessment and management of relevant PS1-8 environmental and social risks and impacts through an environmental and social management (ESMS)

Project-level:
✓ PS2: Labor and working conditions
✓ PS3: Resource efficiency and pollution prevention
✓ PS4: Community health, safety and security
✓ PS5: Land acquisition and involuntary resettlement
✓ PS6: Biodiversity conservation and sustainable management of living natural resources
✓ PS7: Indigenous peoples
✓ PS8: Cultural heritage

GCF Adopted IFC’s ESS Performance Standards
### Environmental and Social Risk Categories

(Source: GCF Accreditation Introduction

<table>
<thead>
<tr>
<th>Risk level</th>
<th>Funding proposals</th>
<th>Intermediation*</th>
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<tbody>
<tr>
<td>High</td>
<td><strong>Category A</strong>&lt;br&gt;Activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented.</td>
<td><strong>Intermediation 1 (I1)</strong>&lt;br&gt;When an intermediary’s existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented.</td>
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<tr>
<td>Medium</td>
<td><strong>Category B</strong>&lt;br&gt;Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures.</td>
<td><strong>Intermediation 2 (I2)</strong>&lt;br&gt;When an intermediary’s existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented.</td>
</tr>
<tr>
<td>Low/No</td>
<td><strong>Category C</strong>&lt;br&gt;Activities with minimal or no adverse environmental and/or social risks and/or impacts</td>
<td><strong>Intermediation 3 (I3)</strong>&lt;br&gt;When an intermediary’s existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts.</td>
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<tr>
<td>Element of ESMS</td>
<td>Low Risk – Category C/I-3</td>
<td>Medium or High Risk</td>
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<tr>
<td>Policy</td>
<td><em>Not Required</em></td>
<td>Must be consistent with PS 1-8</td>
</tr>
<tr>
<td>Identification of Risks &amp; Impacts</td>
<td>Process to screen &amp; categorize risk</td>
<td>Process &amp; implementation track record consistent with PS 1-8</td>
</tr>
<tr>
<td>Management Programme</td>
<td>Process to identify &amp; manage risks (incl. unanticipated risks)</td>
<td>Process &amp; track record for mitigating identified risk</td>
</tr>
<tr>
<td>Organizational Capacity &amp; Competency</td>
<td>Staff members able to categorize activities by risks</td>
<td>Clear roles &amp; authority for implementation; includes Senior Management</td>
</tr>
<tr>
<td>Monitoring &amp; Review</td>
<td>Monitoring for unforeseen impacts or risks</td>
<td>Process for &amp; track record of monitoring mitigation actions; includes Senior Management</td>
</tr>
<tr>
<td>External Communications</td>
<td>System to register, assess, respond to, and track stakeholder communication</td>
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Gender Standard

- Policies procedures to implement the GCF’s Gender Policy
- Experience with gender and climate change, including a track record of providing funding to both men and women
Gender GCF Policy

GCF’s gender policy has four main objectives:

1. To ensure the GCF will achieve greater, more effective, sustainable, and equitable climate change results, outcomes and impacts, in an efficient and comprehensive manner in both its internal and external procedures and activities;

2. To build equally women and men’s resilience to, and ability to address climate change, and to ensure that women and men will equally contribute to and benefit from activities supported by the Fund;

3. To address and mitigate against assessed potential project risks for women and men associated with adaptation and mitigation activities financed by the Fund

4. To contribute to reducing the gender gap of climate change exacerbated social, economic and environmental vulnerabilities

Analysis of Ministries from NDA Call for Accredited Entities
Government – strengths & weaknesses for meeting GCF standards

**Strengths**

- Government oversight – system for MoF engagement and oversight
- Absorptive capacity – undertaken larger projects
- District, community-level reach
- Extensive experience with multi-laterals and bi-laterals

**Weaknesses**

- Changes difficult to make (take time)
- Staff turn-over
- Set-up to execute projects and programs
- Each Ministry relies on specialized Ministries for certain standards (i.e. E&S safeguards, Internal Audit)
- Projects/programs rely heavily on multi-lateral/bi-lateral systems
Government – Potential Actions Needed to Fill Gaps

1. Selection of Ministry with oversight functions and broad mandate (potentially planning Ministry); Can serve to channel funding to technical line-Ministries

2. Create semi-autonomous unit within Ministry that carries out all IE type functions: Audit reviews, appraisal guidelines, M&E, E&S screening (potentially build on PCU already in place for major donor funded project/programme)

3. Short to medium term: Continue to work as EE and partner with IEs (national, regional or international)
Ethiopia’s Ministry of Finance

- *Prior experience in similar process is critical to faster accreditation:*

The Ministry of Finance and Economic Cooperation’s previous experience in putting in place, refining and implementing improvements to meet specific fiduciary requirements of various funds and multilateral and bilateral donors was particularly relevant in demonstrating the existing capabilities of the Ministry in meeting the GCF’s requirements:

- i.e. Global Fund, World Bank, the AfDB, and DFID, etc.)

Source: Climate Finance Ready (http://bit.ly/1XVY484)
Ministry of Finance and Economic Cooperation of the Federal Democratic Republic of Ethiopia (MOFEC)

- Accredited by the GCF March 2016
- Accredited for Small-sized projects (up to 50 M USD), Category B
- MOFEC houses and has created, jointly with another public sector entity focused on the environment, a designated special purpose facility that will channel its climate investments into the country.
- Currently has a portfolio of USD 400 M in “climate-resilient” pathways
- No GCF Projects Approved to date
Ethiopia’s MOFEC

• Accreditation involves assessing the existing national system beyond specifically assessing a potential NIE.

The accreditation process for a Ministry to international climate funds requires an assessment of a country’s fiduciary management and understanding of several aspects for which the NIE is not the lead. These include aspects like:

  ➢ audits, ethics, anti-corruption, anti-money laundering, procurement, and environment & social safeguards.

Source: Climate Finance Ready (http://bit.ly/1XVY484)
Ethiopia's MOFEC

• Accreditation requirements often don’t reflect the institutional and operational realities of budgetary and government institutions in least developed countries.

During the accreditation process, it was sometimes difficult to understand and relate fund requirements to the Ministry’s operational modalities and existing processes. This meant substantial effort was required to demonstrate the Ministry’s existing systems.

Source: Climate Finance Ready (http://bit.ly/1XVY484)
Ministry of Natural Resources (MINIRENA) of Rwanda

• MINIRENA was accredited by the Adaptation Fund in December 2011 and by the GCF at in July 2015
• Portfolio of approximately USD 120 M in climate change/natural resource projects
• Accredited for Small Projects, Category B
• No GCF projects approved to date
• Adaptation Fund project approved in November 2013:
  • USD 10 M
  • Reducing Vulnerability to Climate Change in North West Rwanda through Community Based Adaptation
Ministry of Natural Resources (MINIRENA) of Rwanda

• In 2011, the country adopted its Green Growth and Climate Resilience Strategy. The strategy provides a comprehensive plan consisting of 14 adaptation and mitigation programs that aim to foster sustainable growth, food security, and integrated resource management.

• The strategy resulted from a thorough stakeholder consultation process and breaks down each program into distinct actions, which are ranked according to
  • their emission reduction potential,
  • contribution to climate resilience,
  • timing and costs.

(Source: WRI, “Direct Access” to Climate Finance: Lessons Learned by National Institutions)
Ministry of Natural Resources (MINIRENA) of Rwanda

- The strategy Green Growth Strategy also presents current and potential sources of finance for each program. For example, the strategy identifies the Adaptation Fund as a potential funder for certain key programs, areas such as:
  - agriculture; disaster risk reduction; and the management of forests, land, and water.
- Given the high quality of the Green Growth and Climate Resilience Strategy, MINIRENA was able to use the guidance provided in the strategy to develop an effective concept note to the Adaptation Fund.

☞ Rwanda provides an example of how climate change national strategies can support engagement with international climate funds.

(Source: WRI, “Direct Access” to Climate Finance: Lessons Learned by National Institutions)
Discussion Session: Paving the Way Forward for National Entities
Questions to Consider

1. How does accreditation process link to the NAP planning process? Is it advisable to develop a portfolio of funding interventions and then develop strategy of organizations best suited to implement?

2. Which Ministries are best suited for an implementation role versus an execution role?
Thank you!