Institutional assessment kick-off workshop: What are the requirements to seek accreditation to the GCF?

Business Centre “Poytaxt”

Sh. Rashidov avenue, 16

Tashkent

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Glossary of key terms

**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. 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**: fiduciary criteria that stipulate the capacities of the implementing entity to identify, prepare, submit and implement funding proposals for projects and programmes in line with national needs for mitigation and adaptation to change climate. Their two elements are: (a) key financial and administrative capacities and (b) transparency and integrity.

**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 finance**: refers to the financial resources mobilised to help developing countries mitigate and adapt to the impacts of climate change (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) (UNDP).

**Code of ethics**: a code of ethics is 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.

⇒ **Compliance officer**: compliance with these ethical principles is often overseen by a dedicated compliance officer, tasked with keeping regulatory codes up to date and monitoring employee conduct to encourage compliance.

**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.

**Designated Authority (DA) (for the Adaptation Fund)**: an officer within the country’s government administration, who is authorised to sign on behalf of the country and communicate with the Adaptation Fund Secretariat. The DA is an individual, not an institution, and is appointed by a minister or ambassador. The DA’s principal role is to verify and affirm that the proposal is consistent with national adaptation priorities.

**Direct access**: first introduced in 2007 in the decision to operationalise the Adaptation Fund, taken during the 3rd session of the meeting in Bali of the Parties to the Kyoto Protocol, defining direct access as the option for eligible Parties to directly submit project proposals to the Adaptation Fund, and for institutions (normally termed ‘entities’) chosen by governments to approach the Adaptation Fund directly. Also used in the context of the Green Climate Fund.

⇒ **Enhanced direct access** (EDA): the term was introduced to the GCF to characterise a stronger devolution of decision-making, where both funding decisions and management (management, implementation and execution) take place at the national level.

**Executing entities**: with respect to the Adaptation Fund or 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 Standards (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".
**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 entities:** with respect to the Adaptation Fund or the Green Climate Fund, the national legal entities and multilateral organisations that have been accredited by the Board as meeting its criteria for accessing funding in order to approve and fund eligible activities.

**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 a Green Climate Fund as an operating entity of the financial mechanism of the Convention under Article 11. The GCF supports projects, programmes, policies and other activities in developing country Parties. The Fund is governed by the GCF Board.

**Implementing Entity:** with respect to the Green Climate Fund or Adaptation Fund, the entity accountable directly to the Board for the overall management of projects, as well as for the financial, monitoring and reporting aspects of project activities.

**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 of the Convention.

**Intended Nationally Determined Contribution (INDC):** 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.

**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 institution’s 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.

- **Auditors:** auditors can be internal employees and/or external outside firms.

**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 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.

**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.

**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 designated institution in the country with the authority and mandate to officially communicate and liaise with the Fund (Adaptation Fund or Green Climate Fund), through the Secretariat, and whose registered signatory has principal signing authority on behalf of the national government on matters pertaining to the Fund.

**National Implementing Entity (NIE):** with respect to the Green Climate Fund or the Adaptation Fund, the national institution accredited by the Board to receive direct financial transfers from the Fund in order to carry out adaptation projects and programmes.

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

**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 Investments, 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.

**Chief Procurement Officer (CPO):** as large procurements can be very complex and lengthy, many organisations will employ a Chief Procurement Officer to handle major acquisitions.
Procurement laws: most countries have strong government procurement laws to protect against fraud and local protectionism.

Regional Implementing Entity (RIE): with respect to the Green Climate Fund or the Adaptation Fund, the regional institution accredited by the Board to receive direct financial transfers from the Fund in order to carry out adaptation projects and programmes. RIEs include Corporación Andina de Fomento (CAF), Secretariat of the Pacific Regional Environment Programme (SPREP), Observatoire du Sahara et du Sahel (OSS) and West African Development Bank (BOAD).

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: refer to the institutional capacities that will make applicant entities eligible to undertake specialised activities based on the nature and scope of their mandate within the Fund’s operations. These include (a) project management (b) grant allocation mechanisms and (c) on-lending/blending.

Strategic planning: 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).

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


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.