



ADAPTATION FUND

AFB/EFC.25/6
4 October 2019

Ethics and Finance Committee
Twenty-fifth meeting
Bonn, Germany, 8-9 October 2019

Agenda item 7

**EFFECTIVENESS AND EFFICIENCY OF THE ACCREDITATION
PROCESS: ASSESSMENT OF THE GREEN CLIMATE FUND'S
(GCF) ACCREDITATION STANDARDS, INCLUDING A GAP
ANALYSIS**

Background

1. The ongoing effort by the Adaptation Fund Board the Board to identifying areas to foster complementarity with the Green Climate Fund (GCF), including accreditation, as well as with the effectiveness and efficiency of the accreditation process has resulted in the Board Decision (AFB.B.28/38). At its twenty-eight meeting, having considered document AFB/EFC.19/7/Rev.1 as well as the comments and recommendation of the Ethics and Finance Committee (EFC), the Adaptation Fund Board decided to:

- a) *Fast-track the re-accreditation of implementing entities accredited with the Green Climate Fund (GCF) within a period of four years prior to the submission of the re-accreditation application to the Adaptation Fund as described in document AFB/EFC 19/7/Rev.1; and*
- b) *Request the secretariat to communicate that decision to the GCF secretariat.*

(Decision B.28/38)

2. At its thirty-second meeting the Board decided:

- (a) To take note of the analysis and conclusion of the Accreditation Panel (the panel) that the accreditation process of the Green Climate Fund (GCF) is consistent with that of the Adaptation Fund (the Fund), and that it can be relied on subject to the review of each accreditation application by the panel in line with document AFB/EFC.19/7/Rev.1¹;*
- (b) To approve a fast-track accreditation process for the Fund for potential national, regional and multilateral implementing entities that had been accredited by the GCF within a period of four years prior to the submission of the accreditation application to the Fund and that meet the eligibility criteria contained in paragraphs 24–32 of the Operational Policies and Guidelines of the Fund;*
- (c) To request the secretariat to carry out an assessment of the GCF accreditation standards in 2019, including a gap analysis, and to present it to the Board at its thirty-fourth meeting; and*
- (d) To request the secretariat to communicate this decision to the GCF secretariat.*

(Decision B.32/1)

3. This document is prepared in line with Decision B.32/1, subparagraph (c) and is based on a third-party review of the accreditation applications of the Adaptation Fund (the Fund) and the

¹ <https://www.adaptation-fund.org/document/effectiveness-efficiency-accreditation-process-gap-analysis/>

Green Climate Fund (GCF) completed by the secretariat with the support of a former Accreditation Panel member who also completed the previous gap analysis assessment contained in document AFB/EFC.19/7/Rev.1. This report highlights relevant paragraphs of the third party-assessment.

Scope and methodology of the review

4. The scope of the third-party assessment includes a review of the GCF's accreditation procedures and compares these with the procedures in place at the Fund as at 1 September 2019. The scope of the desk review is based on:

- *Review of the GCF accreditation application and the review questionnaires to be done by the Secretariat in Stage I and the GCF Accreditation Panel (GCF-AP) in Stage II to determine if all the areas of the Fiduciary Standards and the Environmental and Social Safeguards, and Gender Policy including the related complaints mechanisms and public disclosure are covered in the GCF accreditation review;*
- *Assessment on the Fiduciary Standards, Environmental and Social Safeguards and Gender Policy of GCF including guiding documents to determine if there are any material gaps compared to the policies of the AF. Specific attention was given to any modifications to standards, policies and guidance since the last assessment;*
- *Assessing the Terms of Reference of the GCF-AP and comparing them to those of the Adaptation Fund Accreditation Panel (AF-AP) to determine whether the quality of the GCF-AP members is sufficient to rely upon;*
- *Assessment of any modifications to the above since the last assessment including planned ones; and*
- *Discussions on the Fund's Accreditation Panel's fast-track re-accreditation experience.*

5. The review finalized by the independent consultant with expertise in accreditation fiduciary standards and knowledge on the accreditation standards of both AF and GCF' did not involve discussions with the staff of the respective secretariats nor with the Panel Members of the Fund and the GCF. Neither did it involve a review of any of the final assessment report on accreditation applications or the related working documents.

Benefit of the Fast tracking

6. As highlighted by the third-party review, the underlying rationale for a fast-track procedure is to reduce the workload of an applicant and make the accreditation process more expedient and efficient.

7. As of 1 September 2019, eight applicants (5 NIE, 2 RIE and 1 MIE) have been fast track re-accredited since the adoption of the fast track re-accreditation, while the number of Fund's Implementing Entities (IEs) which were fast-track accredited to the GCF amounts to 30 IEs² in total.

Comparative analysis on the accreditation processes of the two Funds

8. The differences and similarities of the AF and the GCF accreditation process are summarized in the table below:

AF Process	GCF process
<p>The process is determined by the Operational Policies and Guidelines for Parties to Access Resources of the Adaptation Fund.</p> <p>The review of this is done by the Secretariat and is straightforward.</p> <p>The Secretariat reviews the completeness of the application.</p>	<p>Stage I – A fit for purpose review done by the secretariat.</p> <p>A review of the completeness of an application is done by consultants working under the guidance of the Secretariat.</p>
<p>A substantive review of the application is done by the AF-AP.</p> <p>A Board decision to accredit an entity based on the recommendation of the AF-AP.</p>	<p>Stage II – A substantive review of the application is done by the GCF-AP.</p> <p>A Board decision to accredit an entity based on the recommendation of the GCF-AP.</p>
	<p>Stage III – Signing an Accreditation Master Agreement with the applicant.</p>

9. The assessment emphasizes that the independence of the AF-AP is a fundamental requirement to ensure the credibility of the accreditation system and must be preserved at all cost as it is the AF-AP to come to an agreement as to whether a fast-track applicant meets the requirements for accreditation.

² According to information shared by the GCF Secretariat, at the date of this report the number of AF entities fast-tracked to the GCF is divided as: 13 Direct Access Entities (DAE) National, 7 DAE Regional, (GCF considers RIEs as DAE) and 10 International Access Entities (IAE). The GCF has a fast-track accreditation process for entities accredited by the GEF, the AF and DG DEVCO.

10. One of the main differences between the GCF and AF accreditation processes is that the GCF accredits the entity with conditions while the Fund does grant accreditation or re-accreditation with conditions. In the GCF, the conditions attached to accreditation are specific in the type and time of the action required by the entity. The GCF secretariat reports to its Board on the status of conditions attached to the accreditation of each accredited entity. The assessment analysed the practice of GCF to accredit with conditions.

11. The AF-AP has considered the conditions attached to the GCF accreditation decision as relevant information in the fast-track accreditation review process, in accordance with Board decision B.31/26 (document AFB/B.32/5).

12. Considering the importance of relevant information related to conditions attached to the GCF accreditation during the Fund's fast-track accreditation and/or re-accreditation process, the assessment suggests that when the AF-AP deems the conditions attached to the GCF accreditation relevant to the review of the application, it would be beneficial to receive additional information regarding such conditions from the GCF-AP. To this end, the assessment proposes that discussions between the AP-AF and AP-GCF could be facilitated by the AF and GCF secretariats considering the relevant procedure and policies of the two funds related to the disclosure of the information submitted by the applicant concerned.

Report Findings

13. The assessment has compared the accreditation standards of both funds related to accreditation process to identify whether there is any gap and its findings are summarized in the following table:

Reliance Conclusions		
Accreditation Criteria	AF's possible reliance on GCF's review	Explanation
Legal status	No	Too important for reliance
Financial reporting and auditing	Yes	No change compared to the 2016 study
Internal Control Framework	Yes	Idem
Business planning and budgeting	Yes	Idem
Procurement	Yes	Idem
Project preparation and appraisal	Yes	Idem
Risk assessment	Yes	Idem
Project planning and Quality	Yes	Idem
Project monitoring and evaluation	Yes	Idem
Project closure and final evaluation	Yes	Idem
Financial mismanagement & fraud	Yes	Idem
Environmental policy	Yes	GCF has revised policy since 2016 study
Social policy	Yes	Idem
Gender Policy	Yes	Idem

14. Regarding the review of anti-money laundering and countering the finance of terrorism, the assessment found that *both the AF and the GCF have added rigour to this standard. The respective accreditation panels verify the extra requirements as part of the accreditation process, which enables the AF-AP to rely on the accreditation review done by the GCF-AP in this area.*

The evolving accreditation process at the GCF

15. The assessment took note of the possible changes to the GCF accreditation process. The GCF Board agreed the principle of the project specific assessment approach as contained in section VII in annex II to document GCF/B.23/05 and decided to defer its consideration of the updated accreditation framework and implementation arrangements and budget for the project-specific assessment approach until the 24th GCF Board meeting to be held in November 2019 (GCF Board decision B.23/11).

16. The GCF Board also decided at its 23th meeting that the accreditation process as defined in annex I to decision B.07/02 is considered complete upon the effectiveness of the accreditation master agreement in Stage III of the accreditation process, and that such date of effectiveness shall serve as the start of the accreditation term for all entities accredited to GCF, including those accredited prior to the date of this decision (GCF Board decision B.23/11).

The fast track framework and relevant implications

17. The assessment concluded that: the GCF accreditation procedures as at 1 September 2019 continue to be consistent with those of the Fund; the previous gap analysis as contained in AFB/EFC.19/7/Rev.1 is valid and the following summary of the previous gap analysis conclusions continue to be the guideline used by the Accreditation Panel of the Fund during the fast-track accreditation and re-accreditation processes:

- *The GCF accreditation Stage II (GCF Board decision on accreditation) of the applicant should have been completed within four years prior to the date of submission of the re-accreditation application to the Fund;*
- *The Fiduciary Standard related to the legal status needs to be reviewed by the Fund;*
- *Applicants that were not assessed against the GCF's Environmental and Social Safeguards would be reviewed for compliance with the Fund's Environmental and Social Policy;*
- *Applicants would have to provide a commitment statement to abide by the Environmental and Social Policy of the Fund;*
- *Applicants would have to demonstrate that they have a mechanism to deal with complaints on environmental and social harms caused by projects/programs;*
- *Applicants that were not assessed against the GCF's gender policy would be reviewed for compliance with the Fund's Gender Policy;*

- *Applicants would have to provide a commitment statement to abide by the Gender Policy of the Fund; and*
- *Applicants would have to demonstrate that they have a mechanism to deal with complaints on Gender harms caused by projects/programs.*

18. In addition, the assessment included other specifications that can be summarized as follows:

- *The conditions attached to the decision to accredit an entity by the GCF need to be reviewed by the AF-AP during the review of fast-track accreditation/reaccreditation application;*
- *With facilitation by the AF and GCF Secretariats, the AF-AP may engage in discussions with the GCF-AP in accordance with the relevant procedures and policies of the two funds, to improve the efficiency of the fast-track accreditation and re-accreditation process;*

Recommendation

19. The Ethics and Finance Committee (EFC) may want to consider recommending the Adaptation Fund Board that the Board decides:

- a) *To take note of the gap analysis contained in document AFB/EFC.25/6 and in particular that:

 - (i) *the GCF accreditation procedures as at 1 September 2019 continue to be consistent with those of the Fund;*
 - (ii) *the previous gap analysis as contained in AFB/EFC.19/7/Rev.1 is valid and*
 - (iii) *the summary of the previous gap analysis conclusions continues to be the guideline used by the Accreditation Panel of the Fund during the fast-track accreditation and re-accreditation processes:**
- b) *To take note of the Accreditation Panel's request to engage in discussions with the Green Climate Fund (GCF) Accreditation Panel facilitated by the secretariats of the Adaptation Fund (the secretariat) and of the GCF, to improve the efficiency of the fast-track accreditation and fast-track re-accreditation processes; and*
- c) *To request the secretariat to initiate discussion with the GCF secretariat with a view to facilitating the exchanges between the accreditation panels of the two funds;*
- d) *Given the continuing evolution of the GCF accreditation process and related policies, it is recommended that the secretariat, in collaboration with the Accreditation Panel, will assess the Green Climate Fund's (GCF) accreditation standards, including a gap analysis when the need arises.*