



ADAPTATION FUND

AFB/B.42/5
12 April 2024

Adaptation Fund Board
Forty-second meeting
Bonn, Germany, 18-19 April 2024

GAP ANALYSIS OF THE ACCREDITATION AND RE-ACCREDITATION PROCESS

Background

1. As part of its ongoing effort to identify areas to foster complementarity with the Green Climate Fund (GCF), including accreditation, as well as the with the effectiveness and efficiency of the accreditation process, the Adaptation Fund (AF) Board (the Board) at its twenty-eight meeting, and having considered document AFB/EFC.19/7/Rev.1 as well as the comments and recommendation of the Ethics and Finance Committee (EFC), decided:

- 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.1;*
- 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. At its thirty-fourth meeting, the Board, having considered the comments and recommendation of the Ethics and Finance Committee (EFC), the Board decided to:

- a) *Take note of the gap analysis contained in document AFB/EFC.25/6 and in particular that:*
 - (i) *Green Climate Fund (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) *Take note of the Accreditation Panel's request to engage in discussions with the 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;*
- 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; and*
- d) *To request the secretariat to assess, in collaboration with the Accreditation Panel, the GCF accreditation standards, including a gap analysis when the need arises, given the continuing evolution of the GCF accreditation process and related policies.*

(Decision B.34/46)

4. At its forty-first meeting, *Having considered Decision B.34/46, paragraph (d) and the recommendation of the Accreditation Panel, and given the continuing evolution of the GCF and Adaptation Fund accreditation and reaccreditation processes and related policies, the Adaptation Fund Board (the Board) decided to request the secretariat to assess, in collaboration with the Accreditation Panel, the accreditation framework of the Green Climate Fund (GCF), including a gap analysis, and present the results of its assessment to the Board at its forty-second meeting.*

(Decision B.41/2)

5. This document is prepared pursuant to Decision B.41/2 and is based on the assessment of the accreditation framework and standards of the AF and of the GCF which was completed by the secretariat with the support of a former member of the AF Accreditation Panel (AF AP) working as an expert. This report presents highlights of the assessment, as of 1 January 2024. The full report of the assessment is contained in Annex I.

Scope and methodology of the assessment

6. The scope of the assessment includes a review of the GCF's accreditation procedures and compares these with the procedures in place at the Fund as of 1 January 2024. The scope of the desk review is based on:
- Review of the GCF accreditation application and the review questionnaires that are carried out by the Secretariat in Stage I and the GCF Accreditation Panel (GCF AP) in Stage II in order 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 of 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 in 2019;
 - Assessing the Terms of Reference of the GCF AP and comparing them to those of the 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.

7. This assessment was finalized by a former AP member with expertise in accreditation fiduciary standards and knowledge on the accreditation standards of both AF and GCF. In an effort to provide greater background, albeit not strictly required for the purposes of conducting the gap analysis, this review also includes information deriving from consultations with stakeholders involved in the work of both the AF and of the GCF, including staff and the members of both the AF and GCF accreditation panels¹. The assessment did not involve an analysis of any of the final assessment reports on accreditation applications or the related working documents.

Status of the fast-tracking

8. 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.

9. As of 1 January 2024, 26 applicants (14 NIE, 5 RIE, and 7 MIE) have been re-accredited by the AF using the fast-track re-accreditation from the GCF. The number of Fund's Implementing Entities (IEs) which were fast-track accredited to the GCF amounts to 39 in total, as of 1 March 2024².

Review and assessment of the GCF accreditation framework

Comparative analysis of the accreditation processes of the AF and of the GCF

10. The differences and similarities of the AF and the GCF accreditation processes are summarized in the table below. The review finds that these remain unchanged since the previous gap analysis in AFB/EFC.25/6.

¹ See the list of consulted stakeholders in Annex III.

² This number has increased to 39 as of 12 February 2024.

	AF Process	GCF process
Key guiding policies and processes for application review	The process is determined by the Operational Policies and Guidelines for Parties to Access Resources of the Adaptation Fund.	Stage I – A fit for purpose review done by the secretariat.
Completeness check of applications (Stage-I)	The screening of applications is done by the Secretariat and is straightforward. The Secretariat screens for the completeness of the application.	A review of the completeness of an application is done by consultants working under the guidance of the Secretariat.
Substantive review of applications (Stage-II)	A substantive review of the application is done by the AF AP . A Board decision to accredit an entity based on the recommendation of the AF AP .	Stage II – A substantive review of the application is done by the GCF AP . A Board decision to accredit an entity based on the recommendation of the GCF AP .
Finalizing Accreditation (Stage-III)	There is no accreditation agreement signed between AF and the applicant	Stage III – Signing of an Accreditation Master Agreement between GCF and the applicant.

11. The assessment continues to emphasize that the independence of the AF AP is a fundamental requirement that ensures the credibility of the accreditation process as it is the responsibility of the AF AP to review and make a recommendation to the Board on accreditation and re-accreditation based on the consensus among the AP members as to whether a fast-track applicant meets the requirements for accreditation or re-accreditation.

12. As described in the previous gap analysis in AFB/EFC.25/6, one of the main differences between the GCF and AF accreditation processes is that the GCF may accredit an entity with conditions while the AF does not 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.

13. The AF AP continues to consider the conditions attached to the GCF accreditation decision as relevant information in the fast-track accreditation and re-accreditation review process, in accordance with Board decision B.31/26³ (paragraph 12 in document

³ Decisions of the Thirty-first Meeting of the Adaptation Fund Board: https://www.adaptation-fund.org/wp-content/uploads/2018/03/AFB.B.31.7_circulated_to_the_Board_v2.pdf

AFB/B.32/5⁴).

14. Considering the importance of relevant information related to conditions attached to the GCF accreditation during the AF's fast-track accreditation and/or re-accreditation process, the assessment continues to suggest 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 AP⁵. To this end, a recommendation from the assessment is that discussions between the AF AP and AP GCF should continue to 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. This recommendation also reflects the views expressed during the consultations undertaken by this assessment with stakeholders indicating that greater coordination between the AF and GCF secretariats and the accreditation panels would be beneficial, as described further below in this report.

Possible reliance by the AF on the GCF accreditation standards and requirements

15. The assessment has compared the accreditation standards of the AF and of the GCF to identify whether there is any gap and its findings are summarized in the following table. A more detailed analysis is contained in Annex I.

Conclusions related to reliance of the AF on the GCF review for the purposes of Fast-Track Accreditation and Fast-Track Re-accreditation

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 2019 study
Internal Control Framework	Yes	Idem
Anti-Money Laundering and Countering the Finance of Terrorism (AML/CFT)	No	Too important for reliance ⁶
Business planning and budgeting	Yes	No change compared to 2019 study
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

⁴ Analysis of Fast-track Accreditation Process of Entities Accredited with the Green Climate Fund. See https://www.adaptation-fund.org/wp-content/uploads/2018/10/AFB.B.32.5-Analysis-on-Fast-Track-Accreditation-process-of-entities-accredited-with-the-GCF_final1.pdf

⁵ The AF AP is not required however to wait for the resolution of such GCF conditions in order to complete its own review and assessment.

⁶ AF Board Decision B.32/36, pages 26-27 of the report of the 32nd meeting 15 January 2019, make AML/CFT review by the AF AP applicable to FTA and FTR.

Financial mismanagement & fraud	Yes	Idem
Environmental and social policy	Mostly	Except for commitment ⁷ , assessment by the AF AP of the applicant policies against the individual risk domains in the AF policies, and grievance mechanism
Gender policy	Mostly	Idem

16. As shown in the above table, and as analyzed further in Annex I, except for legal status and AML/CFT (because these accreditation criteria are too important to the AF for reliance), AF could place greater reliance on the GCF's accreditation review for the other accreditation criteria. However, for environmental social, and gender policies the AF AP will still (i) require a commitment letter by the top-level management of the IE; (ii) perform a comparative analysis of the AF policies to those of implementing entities in its accreditation assessment and review; and, (iii) verify the existence of a grievance mechanism to deal with complaints on environmental and social and gender harms caused by projects/programmes, given that this is an important part of safeguard systems.

Developments in the accreditation process at the GCF

17. Since the previous gap analysis, the GCF has issued updates related to its accreditation process, mainly in:

- a) [GCF/B.31/12](#): 30 March 2022 "Matters related to accreditation: Co-Chairs proposal on the updates to the accreditation framework" which contains updates to the GCF accreditation framework primarily due to the recommendations of the GCF Independent Evaluation Unit on the development of an accreditation strategy, and due to additional improvements to the project-specific assessment approach,
- b) [GCF/B.37/11](#): 4 October 2023 "Updates of the working modalities of the Accreditation Panel" which could lead to changes to the GCF AP TOR, and
- c) GCF Decision B.37/18 (q) and (r) (on page 15 in GCF/B.37/25 24 November 2023)⁸ grants a three-year extension to accredited entities pending consideration of a revised accreditation framework by the last GCF Board meeting of 2024.

18. In addition, as mentioned earlier, GCF continues to have conditions associated with their accreditations, and the AF AP considers those conditions attached to the GCF accreditation in its review and assessment of implementing entity applicants.

19. The GCF-AP also considers Sexual Exploitation, Sexual Abuse, and Sexual Harassment (SEAH)⁹ in its review of accreditation applications. The AF Board is reviewing

⁷ AF Board Decision B.32/1, paragraph 6 in [AFB/B.32.5](#) 13 September 2018 (AF FTA), and AF Board Decision B.28/38, page 30 of the [report](#) of the 28th meeting of the Board 21 December 2016, based on [AFB/EFC.19/7](#), paragraphs 27 and 29 and page 11 (AFG FTR), make commitment by IEs to the AF ES/G policies applicable.

⁸ <https://www.greenclimate.fund/sites/default/files/document/gcf-b37-25-decisions-board-thirty-seventh-meeting-board-23-26-october-2023.pdf>

⁹ https://www.greenclimate.fund/sites/default/files/document/gcf-b22-20_2.pdf

Options for a Policy on Safeguarding against SEAH¹⁰, presented at its forty-first meeting in this regard.

Consultations with stakeholders

20. As part of the assessment, a number of stakeholders associated with the AF accreditation processes were interviewed and asked for their comments and suggestions. The list of stakeholders interviewed is presented in Annex III: the sources of the comments and views have not been disclosed so that anonymity is preserved in the interest of promoting open and candid input.

21. It should be clarified that these consultations with stakeholders are not strictly pertinent to conducting the gap analysis; however, the related views and comments gathered provide interesting background, and may be worthy of further consideration, perhaps in future reviews, and assessments, as amenable to the Board.

22. A summary of the views and comments collected from the consultations is presented in Annex II. Some salient issues include the following:

- a) Greater coordination between the AF and GCF secretariats and accreditation panels would be welcome and would help increase efficiency,
- b) There is a need for greater complementarity of environmental and social policies between AF and GCF, including approaches to safeguards, and
- c) A possible consideration to extend the 5-year accreditation period for larger and more established entities, and for entities challenged in developing and submitting projects for AF approval is suggested.

Conclusions and observations

23. The assessment concluded that the GCF accreditation procedures as of 1 January 2024 continue to be consistent with those of the AF. The previous gap analysis as contained in AFB/EFC.25/6 is valid and the following summary of the previous gap analysis conclusions, with the addition of AML/CFT, continue to be the guideline used by the AF AP during the fast-track accreditation and re-accreditation processes:

- a) GCF Board decision on accreditation must be taken within a period of four years prior to the submission of the accreditation application to the AF;
- b) The standards related to the legal status and to AML/CFT need to be reviewed by the AF;
- c) The AF Environmental and Social Principles that were not assessed by the GCF's Environmental and Social Safeguards would be reviewed for compliance with the Fund's Environmental and Social Policy;
- d) All applicants would have to provide a commitment statement to abide by the Environmental and Social and Gender Policy of the Fund;

¹⁰ https://www.adaptation-fund.org/wp-content/uploads/2023/09/AFB.B.41.8_Options-for-a-policy-on-SEAH_final0928.pdf

- e) The AF Gender principles that were not assessed by the GCF's gender policy would be reviewed for compliance with the Fund's Gender Policy;

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

- a) 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;
- b) 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;

25. The assessment also identified, through the interviews and consultations conducted, certain opportunities for greater coordination and synergy between the AF and the GCF such as, among others, the need for greater interaction, coordination, and cooperation between the AF and GCF Secretariats and Accreditation Panels—a suggestion made already in the prior gap analysis—and the need for greater harmonization of environmental and social policies, including approaches to safeguards and project reviews. An extension of the current 5-year length of the accreditation period is worth a review in the case of larger and more established entities, and also to help achieve efficiencies for any entity in the AF project cycle.

Draft Recommendation

26. Having considered the information contained in document AFB/B.42/5, the Adaptation Fund Board (the Board) may want to consider and decide to:

- a) Take note of the gap analysis contained in document AFB/B.42/5 and in particular that:
 - (i) The Green Climate Fund (GCF) accreditation procedures as of 1 January 2024 continue to be consistent with those of the Adaptation Fund;
 - (ii) The summary of the previous gap analysis conclusions continues to be the guideline for the Accreditation Panel of the Adaptation Fund (the Panel) during the fast-track accreditation and re-accreditation processes;
- b) Request the secretariat, in collaboration with the Panel:
 - (i) To initiate discussion with the GCF secretariat with a view to facilitating the exchanges between the accreditation panels of the two funds;
 - (ii) To request the secretariat to assess the feasibility of pursuing the suggestions and opportunities raised through the interviews and consultations conducted during the gap analysis contained in Annex II of document AFB/B.42/5 and to report back to the Board at its forty-third meeting;
- c) Encourage the secretariat, in collaboration with the Panel, to assess the Green Climate Fund's (GCF) accreditation standards, including a gap analysis when the need arises, given the continuing evolution of the GCF accreditation process and related policies.

Annex I: THE ASSESSMENT, INCLUDING A GAP ANALYSIS, OF THE GREEN CLIMATE FUND'S (GCF) FIDUCIARY AND ENVIRONMENTAL AND SOCIAL STANDARDS¹¹

I. Introduction

The Accreditation process of the Adaptation Fund

1. The accreditation process of the Adaptation Fund (AF) aims to ensure that an entity follows fiduciary and safeguard standards while accessing financial resources of the AF. The assessment of an applicant is done by an Accreditation Panel (AP) of highly experienced individuals. They review whether the applicant adheres to the AF's Accreditation Standards and can implement effectively Social and Environmental Safeguards and Gender Policy of the Fund. More details can be found at: <https://www.adaptation-fund.org/apply-funding/accreditation/>

The Accreditation process of the Green Climate Fund

2. The accreditation process of the GCF has similar objectives as those of the AF and is described on the GCF's website. It is similarly designed to assess whether applicant entities have the ability to manage GCF's resources in line with the GCF's fiduciary standards for the scale and type of funding sought, as well as the ability to manage environmental and social risks that may arise at the project level. Entities seeking accreditation to access GCF resources will also be assessed against the GCF's Gender Policy.

3. The GCF has a fast-track accreditation process for entities accredited by the Global Environment Facility (GEF), the AF and Directorate-General for Development Co-operation – Europe Aid of the European Commission (DG DEVCO). Provided that pre-requisites for this process are met, the GCF's accreditation focuses on the GCF's accreditation requirements (gaps), if any, that were not assessed in the other accreditation processes.

More details can be found at: <https://www.greenclimate.fund/accreditation>

II. Criteria for reliance by the AF on the GCF accreditation process

4. The following criteria should be met by the GCF for the AF to rely upon GCF's accreditation process:

- The positive accreditation review by the GCF should establish that the applicant meets and demonstrates the equivalent of the requirements of the Fiduciary Standards, the Environmental and Social Policy, and of the Gender Policy, thus:
 - o The applicant should meet the substance of the Fiduciary Standards of the AF
 - o The applicant should have ability to implement the Fund's Environmental and Social Principles, and

¹¹ This Annex I is based on a review and update, as necessary, of the Annex I presented in [AFB/EFC.19/7/Rev.1](#)

- o The applicant should have ability to implement the AF's Gender policy;
- The criteria for accreditation to the GCF should be comparable to those of the AF;
- The adequacy and competence of the Accreditation Panel and those doing the detailed review should be sufficient to reach a professional and reasoned conclusion; and
- The above points should equally apply to the applicants going through the fast-track accreditation process.

III. Review of the Fiduciary Standards and other requirements:

5. The substance of the AF's accreditation application and its Fiduciary Standards was compared to those of the GCF to determine if there were any parts not covered by the GCF compared to the relevant documents of the Fund. Any gaps that were identified were analyzed to see if that would have a material impact on re-accreditation decision of the Fund. A summary of the detailed comparison is in the following table. On the basis of the review, it can be concluded that:

Reliance Conclusions (Fast-Track Accreditation and Fast-Track Re-accreditation)

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 2019 study
Internal Control Framework	Yes	Idem
Anti-Money Laundering and Countering the Finance of Terrorism (AML/CFT)	No	Too important for reliance ¹²
Business planning and budgeting	Yes	No change compared to 2019 study
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 and social policy	Mostly	Except for commitment ¹³ , assessment by the AF AP of the applicant policies against the individual risk domains in the AF policies, and grievance mechanism
Gender policy	Mostly	Idem

¹² AF Board Decision B.32/36, pages 26-27 of the [report](#) of the 32nd meeting 15 January 2019, make AML/CFT review by the AF AP applicable to FTA and FTR.

¹³ AF Board Decision B.32/1, paragraph 6 in [AFB/B.32.5](#) 13 September 2018 (AF FTA), and AF Board Decision B.28/38, page 30 of the [report](#) of the 28th meeting of the Board 21 December 2016, based on [AFB/EFC.19/7](#), paragraphs 27 and 29 and page 11 (AFG FTR), make commitment by IEs to the AF ES/G policies applicable.

The quality of the GCF application and review guides

6. The application of the GCF is extensive and is supplemented by a Checklist for Stage I to be used by the GCF Secretariat and for Stage II to be used by the members of the GCF Accreditation Panel. These documents demonstrate that the review process is extensive and detailed. This gives confidence that the accreditation review of an application by the GCF has at least the comparable rigor as the accreditation and re-accreditation review done by the AF.

Adequacy and competence of the GCF Accreditation Panel:

7. To assess the adequacy and competence of the GFC Accreditation Panel¹⁴ the terms of reference of the Accreditation Panel of GCF were compared to those of the AF¹⁵. The conclusion is that the structure and competence of the GCF Accreditation Panel and its Members are sufficient to reach a professional and reasoned accreditation conclusion that can be relied upon by the Fund.

GCF Accreditation done through the fast-track:

8. The GCF has accepted a fast-track accreditation process for accredited entities of the GEF, the AF, and DG DEVCO. According to the document on the GFC's website¹⁶, the fast-track process allows eligible entities to focus their application on the GCF's accreditation requirements (gaps) that have not been assessed in the other accreditation processes. A gap analysis was done for the AF and presumably also for the others.

Re-accreditation:

9. GCF commenced its re-accreditation of eligible entities in 2020, and any GCF accreditation that is more than five years old would have to go through a full accreditation process by the AF. For practical reasons, given the time lags in the accreditation process, it would be reasonable to continue to require an AF applicant to have completed Stage II of its GCF accreditation or re-accreditation within the last four years. From the second-time fast-track reaccreditation with the AF, financial management and integrity criteria of the fiduciary standards will be assessed by the AF AP¹⁷.

IV. Review results related to Fiduciary Standards, Environment and Social Policy and Gender policy.

Legal Status

10. This first Fiduciary Standard of the Adaptation Fund concerns the legal status to contract with the Adaptation Fund Board. This is a basis for the AF to conclude legal arrangements with

¹⁴ See Annex V in [GCF/B.07/02](#)

¹⁵ https://www.adaptation-fund.org/wp-content/uploads/2020/05/Amended-May-2020_TERMS-OF-REFERENCE-FOR-THE-ACCREDITATION-PANEL-2.pdf

¹⁶ <https://www.greenclimate.fund/sites/default/files/document/fast-track-accreditation-programme.pdf>

¹⁷ https://www.adaptation-fund.org/wp-content/uploads/2016/05/Re-accreditation-process_revised-in-Oct-2019-1.pdf

the applicant after the accreditation decision is made. The legal contracting is not considered part of the accreditation.

11. A proper accreditation review is done by GCF to determine the legal status of an applicant. However, the legal status and subsequent contracting with an implementing entity is of such importance for the AF that it needs to be reviewed without exception by the AF itself. Thus, while the information gathered by the GCF relating to the legal status can be of significant assistance, this fiduciary standard cannot be fully relied upon.

Financial Statements including Project Account Statements and the provisions for Internal and External Audits

12. These fiduciary standards deal with audited financial statements prepared in accordance with internationally recognized accounting standards, the use of accounting packages, and internal audits. These areas are covered in the fiduciary standards of the GCF. A guide of the AF¹⁸ suggests that an audit committee also cover the adequacy of the project management cycle and that provision is not seen in the GCF. However, that suggestion is a guidance of the AF and it is not mandatory. The AF had specified that accounting packages should be recognized and familiar in developing countries. That provision has not proved to be a practical requirement in the AF accreditation process and does not exist with the GCF. It is concluded that the Fiduciary Standard and accreditation requirements of the AF are met.

Internal Control Framework with particular reference to control over disbursements and payments

13. The AF requirement for the fiduciary standard relating to the internal control framework is elaborated in a guide of the AF¹⁹. In summary, it considers that an internal control framework exists if the requirements of the accreditation application are met. This is a practical and correct approach given that the application form is comprehensive. The GCF Fiduciary Standards make reference to COSO which is the best-known internal control framework and meets the full requirements. The key aspects of the Internal Control Framework are referred to in the application. Thus, the internal control aspect of the AF is fully met by the GCF. The AF requirements of the payment and disbursement systems, which are considered part of the internal control framework, are also fully met.

Anti-Money Laundering and Countering the Finance of Terrorism (AML/CFT)

14. This Fiduciary Standard of the AF has three main components to be covered by the AF AP: (i) policies and procedures related to AML/CFT; (ii) a screening system which documents individuals and/or entities before the agency transfers money to them; and (iii) decision-making process that the agency follows when it identifies risks related to any individuals and/or entities. The AF AP covers these aspects from three perspectives: internal control framework, procurement, and policies and framework to deal with financial mismanagement and other forms

¹⁸ https://www.adaptation-fund.org/wp-content/uploads/2019/03/English_Guidance-on-Accreditation-Standards.pdf

¹⁹ Ibid.

of malpractice. These components and perspectives are covered in the GCF Fiduciary Standards, and through its policies on AML/CFT²⁰, and on Prohibited Practices²¹.

15. While the AML/CFT aspects of the AF are met by the GCF, the importance of reviewing these processes, policies, and procedures for transactions by accredited entities receiving AF resources is very relevant, including the fact that the AF Board decided to explicitly consider AML/CFT in the AF accreditation process²². This means that the AF cannot fully rely on the GCF assessment to meet these requirements.

Preparation of Business Plans and Budgets and the ability to monitor expenditure in line with budgets

16. This Fiduciary Standard of the AF deals with the preparation of long-term business plans and annual budgets and using that to control and report on actual expenditures. The GCF Fiduciary Standards cover the same grounds and applicants are asked to demonstrate that in the application. The AF can fully rely on this area as the GCF fully meets these requirements.

Procurement

17. The Fiduciary Standard of the AF relating to procurement requires transparent and fair procurement policies and procedures for the applicant and its projects/programmes and for the entities it works with. The same approach is followed by the GCF in its Fiduciary Standards and it is extensively covered in the application form. The AF can fully rely on the accreditation review of procurement done by the applicants.

Project preparation and appraisal

18. The AF Fiduciary Standards relating to the project cycle are referred to as “Requisite Institutional Capacity”. The GCF refers to the equivalent standards as “Specialized Fiduciary Standards”. Both cover the ability and experience related to project management including doing the role of an executing entity. The AF Standard relating to project preparation and appraisal deals with the capability and experience in the identification and design of projects as well as a track record in conducting appraisals and incorporating the likely impact of technical, financial, economic, environmental, social, and legal aspects into projects. The same areas are covered by the GCF Specialized Fiduciary Standard. However, the GCF does not cover the demonstration of availability of/ access to resources that is requested by the AF but evidence of a track record is requested. Given the comprehensiveness of how project identification, preparation, and appraisal are covered in the application of the GCF, the examples requested are acceptable. The AF can rely on the GCF accreditation procedures relating to project preparation and appraisal.

²⁰ <https://www.greenclimate.fund/sites/default/files/document/aml-cft-policy.pdf>

²¹ <https://www.greenclimate.fund/sites/default/files/document/policy-prohibited-practices.pdf>

²² AF Board Decision B.32/36, pages 26-27 of the [report](#) of the 32nd meeting 15 January 2019, make AML/CFT review by the AF AP applicable to FTA and FTR.

Risk assessment

19. The AF Fiduciary Standard relating to risk assessment asks for a demonstration of capability or access to resources to undertake project/programme risk assessments, take mitigating actions and monitor these risks during the execution and completion phases. Special attention is given to the environmental and social risks. The GCF has similar provision in its Specialized Fiduciary Standards and its application. There is an extensive emphasis on the environmental and social risks which is covered later in the GCF application under the relevant heading. The AF can fully rely on the accreditation procedures of the GCF for risk management.

Project Implementation Planning and Quality-at-entry Review

20. This Fiduciary Standard of the AF is concerned with the planning of a project and the preparation of project budgets including an analysis of project expenditures related to the budget. This is covered in the GCF Specialized Fiduciary Standards although the wording “quality-at-entry”, which was a wording not well understood by the AF’s accreditation applicants, is only used in the application and not in the Specialized Fiduciary Standards. The analysis of the project versus budget is covered but the preparation itself is not mentioned by the GCF. However, that would be understood and part of any appraisal and would therefore not affect the reliance by the AF on the GCF accreditation. The application requests the needed information to do a full assessment of these areas. Thus, the Fiduciary Standard of the AF and its requirements are met.

Project Monitoring and Evaluation during implementation

21. This Fiduciary Standard of the AF deals with the execution phase of a project or programme. It is concerned with identifying projects at risk and taking corrective measure when needed during the execution. All the requirements are met by the GCF Specialized Fiduciary Standards and the application form although the requirements for project audits appear in a later section that relates to grants and in another section that relates to environmental and social aspects. These are both areas where there are greater risks.

Project closure and final evaluation

22. This Fiduciary Standard of the AF relates to the capacity for undertaking project closures and independent final evaluations. It involves demonstrating the impact of the technical, financial, economic, environmental, social, gender, and legal aspects of projects. The project closure reports and evaluations demonstrate the competence to execute or oversee projects and programmes. The details of the project closure provisions are not as extensively covered by the GCF as with the AF but the important aspects are fully covered. Thus, the AF can rely on the accreditation of the GCF for this area.

Policies and Framework to deal with financial mismanagement and other forms of malpractices

23. This Fiduciary Standard of the AF deals with the prevention of wrongdoings and fraudulent behavior and the ability to investigate all allegations. It is a crucial area given the devastating impact that fraud and corruption have on development results. The tone at the top, a code of ethics, and having a whistleblower protection mechanism in place are key components to evaluate. The Basic Fiduciary Standards of the GCF and its application cover the same areas as done by the AF and its accreditation results can be fully relied on.

Environmental and Social Policy

24. The AF's Environmental and Social Policy (ESP)²³ was originally adopted by the AF Board in November 2013 and amended in March 2016 by updating principle 5 (then 'gender equity and women's empowerment') in line with the Gender Policy adopted in March 2016), and integrated the requirements into its accreditation application. To complement the ESP, a Guidance Document for IEs on Compliance with the ESP (Guidance)²⁴ was developed in 2014 and amended in March 2016 to be aligned with the Gender Policy in March 2016. The AF Gender Policy was updated in March 2021²⁵. An update of the AF's ESP is presently under discussion at the AF Board²⁶. The GCF approved its Environmental and Social Safeguards (ESS) in May 2014 and added a section to the accreditation application to reflect its requirements. The Interim Environmental and Social Safeguards of the GCF are those of the International Finance Corporation (IFC) and consist of eight Performance Standards. The GCF adopted a Revised Environmental and Social Policy²⁷ in 2021.

25. The substance of the AF's application and its Environmental and Social Principles were compared to those of the GCF to determine if there were any parts not covered by the GCF compared to the documents of the Fund, and this is contained in working papers produced for this review. The gaps that were identified were not considered to have a material impact on the accreditation decision of the AF, but will still require consideration by the AF AP. This is because, while the focus of the GCF is on the environmental and social management system (ESMS) which would also be able to handle a different set of principles such as those of the AF, there are possible gaps due to: (i) not all of the risk domains of the AP ESP are explicitly covered by the IFC eight PS adopted on an interim basis by the GCF²⁸; and (ii) not all of the GCF environmental and social risk categorizations ("scaled-risk approach") address all of the AF requirements²⁹. Both

²³ https://www.adaptation-fund.org/wp-content/uploads/2013/11/Amended-March-2016_-_OPG-ANNEX-3-Environmental-social-policy-March-2016.pdf

²⁴ https://www.adaptation-fund.org/wp-content/uploads/2019/03/English_Guidance-on-Accreditation-Standards.pdf

²⁵ https://www.adaptation-fund.org/wp-content/uploads/2016/04/OPG-Annex-4_GP-and-GAP_approved-March2021pdf-1.pdf

²⁶ https://www.adaptation-fund.org/wp-content/uploads/2023/10/Doc.AFB_B.41-7_Independent-review-of-the-ESP-with-a-proposal-for-an-update-of-the-ESP_cleared_Oct.5.2.pdf

²⁷ <https://www.greenclimate.fund/sites/default/files/document/revised-environmental-and-social-policy.pdf>

²⁸ The AF ESP risk domains of 'compliance with the law', 'access and equity', 'marginalized and vulnerable groups', 'human rights', 'gender equality and women's empowerment', 'climate change', and 'lands and soil conservation' are not immediately visible in the IFC PS.

²⁹ See page 15 of [GCF/B.07/02](#), which suggests that Categories B and C may not include or address all of the AF accreditation requirements for entities to have an ESMS or an ES policy.

of these aspects require some additional review by the AF AP on a case-by-case basis, as discussed further below.

26. Updates to the Revised Environmental and Social Safeguards of the GCF, and the current requirements in the GCF accreditation application form, fully meet the requirements of the AF's grievance mechanism. Past AF gap analysis reviews had observed that the GCF grievance system requirements needed further analysis by the AF AP, however, this is no longer the case because the GCF grievance mechanisms presently fully cover the AF requirements, including at the project level. However, in the view of the AF AP, a grievance mechanism is an important component of safeguards systems, and therefore deserving of review. Therefore, the three elements that remain to be considered in the AF AP review are: (i) the requirement of the AF that the applicant gives a commitment to observe the Environmental and Social Policy of the AF, which is still applicable, (ii) the need to assess the applicant's ES policy components against the individual risk domains in the AF ESP, and (iii) the existence of a grievance mechanism for complaints about project/programme environmental and social harms. The commitment aspect is further discussed in the next paragraph.

Commitment by the entity to apply the AF's environmental and social policy and the AF's gender policy

27. The AF Environmental and Social Principles (ESP) and the Gender Policy (GP) as considered in the AF accreditation standards require a statement from top management communicating the applicant's commitment to abide by the ESP and the GP of the AF on projects and programmes funded by the AF; or that the implementing entity's environmental and social policy and gender policy are materially aligned with those of the AF, and that the implementing entity will apply its environmental and social and gender policies in the implementation of all projects and programmes supported by the AF. This ensures that the AF Environmental and Social Principles and AF Gender Policy are adhered to in its projects. The GCF does not have such requirement for a commitment statement from top management. It is recommended that all applicants for the AF's fast-track accreditation process be required to provide the commitment to abide by the AF's ESG and GP.

Accreditation requirements related to the Fund's Gender Policy

28. The GCF Gender Policy was approved in March 2015 and amended in 2019³⁰, while the AF's Gender Policy was approved in March 2016 and amended in 2021, with its guidance updated in September 2022³¹. Both are guided by the United Nations Framework Convention on Climate Change (UNFCCC) and are congruent with international agreements and in particular with the Universal Declaration of Human Rights. The GCF's Gender Policy and the Gender Action Plan were considered by the AF when the AF formulated its Gender Policy. They have a similar set of definitions and similar objectives. The working paper produced for this report compares the two gender policies. The result of comparison concludes that the two policies are sufficiently similar

³⁰ <https://www.greenclimate.fund/sites/default/files/document/gcf-gender-policy.pdf>

³¹ https://www.adaptation-fund.org/wp-content/uploads/2022/10/AF-gender-guidance_Sep-2022.pdf

and that the AF can rely on the accreditation of the GCF except for the same three differences seen for the Environmental and Social Policy above: (i) the requirement of the AF that the applicant gives a commitment to observe the AF Gender Policy of the AF, which is still applicable, (ii) the AF AP will still need to assess the applicant's gender policy components against the individual risk domains in the AF GP, and (iii) the existence of a grievance mechanism for complaints about project/programme gender harms.

Annex II: CONSULTATIONS WITH STAKEHOLDERS—SUMMARY OF VIEWS AND COMMENTS

1. There is a need for greater complementarity of environmental and social policies between AF and GCF, including approaches to safeguards. The GCF has more requirements on the contents of the related policies, while the AF focuses more on how entities approach and address the relevant risks. Such differences extend to safeguards approaches, and in the number of project review layers—which appear greater at the GCF—and therefore could reduce efficiencies and increase risks. Standards that are agreed between the AF and the GCF, and other climate finance institutions, would be beneficial.

2. Entities, particularly smaller-sized entities, face challenges during the accreditation application which can make the process difficult and arduous. These challenges can be related to less institutional maturity at the entity, and include the entities' management and logistics of the process, the number of documents required, and the timeliness of the responses to Panel questions. Entities face challenges also on how to assess their options of whether and when to seek accreditation with both GCF and AF.

3. A 5-year period for re-accreditation after initial accreditation may be of greater value for the AF, given that its IEs are typically smaller and/or in the process of gaining familiarity with fiduciary standards. On the other hand, some AF IE applicants may still be in the process of developing their institutional structures and policies, including for project development, and submission, approval, and may take more time to achieve approval—as such, their project cycle may go beyond the 5-years since accreditation. GCF typically engages with larger and more established entities with more robust policies and procedures (and relevant organizational structures and resources). As such, in the case of larger and more established entities or smaller entities still in the process of developing and submitting projects for AF approval, a lengthier re-accreditation period (7, 8, or 10 years?) could make sense. A further opportunity to lengthen the 5-year period is when and where, if possible, greater reliance can be placed on the systems, policies, and procedures of the entities.

4. The interaction and coordination between AF Designated Authorities (DAs) and GCF National Designated Authorities (NDAs) could improve, particularly in identifying the suitable implementing entities, and cases where it could/would be the same entity for both AF and for GCF, which could provide efficiencies, where possible. Increased coordination between the DAs and the NDAs could help identify opportunities for upscaling of project resources to entities between AF and GCF resources. GCF NDA capacity building resources could focus more on how to help NDAs identify appropriate entities that can address accreditation requirements and deliver project results.

5. A very positive and encouraging observation was made: AF/GCF projects, even when not a significant part of the IE portfolio, have noticeably great beneficial “influencing” effects that also

extend to the policies applicable to the other IE projects financed by other climate finance institutions, i.e., the AF/GCF policies contribute to “uplifting” the policies and standards applicable to all of the entities' projects.

6. Efficiencies could be produced if and when entities' supporting documentation submitted during the accreditation application process may be shared between the AF and GCF accreditation panels, with the agreement of applicant entity to address confidentiality conditions. This could also reduce redundant/duplicative requests to the entities by the panels.

7. In the future, an increase in readiness resources would be beneficial, as would greater coordination between AF and GCF regarding the targeting of these grants, and other opportunities for complementarity, such as identifying areas needing development, and of project development policies.

8. Greater coordination between the AF and GCF secretariats and accreditation panels would be welcome and would help increase efficiency. This suggestion was already raised in prior gap analyses—it would be beneficial to seek solutions to possible impediments to actually achieving this, perhaps by (i) establishing meetings between the panels to discuss topical issues (such as approaches to AML/CFT, internal controls, and environmental and social and gender policies, etc.) rather than individual applications, and (ii) having AF AP and GCF AP members (one or more) periodically attend each other's meetings as observers. A common template for accreditation would be most welcome, as much as possible considering that applicants may have different nature for AF and GCF. High interest remains in developing greater alignment, efficiency, complementarity, and streamlining in the accreditation process and cycle between GCF and AF.

9. An entity found that the AF and GC accreditation and re-accreditation approaches differed in regards to complexity and amount of time and documents requested; perhaps a less-onerous approach for larger institutions with already established greater expertise, controls, and stable characteristics and longer-term reaccreditation terms (see also 3 above) could be beneficial.

10. Another observation made was that the decisions of the respective Boards of the AF and of the GCF that seek to improve and streamline the accreditation process may at times appear to contradict those intentions and objectives because of approaches that treasure greater strictness and rigidity, and much greater detail than required.

11. The possibility of advantages of outsourcing the accreditation assessments of financial risks to and by private entities/firms should be considered, while preserving the assessments of policies and safeguards for projects by accreditation experts.

Annex III

List of Stakeholder Interviewed

- AF Accreditation Panel Chair
- AF Accreditation Panel Vice-Chair
- AF Accreditation Panel Expert Members
- Representatives of the GCF Secretariat
- GCF Accreditation Panel Expert Members and technical expert consultants
- Two (2) Implementing Entities accredited both by the AF and by the GCF
- Representatives of the AF-TERG
- Representatives of the AF Results-based Management team