

## EXPERIENCES FROM GIZ'S CLIMATE FINANCE READINESS WORK



## A winding road – Preparing national institutions for access to the GCF

**I**t's a winding road towards access to the GCF' is a statement we often heard when supporting national institutions in the accreditation to the Green Climate Fund (GCF). Since 2014, we have been working with a number of national institutions from developing countries on their preparation and applications for accreditation to the GCF. Three of the institutions with which we worked were among the first 20 entities to receive GCF accreditation. The support we provide is based on the experience we have gained supporting institutions in applying for Adaptation Fund accreditation.

In this discussion paper we would like to share some of the lessons we have learned while providing assistance during the GCF accreditation process to inform national institutions striving for GCF access.

Access to the fund through accredited institutions from developing countries is a key design feature of the GCF. In practice, this means that national institutions from recipient countries can be accredited by the fund and then implement programmes / projects with-

out going through regional or international intermediaries. This approach is intended to increase the level of country ownership and thereby ensure the effectiveness of support, for instance by harmonisation with national systems, plans and priorities. In addition, our experience has shown that access to the fund strengthens accredited national institutions from developing countries considerably. The GCF's success will also be measured by the number of national institutions in developing countries that gain accreditation and the number and quality of projects they brought forward to the GCF.

If the high expectations of this access modality are to be realised, countries will need to have adequate institutions in place that can use GCF financial resources effectively and efficiently to advance their country's climate change mitigation and adaptation activities. Over the last few months, national institutions have increasingly been asking support on building the relevant capacities and successfully managing and completing the accreditation process. At the request of the countries, GIZ supports for instance, on identifying suitable institutions, completing a successful accreditation application, integrating new policies and regulations into candidate institutions to meet international standards, and supporting the development of impact-oriented and concrete project/programme proposals (see Figure 1). GIZ's accreditation support forms part of a broader offer of support on climate finance readiness, which includes tailor-made assistance for National Designated Authorities (NDAs), and the strategic preparation of countries for the GCF, including country programmes, and pipeline development. In this context, GIZ is working closely with the GCF Secretariat, including in the delivery of its Readiness and Preparatory Support Programme.

### Environmental and Social Safeguards (ESS) Toolkit

Meeting the requirements on environmental and social safeguards has been a challenge for many candidate institutions. GIZ's Climate Finance Readiness Programme is therefore working together with the World Resources Institute to design an Environmental and Social Safeguards (ESS) Toolkit. This toolkit enables institutions to plan, build and implement the capacity required to meet the ESS requirements of the GCF accreditation process. It includes training modules on ESS for accredited institutions and for institutions seeking accreditation. Additionally it includes a self-assessment to provide guidance for institutions on their suitability to become an accredited entity. The ESS Toolkit is being developed in close cooperation with the GCF Secretariat, is tested in August 2015 and will be finalised in September 2015.



### LESSONS LEARNED FROM GCF ACCREDITATION SUPPORT

#### 1. A transparent and robust national entity selection process does not need to be time-consuming

Identifying a suitable institution is a critical success factor for many countries in order to realize access to the GCF through a national entity. In many developing countries, a number of institutions are interested in accreditation, often with very different profiles. The NDA is often tasked with selecting potential national institutions for accreditation. Identifying those institutions – with the best prospects of gaining accreditation in a timely manner and capable of implementing effective programmes – is often a challenging task for the newly appointed NDAs, as many of them would like to conduct the process in a transparent and inclusive manner.

In our experience, however, the selection process does need not to be excessively time-consuming. In some countries, such as India, the NDA conducted a **public bidding** for institutions interested in the accreditation by the GCF. These bidding processes constitute a suitable basis for decision-making at the national level and apply clear criteria for selection.

Furthermore, **comparative assessments of potential institutions** – an approach we have deployed in five countries – can be performed relatively quickly and can support sound decision-making. Our new self-assessment toolkit – as part of the ESS Toolkit (available from September 2015) – will also provide further guidance on how to ascertain the most suitable institution.

**Holding workshops with all national entities interested** in gaining accreditation also provides the transparency needed and helps to manage expectations.

#### 2. When it comes to successful accreditation, details count

The applicant institutions need to provide comprehensive evidence of how it meets the required GCF criteria, even in the 'fast-track' option for institutions that have already been accredited by selected other funds. In its 'fit-for-purpose' approach the GCF adapts the accreditation requirements to the kind of projects an entity wishes to undertake with GCF funding. Yet the GCF's requirements remain high for institutions. Fulfilling the stipulated criteria and providing the respective evidence represents a considerable challenge for the majority of institutions. As some institutions may not have the required policies or environmental and social management systems fully in place – or have them only recently introduced – it can be difficult to provide evidence of common practice.

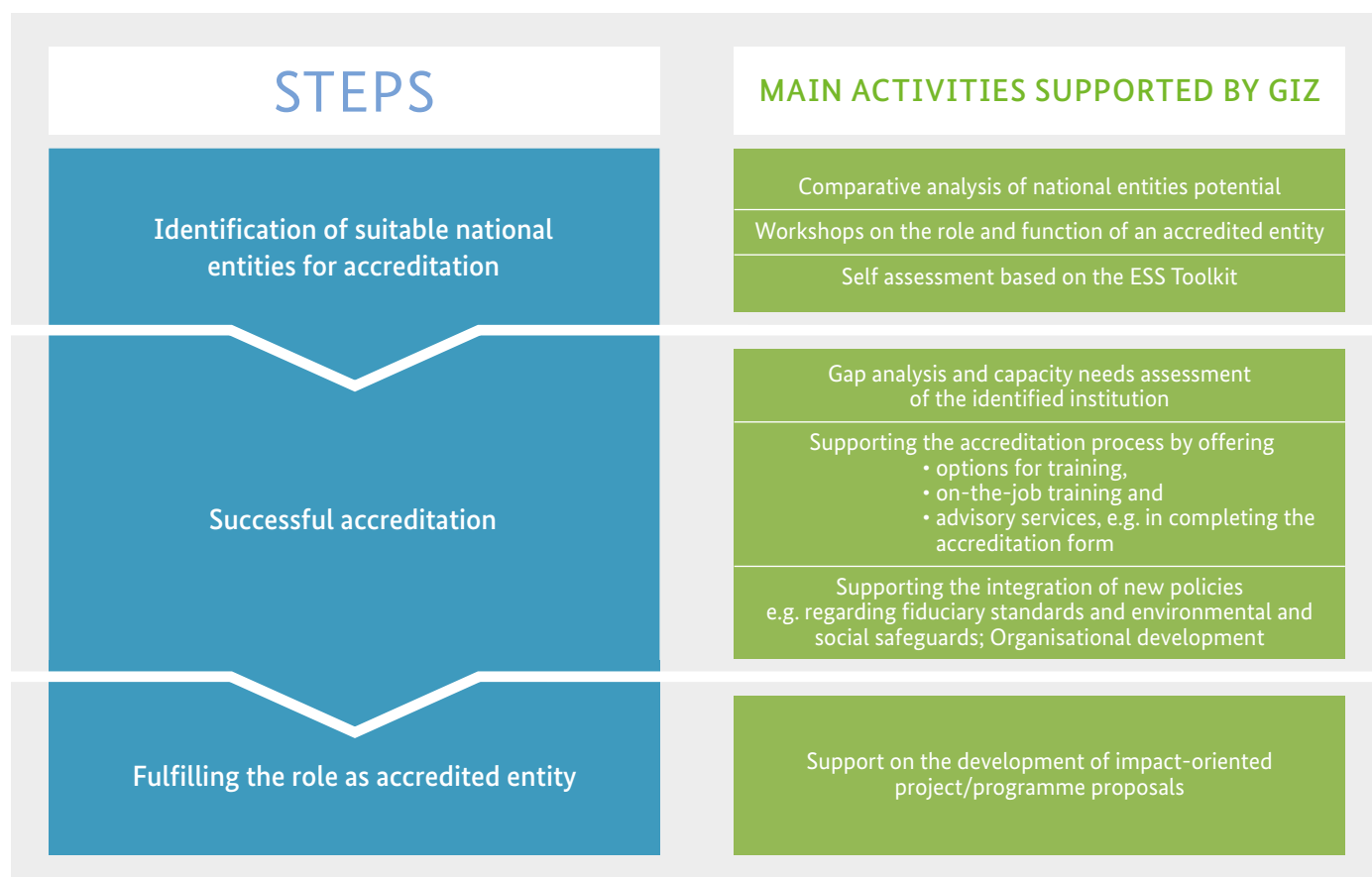


Figure 1: Steps for Accreditation, and GIZ's main support Activities.

Given that many national institutions in developing countries are facing similar challenges and that best practices are available to be exchanged, there is an excellent opportunity to engage in extensive cross-institutional learning and south-south or peer learning. We have collected very positive experience for instance by conducting a yearly regional exchange between four African countries.

A factor that complicates GCF accreditation is that the guidelines on which evidence to provide for the different criteria are still comparatively vague. It is certainly helpful that more detailed material is now available and that the Accreditation Panel provides continuous support for the applying institution during the process.

Many entities find it difficult to demonstrate adherence to basic fiduciary standards. For example, entities that have only recently introduced a guideline on violation of codes of ethics, fraud or corruption may not be able to provide the necessary information to the GCF. Respective examples are often still confidential, because the due processes relating to such malfeasance may still

be ongoing and there are yet no closed cases to show the follow-up actions, e.g. punitive measures that have been implemented. Furthermore, institutions have found it particularly challenging to prove by evidence that adequate procurement policies are in place (e.g. standards relating to conflicts of interest, clear and competitive tendering processes, or transparent selection criteria). Only a few institutions are currently ready and able to prove the application of a gender policy as required by GCF although GCF's requirements rest to be defined more clearly.

### 3. Leadership and team work, in institutions and countries, is a success factor for accreditation

Seeking GCF accreditation, ties up staff resources and capacities – in the preparation for accreditation and during the accreditation process itself. GIZ's experience indicates that, for an organisation to successfully complete the accreditation process, it must have a dedicated team working on the accreditation process as well as the backing of senior management.

At the working level, a team needs to manage the accreditation process and serve as the focal point for the GCF. It must be able to respond rapidly to any questions arising during the accreditation process and to quickly activate relevant parts of the organisation.

Often, staffing constraints lead to requests for external support in the accreditation process. External advice, for instance support provided by GIZ to understand and address organisational gaps or work on accreditation documents, received positive feedback from applicant institutions e.g. in speeding up the accreditation process and improving its success.

#### 4. During the accreditation process, it is already time to prepare the next steps

Due to the substantial efforts involved in applying for accreditation, institutions may start rather late on developing the projects they want to put forward once accreditation is awarded. This leads to delays in the next steps of the process. It is recommendable to institutions to think beyond the accreditation at an early stage in the accreditation process. Sustainable organisational success is increased if accreditation support is embedded in long-term capacity building and enables institutions to appraise, manage and monitor climate change projects and programmes. Some institutions choose to outline in a strategic document how GCF funding could be used and to discuss this with the NDA. The projects and programmes submitted to the GCF need to be convincing at various levels if they are to succeed in the competitive situation. They must be in line with not only the institutions' and GCF's priorities, but also national strategies and priorities (these priorities may be linked within the country programme) and need to demonstrate a high level of national ownership. To make this happen, cooperation with the NDA must start early in the process in order to best serve their country's needs while at the same time meeting the GCF's investment criteria.

To conclude, our experience has proven that the road for national institutions to developing countries to direct access can be winding – but as the successful accreditation experiences has shown it can be successfully taken. Experience with the first accreditations for the GCF in March 2015 has shown, that institutions which already have undergone an accreditation for other funds have been advantaged – and not only due to the fast-track modality. These institutions are familiar with the processes of an accreditation and have already gained an understanding about the nature of requirements of the fund.

#### The Climate Finance Readiness Programme (CF Ready)



On behalf of BMZ, GIZ and KfW jointly implement the CF Ready Programme, which is currently supporting 15 partner countries to access and effectively use climate finance. Since 2014 GIZ has also been receiving funds from the Ministry for Environment of the Czech Republic. The programme supports national climate finance institutions and NDAs to coordinate in the area of climate finance and assist potential national implementing entities and/or intermediaries during accreditation. Furthermore, the programme provides support in developing strategic frameworks, national climate strategies and policy packages for ambitious, climate-resilient low-carbon development paths. Work in each country is based on an initial assessment of the challenges and barriers. In close dialogue with partner countries, the services are customised to best respond to these countries' needs, to optimally supplement existing programmes in this field and to build expertise in each country. In addition to this programme, GIZ also supports climate finance readiness as part of large climate change support programmes, and currently work in more than 40 countries on climate finance.

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