# Guide on Accreditation

to

# Green Climate Fund

*For Nepali Private Sector*


Prakriti Resources Centre

NDRI

**Authors**
Prabin Man Singh and Raju Pandit Chhetri

**Special contributions from**
Sarika Rai, Programme Coordinator, PRC
Pradeep Bhattarai, Programme Officer, PRC
Sneha Rai, Programme Officer, PRC

**Acknowledgement**
We would like to thank Mr. Lal Bhadur Khatri, Under-Secretary, Ministry of Finance, the Government of Nepal for his oversight and guidance in the implementation of support for strengthening climate finance activities in Nepal project. Areej Riaz and Ram Chandra Khanal also deserve our thanks for their overall steer to the project and their precise and valuable input to this publication. We are also thankful to Divas Basnyat and Chiranjibi Nepal for their comments and suggestion in finalizing this publication.

*Published by Climate and Development Knowledge Network, May 2017.*

CDKN is a programme funded by the UK Department for International Development (DFID) and the Netherlands Directorate –General for International Cooperation (DGIS) for the benefit of developing countries.

**Partner Organizations**
**Nepal Research and Development Institute (NDRI)** is an independent, non-partisan and non-profit institution, which aims to address the contemporary policy challenges and influence public policy through rigorous scientific research.

**Prakriti Resources Center (PRC)** is a non-governmental organization, which espouses sustainable development and environmental integrity, focusing mainly on climate change, low carbon development and food security. It has the strategy to engage with diverse stakeholders such as government institutions, NGOs, academia and the private sector for research and policy dialogues.

**Figures:**
Figures are used in the guide to present the information in simple and reader friendly style. Figures 3, 4, 5 and 6 are adapted from International Institute for Environment and Development (IIED) publication ‘How can Bangladesh’s private sector engage with the Green Climate Fund? published in 2016.

# Contents


Acronyms 3
Key Terminologies 4

**Chapter 1: Introduction to Climate Finance** 6
1.1. What is Climate Finance?
1.2. What are the existing major Climate Funds?

**Chapter 2: Basic Facts about Green Climate Fund** 9
2.1 What is Green Climate Fund?
2.2 What is the size of this Fund?
2.3 How to access GCF funding?
2.4 What are national actors involved in GCF and their roles?
2.5 How does the GCF access project/programme proposal?

**Chapter 3: GCF Accreditation of Private Sector** 13
3.1 How can an entity Get Accredited to GCF?
3.2 Which entity can get fast-track accreditation?
3.3 How many entities have already been accredited in GCF?
3.4 How long does it take to get the accreditation?

**Chapter 4: Private Sector Engagement in GCF** 21
4.1 Is private sector allowed to access GCF funds?
4.2 What support is available to private sector?
4.3 What types of private sector does GCF support?
4.4 How private sector in Nepal can access GCF funding?

**Chapter 5: GCF Readiness Programme in Nepal** 24

**Chapter 6: Conclusion** 25

**References** 26

**Annex** 27
Annex 1: Useful web links for further reading
Annex 2 : Major decisions of UNFCCC on climate finance

## List of Figures

Figure 1: Elements of climate finance

Figure 2: GCF's allocation of funds between Adaptaion and Mitigation

Figure 3: GCF fiduciary standards, ESS and gender policy

Figure 4: Basic fiduciary standards

Figure 5: Specialized fiduciary standards

Figure 6: Private sector engagement with the GCF

## List of Table

Table 1: Eight Strategic impact areas identified by GCF

Table 2: Fit for Purpose accrediation approach

Table 3: List of Multilateral implementing entites operating in Nepal

# Acronyms

| | |
|---|---|
| AEPC | Alternative Energy Promotion Centre |
| AF | Adaptation Fund |
| CDM | Clean Development Mechanism |
| CIF | Climate Investment Fund |
| COP | Conference of Parties |
| CERs | Certified Emission Reduction |
| EDA | Enhanced Direct Access |
| EE | Executing Entity |
| ESS | Environment and Social Safeguard |
| GCF | Green Climate Fund |
| GEF | Global Environment Facility |
| IE | Implementing Entities |
| IECCD | International Economic Cooperation Coordination Division |
| IFC | International Finance Cooperation |
| IUCN | International Union for Conservation of Nature |
| LDCs | Least Developed Countries |
| LDCF | Least Developed Countries Fund |
| MDBs | Multilateral Development Banks |
| MIEs | Multilateral Implementing Entities |
| MSMEs | Micro, Small and Medium Enterprises |
| NDA | National Designated Authority |
| NIEs | National Implementing Entities |
| NTNC | National Trust for Nature Conservation |
| OSA | Online Accreditation System |
| PSF | Private Sector Facility |
| PSAG | Private Sector Advisory Group |
| RIEs | Regional Implementing Entities |
| SCCF | Special Climate Change Fund |
| SIDS | Small Island Developing States |
| UNDP | United Nations Development Programme |
| UNEP | United Nations Environment Programme |
| UNFCCC | United Nations Framework Convention on Climate Change |
| USD | United States Dollars |

## Key Terminologies

Terminologies commonly used in climate finance discourse are explained below:

**Adaptation:** Adaptation refers to adjustment in natural or human systems in response to actual or expected climate stimuli and their effects, which moderates harm or exploits beneficial opportunities. Adaptation practices mainly include anticipatory, autonomous and planned adaptation.

**Climate Change:** Change in climate, which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere, and which is additional to natural climate variability observed over a comparable time period, generally 30 years.

**Climate Funds:** Climate Funds are resources earmarked at multilateral, bilateral and/or national levels for measures that address climate change. These funds can target mitigation, adaptation or both.

**Concessional Loan:** Different from standard market or multilateral loan, this is a loan offered on favorable terms to the poorest countries with special features like no or low interest rate and longer extended repayment schedule.

**Developed Countries:** Countries with high per capita Gross National Income, strong industrial base and high Human Development Index (HDI). These countries are party to the UNFCCC and are listed in Annex 1 and 2 of the Convention. These countries have mandatory obligation to provide financial support for climate actions globally.

**Developing Countries:** Countries with relatively low per capita Gross National Income, weak industrial base, and moderate to low HDI. The countries are party to the UNFCCC and are not listed in Annex 1 of the Convention. These countries are not obliged to finance climate actions.

**Financial Instruments:** Financial instruments are contracts between accredited entities and the climate funds to deploy the funds' resources to undertake mitigation and adaptation activities. There are four financial instruments that can be utilized under the GCF: grants, concessional loans, guarantees and equity investments.

**Governing Instrument of GCF:** The Governing instrument is a charter that governs the operation and management of GCF. It was approved by the 17th meeting of COP of UNFCCC in Durban, South Africa.

**Grant:** Grant is a type of financial instrument used to transfer money from climate funds to national implementing entities with no expectation of a return payment.

**Least Developed Countries:** The countries that are considered as one of the world's poorest scoring the lowest among all the countries in socio-economic development and HDI rating. According to UNFCCC, 48 countries including Nepal compose the current group of LDCs.

**Mitigation:** The human interventions that reduce the sources or enhance the store of greenhouse gases. These interventions range from using fossil fuels more efficiently for industrial processes or electricity generation, switching to solar energy or wind power to improving the insulation of buildings and expanding forests and other 'sinks' to reduce the amount of carbon dioxide from the atmosphere.

**No Objection Letter:** A 'No Objection Letter' is a letter from a National Designated Authority (NDA) or, if applicable, a focal point, signed by its official representative, confirming that it has no objection to a funding proposal submitted by an accredited entity in its country.

**United Nations Framework Convention on Climate Change:** United Nations Framework Convention on Climate Change (UNFCCC) is a framework for international cooperation to combat climate change. It aims to stabilize the greenhouse gas concentration in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system. It focuses on both mitigation and adaptation measures. Currently, 197 countries are a party to the Convention. It was adopted at the Earth Summit in 1992.

# Chapter 1: Introduction to Climate Finance

## 1.1. What is Climate Finance?

The UNFCCC has stipulated that developed countries should financially support the developing countries to undertake actions so as to mitigate[1] and adapt[2] to climate change. This earmarked money, especially generated to finance global actions to address climate change is known as 'climate finance'. The following commonly used definitions will further help to understand the concept of climate finance.

'Climate finance refers to **local, national or transnational financing**, which may be drawn from **public, private and alternative sources** - to address climate change - (to significantly reduce greenhouse gas emissions and to allow countries to adapt to the adverse effects and reduce the impacts of climate change)'

*- United Nations Framework Convention on Climate Change (UNFCCC)*[3]

'Climate finance or international climate finance is used to describe **financial flows from developed to developing countries** for **climate change mitigation/adaptation activities**, like building solar power plants or walls to protect from sea level rise.'

*- World Resources Institute*[4]

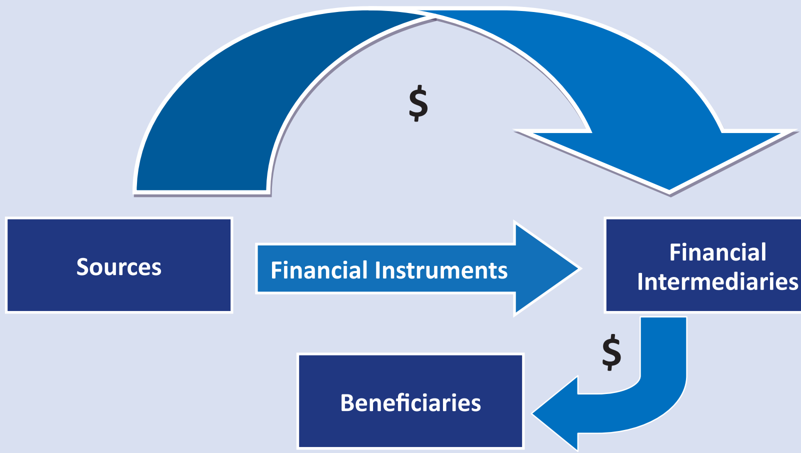


*Figure 1: Elements of climate finance*

---

1 The human intervention to reduce the sources or enhance the sinks of greenhouse gases is terms as mitigation.

2 Adaptation refers to adjustments on ecological, social and economic systems that support to build resilience of human communities and natural ecosystems to moderates potential damage or to benefit from opportunities associated with climate change

3 http://unfccc.int/focus/climate_finance/items/7001.php#intro

4 http://www.wri.org/insights-topics/climate-finance-faqs

There are four major elements in climate finance as explained below.

**Sources:** Multilateral, bilateral or dedicated climate funds such as Green Climate Fund, Adaptation Fund etc. that provide or deliver finance to implement adaptation and mitigation activities to combat climate change and its impacts.

**Financial intermediaries**: National, regional or global institutions that play a role in facilitating delivery of climate finance from the sources of funds to the recipient countries or beneficiaries. This has been elaborated later in the guide.

**Financial Instruments:** Various financial instruments such as grant, concessional loans and bonds used as means to transfer finance from developed countries to developing countries or their institutions.

**Beneficiaries**: Recipient developing countries or their institutions (public and/or private) that receive climate finance to undertake adaptation and mitigation actions to combat climate change and its impacts.

### 1.2. What are the existing major Climate Funds?

Several dedicated funds are established to finance climate actions globally- the multilateral climate funds are explained below. Many of these funds are established by UNFCCC and operating under its guidance. UNFCCC decisions to establish these funds are listed in annex 2. There are various others bilateral climate funds managed by individual developed countries.

### Adaptation Fund

Adaptation Fund (AF) is an independent fund established under the UNFCCC in 2001. It finances concrete adaptation projects and programmes in developing countries, which are a party to the Kyoto Protocol and are particularly vulnerable to the adverse impacts of climate change. It is financed through the sale of certified emission reductions (CER), which industrialized countries can earn through emission-reduction projects in developing countries to meet a part of their emission reduction targets under the Kyoto Protocol. The share of proceeds amounts to two percent of the value of CERs issued each year for Clean Development Mechanism (CDM) projects. The fund also receives contributions from governments, private sector and individuals.

The current volume of funding allocated to climate adaptation is $318 million. For more details about this fund, visit to https://www.adaptation-fund.org/

### Climate Investment Fund (CIF)

The Climate Investment Fund (CIF) instituted in 2008, currently supports poor developing and middle-income countries with resources to mitigate and manage the challenges of climate change and reduce their greenhouse gas emissions. Fourteen contributing countries have pledged a total of $8.1 billion to the CIF. CIF disburses funds through the Multilateral Development Banks (MDBs), which include the Inter-American Development Bank, African Development Bank, Asian Development Bank and the World Bank Group. For further details about this fund, log in to https://www-cif.climateinvestmentfunds.org/

### Least Developed Countries Fund (LDCF)

The Least Developed Countries Fund (LDCF) was established under the UNFCCC in 2001. This fund aims to address special needs of the LDCs Parties to the UNFCCC through a work programme that focuses on various climate interventions such as the preparation and implementation of National Adaptation Programme of Actions (NAPA). The Global Environment Facility (GEF) is entrusted to operate the LDCF. The sources of the funds are based on complete voluntary contributions from donor countries in order to implement the LDC work programme. More details are available at https://www.thegef.org/topics/least-developed-countries-fund-ldcf

### Special Climate Change Fund (SCCF)

The Special Climate Change Fund (SCCF) was also established under the UNFCCC in 2001 to finance projects that address climate change issues. The fund is designed to finance activities, programmes and measures related to climate change that complement other funding mechanisms for the implementation of the requirements under the UNFCCC. GEF is entrusted to operate the SCCF. The sources of the funds are based on complete voluntary contributions from donor countries. For more details about this fund log in to https://www.thegef.org/topics/special-climate-change-fund-sccf

### Green Climate Fund (GCF)

Green Climate Fund (GCF) was established in 2010 as the operating entity of the financial mechanism of the UNFCCC. Its purpose is to make a significant and ambitious contribution to the global efforts towards combating climate change by promoting the paradigm shift towards low-emission and climate–resilient development pathways by providing support to the developing countries. In allocating its resources, the Fund aims for a 50:50 balance between mitigation and adaptation over time. It is trying to obtain US$100 billion climate finance per year by 2020. As of December 2016, donor countries have pledged a total of $10.3 billion to the Fund. For more details about this fund, log in to http://www.greenclimate.fund/home

# Chapter 2: Basic Facts about Green Climate Fund

## 2.1 What is Green Climate Fund?

Green Climate Fund (GCF) is a financial mechanism established within the UNFCCC. It was established by 194 member countries at the 16th COP meeting in 2010 under the Cancun Agreement. It aims to support developing countries to respond to climate change by investing in low-emission and climate –resilient development.

It is governed by a 24 member-GCF Board. Developed and developing countries are equally represented (twelve each) in the GCF Board. There must be at least one representative each from the LDCs group and Small Island Developing States (SIDs) in the Board.

## 2.2 What is the size of this Fund?

As of March 2017, a total of USD 10.3 billion has been pledged by 43 member countries in GCF, which also include 9 developing countries. The United States, Japan, the United Kingdom, France and Germany are the top five contributors.

GCF makes an equal allocation of its total financial resources for adaptation and mitigation. Of the 50% fund allocated for adaptation, 50% is allocated to LDCs, SIDs and African countries.

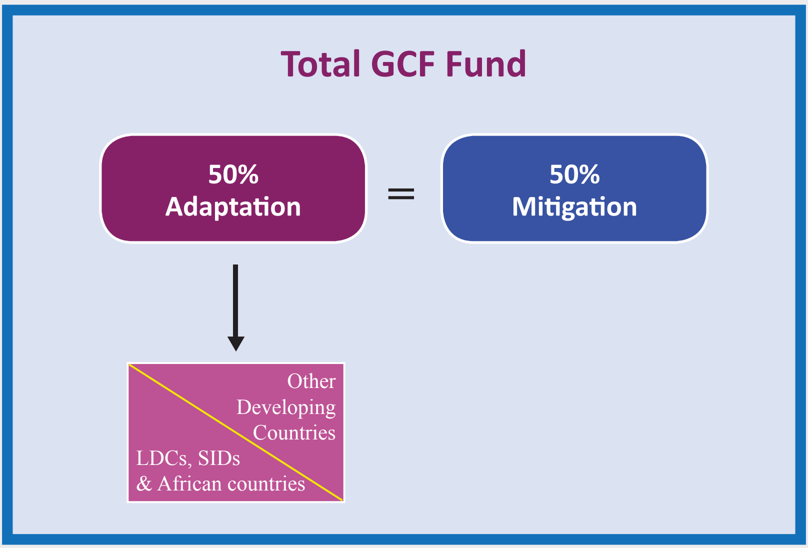


*Figure 2: GCF's allocation of funds between Adaptation and Mitigation*

GCF has identified eight strategic impact areas (four each in mitigation and adaptation). These impact areas are listed below:

**Table 1: Eight Strategic impact areas of GCF**

| ADAPTATION | MITIGATION |
|---|---|
| Livelihoods of people and communities | Energy generation and access |
| Infrastructure and built environment | Transport |
| Ecosystems and ecosystem services | Buildings, cities, industries and appliances |
| Health, food and water security | Forests and land use |

These strategic impact areas are aligned with Nepal's priorities for adaptation and mitigation actions identified in national policy, plans and programmes and also in the Nationally Determined Contributions (NDCs) submitted to the UNFCCC. Nationally prioritized adaptation and mitigation actions include – promotion of hydropower and renewable energy, development of sustainable transport system, prevention from climate-induced disasters, forest conservation, climate resilient agriculture, conservation of water sources and watershed and waste management.

## 2.3 How to access GCF funding?

Nepal can access GCF's money through multiple entities – international, regional, national, sub-national, public, private or non-governmental institutions – which are accredited as 'Implementing Entities' to receive GCF funding. GCF has categorized these entities as follows:

**Multilateral Implementing Entities (MIEs)** – These include public, private or non-governmental institutions operating at an international level. For instance, the World Bank and United Nations Development Programme (UNDP).

**Regional Implementing Entities (RIEs)** – These include public, private or non-governmental institutions operating at a regional level. For instance, Asian Development Bank

**National Implementing Entities (NIEs)** – A sub-national or national public or private agency that has i) a legal status, ii) an institutional system, and iii) a track record, which demonstrates that it implements these policies, procedures and guidelines. NIE needs to get accreditation to access funds from GCF. This guide is developed to help the prospective NIE to support on the accreditation process[5].

Countries can access funds from GCF either through an international entity (MIE/RIE) or directly through NIE.

## 2.4 Who are National Actors involved in GCF and their Roles?

At a country level, several national organizations need to be engaged with each having a specific role to facilitate accreditation and, programme and project implementation funded by GCF. These agencies and their respective roles are explained below.

The **National Designated Authority (NDA)** is a focal agency that serves as an interface between the country and the Green Climate Fund (GCF). International Economic Cooperation Coordination Division within the Ministry of Finance is the NDA of Nepal to the GCF. The roles of NDA include:

- Strategic oversight of a country's priorities,
- Convening national stakeholders,
- Providing nomination letters for direct access,
- Providing no-objection letters for projects and programmes, and
- Approving readiness support

**National Implementing Entities** may carry out a range of activities, including:

- Developing and submitting funding proposals for projects and programmes;
- Overseeing management and implementation of projects and programmes;
- Deploying a range of financial instruments within their respective capacities (grants, concessional loans, equity and guarantees) and;
- Mobilizing private sector capital.

*5 GCF self-assessment tool is an online system that provides support to an entity seeking to get accreditation to the GCF, to self-assess their capacities , and to compare them to the requirements of the GCF. This tool helps the potential applicant understand the structure of the accreditation process and also determine if the entity is ready to start the accreditation process of the GCF.*

An **Executing Entity (EE)** is a body responsible for implementation of projects/ programmes on the ground. It can be legally registered public, private and non-governmental agencies operating in the country. An executing entity has to be nominated by the implementing entity, preferably in consultation with the NDA. Sometimes, both EE and NIE could also be the same institution. Similar to NIE, there could be several EEs in any one country.

### 2.5 How does the GCF assess project/programme proposal?

Project and programme proposals submitted by accredited entities to GCF are assessed based on a six investment criteria namely i) Impact potential, ii) Paradigm shift potential, iii) Sustainable development potential, iv) Needs of the recipient, v) Country ownership and vi) Efficiency and effectiveness. These criteria are briefly explained below:-

**Impact potential**: Mitigation and adaptation impacts of the proposed project or programme.

**Paradigm shift potential:** Impact beyond project or programme investment.

**Sustainable development potential**: Wider co-benefits on environmental, social and health and economic and gender generated by the project or programme.

**Needs of the recipient:** Project or programme addressing scale and intensity of vulnerability of the beneficiary country and population

**Country ownership:** Project or programme alignment with the country's national climate strategy and, priorities, capacity of accredited or executing entities and engagement with all relevant stakeholders.

**Effective and efficiency:** Conduct economic and financial analysis of the project or programme.

It is must for a proposal to meet all of these criteria as GCF Board grants awards to proposals that meet the above criteria.

# Chapter 3: GCF Accreditation of Private Sector

## 3.1 How can an entity get accredited to GCF?

**What is Accreditation?**

Accreditation is a rigorous process whereby a multilateral, regional or national entity should demonstrate that it has the capacity to manage GCF funds in accordance with standards and criteria set out in the accreditation application.

**Key Facts about accreditation**

- It is an ongoing, interactive process.
- All application materials and documents should be submitted through the Fund's Online Accreditation System (OAS).
- All accreditation documents should be in English.
- The timeframe for accreditation is six months, provided all necessary documents are submitted on time.
- Accreditation is valid for 5 years or less

There are three stages of accreditation: Pre- accreditation, Accreditation review and decision, and final validation and legal arrangements.

**Stage 1: No Objection from NDA and Readiness**

There are five steps in Stage 1.

Step 1: Prospective NIE requests an Online Application System (OAS)[6] account from the GCF secretariat via accreditation@gcfund.org

Step 2: Prospective NIE submits completed application[7] through the GCF's OAS.

Step 3: Prospective NIE pays accreditation fee (not needed in Nepal's case)

Step 4: NDA (IECCD, Ministry of Finance in case of Nepal) confirms nomination of the NIE

Step5: GCF secretariat completes institutional assessment and completeness check

**Stage 2: Accreditation review by GCF Board and decision**

An accreditation panel of experts undertakes an independent review of the applications to assess whether or not the applicant entity meets GCF accreditation criteria. The panel uses a **fit for purpose** accreditation approach to review the applications and recommends whether or not the GCF Board should provide the accreditation.

6 'OAS' is an online facility which allows entities to submit the application for accreditation to GCF.

7 An applicant entity can submit only one application at the time of accreditation. For now, application needs to be completed and submitted in English language only. A web link to application form is mentioned in Annex 1.

### Fit for Purpose Accreditation Approach

GCF applies an innovative **"Fit for Purpose"** accreditation approach based on the four criteria described in the table below. It is designed to engage a wide range of entities with different levels of capacity and to avoid an unnecessarily long and burdensome accreditation process. This is a tiered approach, which classifies applicant entities according to the intended scale, nature and risks of their proposed activities. Applicants are required to demonstrate their capacities to tackle corresponding risks during the accreditation. It matches the nature, scale and risks of proposed activities to the application of fiduciary standards and Environment and Social safeguards (ESS), and assesses the extent to which an entity conforms to the GCF's fiduciary standards and has the capacity to conform to its ESS and gender policy (Rai. N, et al., 2015)

**Table 2: Fit for Purpose accreditation approach**

| **Fit for Purpose accreditation approach** | |
|---|---|
| **Mandate and Track Record** | |
| | • Alignment with Fund's objectives - address urgency and seriousness of climate change and make a significant and ambitious contribution to the global efforts towards attaining the goals set by the international community to combat climate change<br>• The organization should have been in operation for at least 3 years. |
| **Fiduciary Functions** | |
| Basic | Key administrative & financial capacity; transparency & accountability |
| Specialized | Project management; grant award and/or allocation mechanisms; on-lending and/or blending |
| **Environmental and Social Risk Category** | |
| High – Category A | Activities with potential significant adverse environmental and/or social risks and/or impacts |
| Medium – Category B | Activities with potential mild adverse environmental and/or social risks and/or impacts |
| Low – Category C | Activities with minimal or no adverse environmental and/or social risks and/or impacts |
| **Project size** | |
| Micro | =< USD 10 million |
| Small | USD 10-50 million |
| Medium | USD 50-250 million |
| Large | > USD 250 million |

*Source: GCF, 2016b*

The GCF Board, based on the Accreditation Panel's recommendation, decides whether the applicant entity can be granted accreditation. Sometimes the Board may decide to assign the entity back to Stage 1 for additional focused readiness support. Such application is then reviewed at a later date by the Accreditation Panel.

**Stage 3: Final Validation and Legal arrangements**
It concludes the process through the validation and finalization of formal arrangements between the applicant entity and GCF.

**Criteria for Accreditation**
There are three criteria that a potential implementing entity needs to meet to qualify for GCF accreditation. These criteria are explained below.

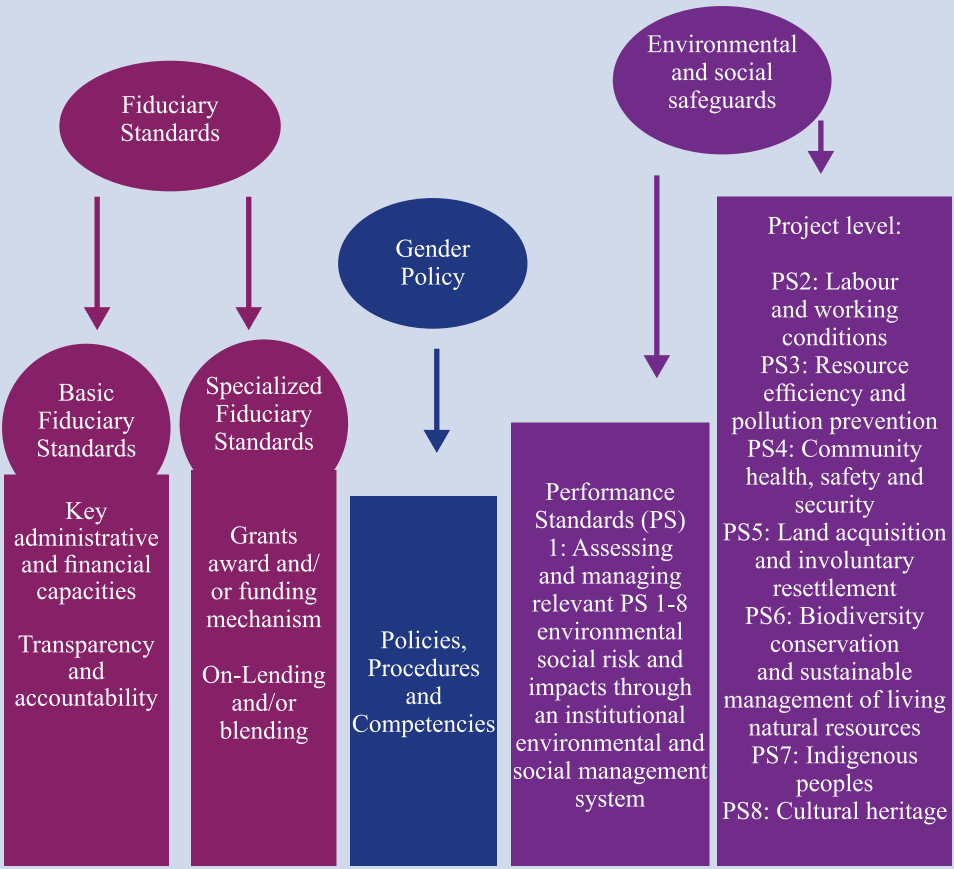


*Figure 3: GCF fiduciary standards, ESS and gender policy*

### A. Fiduciary Principles and Standards

Fiduciary criteria demands that the implementing entity's capacity to identify, prepare, submit and propose and implement projects and programmes is in line with national climate change adaptation and mitigation needs. The basic required competency includes the following five elements:

1. Core financial and administrative functions
2. Good governance
3. Procurement processes and systems
4. Transparency and integrity, and
5. Project cycle management

GCF requires two types of fiduciary standards -- basic and specific.

**Basic Fiduciary Standards:** These are minimum standards an entity has to fulfill to get the accreditation. These include key administrative and financial capabilities, and, transparency and accountability within the organization. An entity accredited based on its capacity to meet the basic standards can only access funds for micro or small-scale projects with low and medium environmental and social risks.

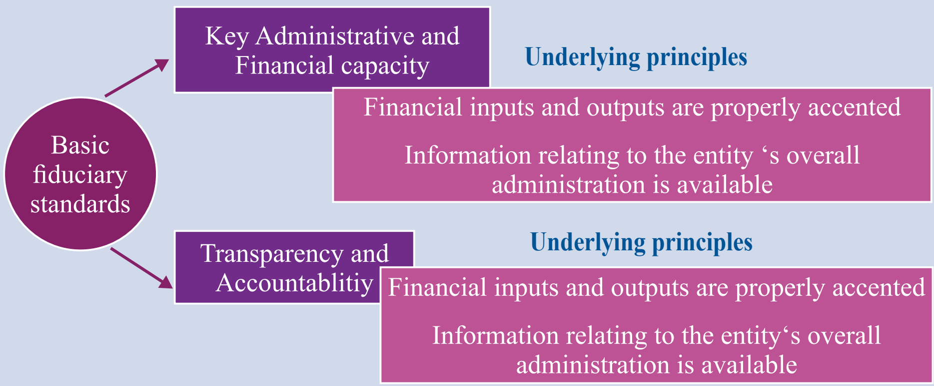


*Figure 4: Basic fiduciary Standards*

**Key Administrative and Financial Capacities**: Prospective entities, whether public or private, have to demonstrate general management and administrative capacities. To demonstrate these, the entity must provide evidence of:

- General management and administrative capacities
- Financial management and accounting
- Internal and external audit
- Control framework (due diligence)
- Procurement

**Transparency and Accountability:** Prospective entities must be able to demonstrate transparency and accountability within their organizations. As evidence, they should be able to show positive records of implementing and managing projects in a transparent and accountable manner in the past, and prove that they have appropriate organizational policies, procedures, systems and approaches such as protection against mismanagement, fraud, corruption and wasteful practices to ensure transparency and accountability in the future as well. The entity must provide evidence that they ensure transparency and accountability by way of:

- Code of ethics
- Organizational policies
- Disclosure of interest
- Financial mismanagement prevention
- Investigation
- Anti-money laundering and anti-terrorists financing policies

**Specialized Fiduciary Standards:** These standards require evidences of, among other things, project management capacity; grant award mechanisms and experience in on-lending and blending. Each of these is explained below.

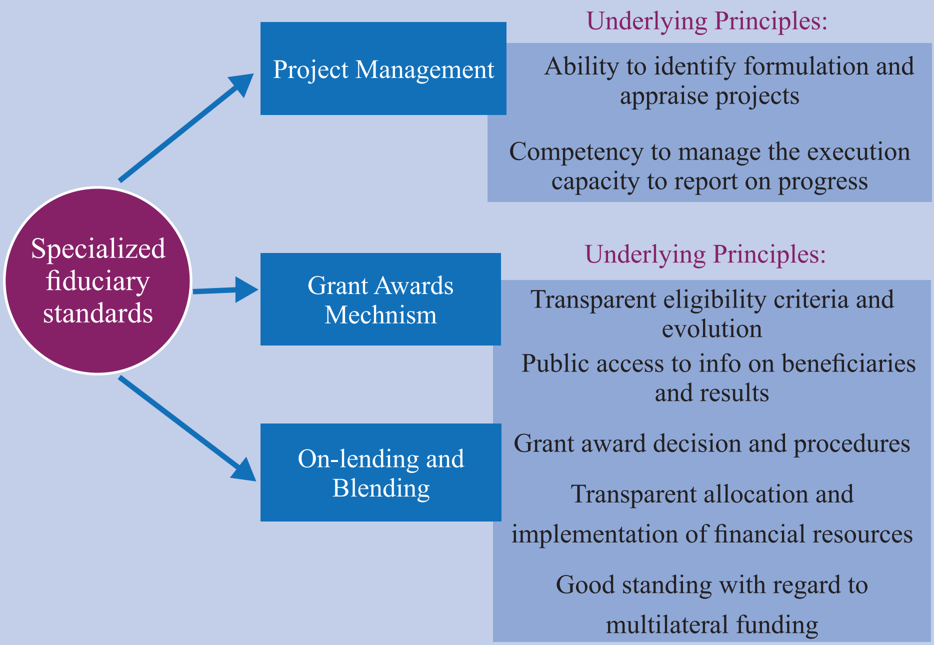


*Figure 5: Specialized fiduciary standards*

**Project Management:** An entity must provide evidences from past projects that it has the ability to identify, formulate and appraise projects and/or programmes, manage and oversee the funding proposal approved by the GCF and subsequently manage executing entities and/or project sponsors. The entity must ensure evidence of consistency in the following general capacities:

- Project identification, preparation and appraisal
- Project oversight and control
- Monitoring and evaluation and
- Project risk management capabilities

**Grant Award Mechanism:** An entity should provide the evidence of its capacity to award and manage grants transparently by demonstrating:

- Well developed grant award procedure
- Transparent eligibility criteria and evaluation systems to assess the grantees
- Systems for transparent allocation and implementation of financial resources
- Public access to information on beneficiaries and results

**On-lending and Blending**: An entity willing to on-lend or blend funds should demonstrate with evidence that it meets the following additional specialized criteria for using GCF resources:

- Appropriate registration and/or license from a national or international financial oversight body and or regulator
- Track record, institutional experiences and existing arrangement and capacities for on-lending and blending with other international or multilateral resources
- Creditworthiness in on-lending and blending
- Due diligence policies, processes and procedures
- Financial resources management, including lending portfolio analysis
- Public access to information on beneficiaries and results
- Investment management, policies and systems, including in relation to portfolio management
- Capacity to channel funds transparently and effectively
- Capacity to transfer the GCF's funding advantage to final beneficiaries
- Financial risk management including assets liability management and
- Governance and organizational arrangements, including relationship between the entity's treasury function and the operational side.

## B. Environmental and Social Safeguards

Safeguards policies are essential tools to prevent and mitigate undue harm to people and the environment while implementing programmes/ projects funded by the GCF. While identifying and designing programmes/projects, safeguards help assess the possible environmental and social risks and the associated impacts (positive or negative), and also define measures and processes to effectively manage risks and enhance positive impacts. Presently, the GCF's Environment and Social Safeguards (ESS) are based on the performance standards of the International Finance Cooperation (IFC). The IFC's eight performance standards (PS) will be applied through a modular, scaled, risk-based approach to all GCF funded activities. These standards are as listed below:

PS 1: Assessing and managing relevant PS 1-8 environmental, social risks and impacts through an institutional environment and social management system.
PS 2: Labor and working condition
PS 3: Resource efficiency and pollution prevention
PS 4: Community health, safety and security
PS 5: Land acquisition and involuntary settlement
PS 6: Biodiversity conversation and sustainable management of living natural resources
PS 7: Indigenous people
PS 8: Cultural heritage

An applicant entity is expected to develop an environmental and social management system (ESMS) that includes:

- A policy
- A process to identify risks and impacts
- A management programme for mitigation measures and actions that stem from risks and impacts.
- An identification process
- Organizational capacity and competencies to properly implement projects/ programmes
- A monitoring and review programme to ensure completion of mitigation actions, which would facilitate learning and include reporting on the effectiveness of ESMS and
- An external communication channel that facilitates receipt of and response to external enquiries

In the future, GCF intends to tailor its own ESS based on the experience and feedback from supported projects.

**C. Gender Policy**

Gender Policy is a major criteria for accreditation which the entity must be able to demonstrate through competent policies and procedures to implement the GCF's gender policy with evidence of non-discriminatory practice from past projects. The entity must have its own gender policy that aligns with the GCF policy.

The GCF's gender policy aims to ensure that by adopting a gender-sensitive approach, the fund and its stakeholder entities will efficiently contribute to gender equality achieving greater and more sustainable climate change results, outcomes and impacts. If the entity cannot demonstrate the elements mentioned above, they should demonstrate a willingness to acquire or develop the needed competencies, policies and procedures for gender-sensitive approach.

### 3.2 Which Entity can get Fast-Track Accreditation?

Under the GCF, some entities are allowed to apply for fast track accreditation. Entities that are already accredited to one or more of these funds before 14th December 2016[8] - Global Environment Facility (GEF), Adaptation Fund and Directorate-General Development and Cooperation – Europe Aid of the European Commission (DG DEVCO) and have complied fully with fiduciary standards of the above funds are eligible for fast track accreditation. Under this process, entities are assessed only on the GCF's requirements additional to the accreditation process of the above listed funds. Generally it takes 3 months to get accreditation through this process.

### 3.3 How many Entities have already been Accredited to GCF?

By February 2017, 48 entities have been accredited and 202+ are still in the pipeline. Of the total accredited entities, 25 are international, 14 national and 9 regional.

Among them, Asian Development Bank (ADB), Food and Agriculture Organization (FAO), International Finance Corporation (IFC), the World Bank, International Union for Conservation of Nature (IUCN), the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP), World Food Programme (WFP), World Meteorological Organization (WMO), World Wildlife Fund (WWF) and International Fund for Agriculture Development (IFAD) are Multilateral Implementing Entities accredited to GCF and have presence in Nepal.

Alternative Energy Promotion Center (AEPC) and National Trust for Nature Conservation (NTNC) are in the process of getting accreditation as National Implementing Entity for GCF.

### 3.4 How Long does it take to get the Accreditation?

The timeframe for obtaining accreditation is six months, provided all necessary documents are submitted on time. But in practice, it takes much longer time as many entities fail to meet all criteria mandatory in the accreditation process. Often accreditation is an iterative process. The GCF requests additional information from the entity while reviewing the application.

8 Fast-track Accreditation to the GCF Version 5 (February 2017)

# Chapter 4: Private Sector Engagement in GCF

## 4.1 Is the Private Sector allowed to Access GCF Funds?

GCF has identified private sector as an important stakeholder contributing to the global efforts to combat climate change. It has established a dedicated funding window, **Private Sector Facility (PSF)**, with a mandate to mobilize and channel private capital and expertise at scale accordingly to national plans and priorities. It also funds private sector investors, developers, entrepreneurs and small and medium sized enterprises (SMEs) in low carbon and climate resilient programme throughout the developing world.

Private Sector Facility (PSF) has enlisted 7 target areas for GCF's funding support. They are: i) Renewable Energy, ii) Transportation, iii) Energy Efficiency, iv) Agriculture and water efficiency, v) Forestry and land use, vi) Waste management and vii) Urban Management.

GCF has further set up a Private Sector Advisory Group (PSAG) to advise the GCF Board on mobilizing and delivering scaled up private sector investment in developing countries, and to recommend programmes/ projects proposed by private sector entities for GCF's funding. PSAG comprises 10 experts including four private sector experts each from developing and developed countries and two civil society experts.

## 4.2 What Support is available for Private Sector?

GCF funds for investment to private sectors in three main areas.

**GCF Readiness support:** This support is specifically for building NDA and implementing entities' capacity, developing strategic framework and supporting NIE accreditation process and developing project pipeline. GCF readiness programme is currently under way in Nepal. Further detail of the programme is provided in chapter 5.

**Climate-related programme and projects**: Private accredited entities can access funding for projects and programmes focusing on adaptation, mitigation or both. The programme and projects aligning with the eight strategic impact areas of adaptation and mitigation are more likely to get this support.

**Leveraging private sector investment in climate actions**: PSF offers two types of supports for: 1) exploring potential approaches to mobilizing funding at scale from institutional investors and 2) providing support to private sector entities, including micro, small and medium scale enterprises (MSMEs).

## 4.3 What types of Private Sector does GCF Support?

GCF supports a range of private sectors from micro, small and medium enterprises (MSMEs) to big institutional investors like commercial banks, investment fund, pension fund and others. It especially promotes MSMEs in developing countries.

**Supporting local MSMEs**

GCF has allocated USD 200 million for MSMEs programme for now and capped USD 65 million per geographical region for Africa, Asia and South America. MSMEs pilot programme can channel concessional resources through accredited entities. For the initial phase, the request for proposal has already been issued for USD 100 million under this programme. Nepal can reap immediate benefit from this programme by submitting project/programme proposal through and accreditated entity.

GCF supports MSMEs through such financial instruments as grant, debt/ concessional loan, equity and guarantees to make the projects and programmes financially viable by overcoming different barriers.

**Mobilizing funds from institutional investors**

GCF is working with entities like commercial banks, investment funds and pension funds, which can mobilize funds at scale. The GCF develops a range of products such as green bonds, commercial papers and others to engage these institutional investors in climate related actions.

## 4.4 How Private Sector in Nepal can Access GCF Funding?

Nepalese private sector can access GCF funding in two ways. First, by getting accredited as National Implementation Entity (NIE) and second, by implementing project(s) as executing entities through accredited NIE or MIE. These two ways are explained below.

**Directly as NIE**

Nepalese private sector can get accredited as National Implementing Entity (NIE) and gain direct access to GCF funds. Prospective private sector entites seeking NIE accreditation need to go through the accreditation process as explained in Section 3. After accreditation, private sector can develop programme and/or project proposal(s) and submit to GCF for funding.

**Executing Entities accessing funding through NIE or MIE**

Alternately, Nepalese private sector can tie up with existing accredited international, regional or national implementing entities to access GCF funding. Till date there are 48 GCF accredited agencies—majority of them international and regional agencies. No Nepalese agencies have yet been accredited to GCF.

While choosing MIE to partner with, its track record of working in Nepal and good portfolio of working with MSMEs in Least Developed Countries need to be considered. Below is a list of MIEs operating in Nepal that the Nepalese private sector can partner to access GCF funding.

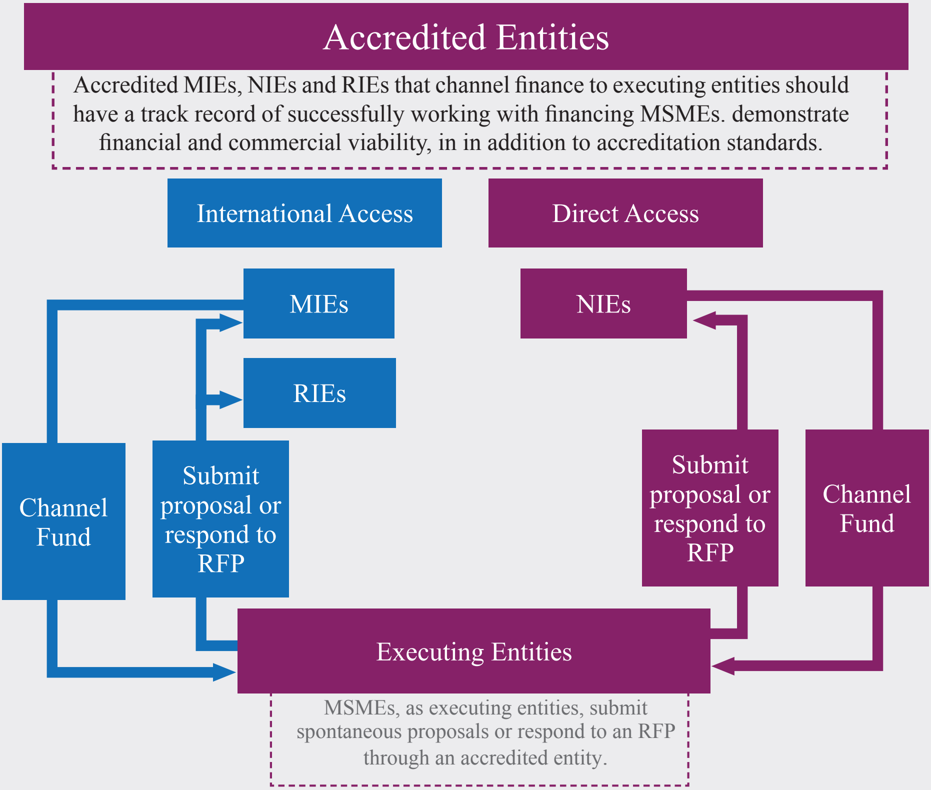


*Figure 6: Private sector engagement with the GCF*

## Table 3: List of MIEs operating in Nepal

| | |
|---|---|
| 1. | Asian Development Bank (ADB) |
| 2. | International Bank for Reconstruction and Development and International Development Association (IBRD & IDA) also known as the World Bank |
| 3. | International Union for Conservation of Nature (IUCN) |
| 4. | International Finance Corporation (IFC) |
| 5. | United Nations Development Programme (UNDP) |
| 6. | United Nations Environment Programme (UNEP) |
| 7. | World Meteorological Organization (WMO) |
| 8. | World Wildlife Fund (WWF) |
| 9. | Food and Agriculture Organization (FAO) |
| 10. | International Fund for Agriculture Development (IFAD) |
| 11. | Kreditanstalt fur Wiederaufbau (kFW) |
| 12. | Deutsche Gesellschaft fur International Zusammenarbeit (GIZ) GmbH (GIZ) |

# Chapter 5: GCF Readiness Programme in Nepal

The “readiness programme” under GCF provides an early support to enhance country ownership and access to the fund empowering developing countries particularly the vulnerable countries, including least developed countries (LDCs), Small Island developing States (SIDS) and African States. 50% of the readiness support is allocated to these priority countries. The program provides financial and technical support through NDAs or focal points and also national implementing entities for efficient engagement with the GCF.

In Nepal ‘Green Climate Fund Readiness Programme in Nepal (GCF-RP)’ is being implemented by Ministry of Finance with technical support of the United Nations Development Programme (UNDP) and the United Nations Environment Programme (UNEP). The German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB) has provided USD 1.5 million of financial support.

GCF-RP aims to support the Government of Nepal in strengthening its national capacities to effectively and efficiently plan for, access, manage, deploy and monitor climate from the GCF. It has three major components:

1. Build the capacities of NDA (MoF) to efficiently and effectively engage with GCF.
2. Develop a robust investment framework for identification of adaptation and mitigation options
3. Support the NIEs and other private sector entities in the accreditation process to access funds directly

Recently , the Ministry of Finance as issues a public notice to all prospective national entities seeking accreditation to GCF to submit their expression of interest. A technical committee formed by the Ministry is currently reviewing the applications.

# Chapter 6: Conclusion

Private sector has an important role to play in the global fight against climate change, both on mitagating further climate change, and adapting to impacts of the changing climate. Private sector has dual roles to play in combating climate change. Private sector can support to meet mitigation ambition by switching to low-emitting carbon efficient technologies and also help advance adaptation and mitigation actions globally, be through financial assistance, technological innovations or investment.

Realizing the potential of private sector, Green Climate Fund has made a separate funding window 'Private Sector Facility' to support private sector' investment on climate action. Private companies such as financial institutions, industries, transport companies, energy companies etc can get accredited and directly access GCF funds to implement climate adaptation and mitigation projects and programmes.

Nepalese private sector has shown interest to engage in GCF processes, but lacks necessary knowledge and information about the Fund and, the practical processes and procedures that needs to be complied with in order to access the fund.

This guide has provided overview on the opportunities GCF has for private sector and mechanisms through which they can engage with GCF. This guide is meant to help Nepalese private sector in engaging with GCF and understanding the relevant concepts and processes.

# Reference


1. Baral, P and Chhtetri, R.P., (2016). *Accessing the Green Climate Fund*. Prakriti Resources Centre (PRC), Kathmandu, Nepal.
2. Dr. Lucy Ssendi and Neha Rai. (2016). *Eight thing to know about Green Climate Fund*. IIED, London.
3. GCF (2017). Accreditation to the Green Climate Fund. Green Climate Fund, February, 2017.
4. GCF. Annex III: Initial investment framework: activity-special sub-criteria and indicative assessment factors.
5. GCF (2015). Green Climate Fund: Accreditation Application Form. Green Climate Fund, July 2015.
6. GCF, 2015a. Elements 01. Green Climate Fund.
7. GCF (2017). *Status of pledges and contributions made to the Green Climate Fund*, March 2017, Green Climate Fund.
8. GCF, 2015b. Elements 02. Green Climate Fund.
9. GCF (2015). *Engaging with the Green Climate Fund: A resource guide for national designated authorities and focal points of recipient countries*. Second edition, November 2015, Green Climate Fund.
10. GoN. (2016). *Green Climate Fund Readiness Programme in Nepal*. Government in Nepal, Ministry of Finance, Kathmandu, Nepal.
11. Neha Rai, Bowen Wang, and Marek Soans. (2015). *A Practical Handbook for Green Climate Fund accreditation in Bangladesh.* IIED, London.
12. Rai. N, et.al. (2016). *How can Bangladesh's private sector engage with the Green Climate Fund?* IIED.

# Annex

## Annex 1: Useful web links for further reading

Green Climate Fund's website
*http://www.greenclimate.fund/home*

Green Climate Fund's Governing Instrument
*https://www.greenclimate.fund/documents/20182/56440/Governing_Instrument.pdf/caa6ce45-cd54-4ab0-9e37-fb637a9c6235*

GCF's Gender Policy
*https://www.greenclimate.fund/documents/20182/114264/1.8_-_Gender_Policy_and_Action_Plan.pdf/f47842bd-b044-4500-b7ef-099bcf9a6bbe*

GCF Accreditation Self Assessment Tool
*https://www.greenclimate.fund/partners/accredited-entities/self-assessment-tool-questionnaire*

GCF's Interim environment and social safeguards of the Fund
*https://www.greenclimate.fund/documents/20182/114264/1.7_-_Environmental_and_Social_Safeguards.pdf/e4419923-4c2d-450c-a714-0d4ad3cc77e6*

Engaging with the Green Climate Fund A resource guide for national designated authorities and focal points of recipient countries
*http://www.greenclimate.fund/documents/20182/194568/GCF_ELEMENTS_01.pdf/542c1610-81b4-40df-be62-025cef3d26d8*

Investment Opportunities for the Green Climate Fund GCF's role and impact within the climate finance ecosystem
*http://www.greenclimate.fund/documents/20182/194568/GCF_ELEMENTS_02.pdf/bfbbc1e8-1b21-44d6-80cc-dcd59406dcfb*

GCF Guidebook Accessing the GCF Readiness and Preparatory Support Programme
*http://www.greenclimate.fund/documents/20182/574766/Guidelines_-_Readiness_and_Preparatory_Support_Guidebook.pdf/9eea580f-a109-4d90-b281-c54695114772*

GCF's Accreditation Application Form
*http://www.greenclimate.fund/documents/20182/574712/Form_05_-_Accreditation_Application.pdf/7cef5ed0-e42e-475a-9bd7-e099d64d6231*

The Online Accreditation System Of The Green Climate Fund Terms And Conditions
*http://www.greenclimate.fund/documents/20182/46513/1.5.3_-_Terms_and_Conditions_of_OAS.pdf/86b8ff54-68fa-408c-9e91-08134e6dad00*

## Annex 2: Major Decisions of UNFCCC on Climate Finance

| Timeline | Milestones |
|---|---|
| **May 1992** | United Nations Frameworks Convention on Climate Change (UNFCCC) text was adopted at the United Nations Headquarters in New York |
| **March 1994** | UNFCCC Entered into Force |
| **April 1995** | First Conference of the Parties (COP1) was held in Berlin |
| **December 1997** | Kyoto Protocol Adopted |
| **November 2001** | - Adaptation fund was established to finance concrete adaptation projects and programmes in developing country.<br>- Least Developed Countries Fund (LDCF) was established to address the special needs of the Least Developed Countries (LDC)<br>- Special Climate Change Fund (SCCF) was established to finance projects to address climate change issues in developing countries |
| **December 2007** | COP13 adopts the Bali Road Map, with consideration to 'Enhanced action on the provision of financial resources and investment to support action on mitigation and adaptation |
| **December 2009** | World leaders gather for COP15 in Copenhagen, Denmark, which produced the Copenhagen Accord. Developed countries pledge up to USD 30 billion in fast-start finance for the period 2010-2012 and to scale up climate finance up to USD100 billion per by year by 2020 |
| **December 2010** | Green Climate Fund was established to meet the needs to the developing countries taking adaptation and mitigation actions. The funding would come from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources of finance |
| **December 2012** | At COP18 in Doha, Qatar, adopted the Doha Amendment, launching a second commitment period of the Kyoto Protocol |
| **December 2015** | At COP21 in Paris, Paris Agreement was adopted. It was decided that developed countries intend to continue their existing collective mobilization goal of USD 100 billion per year through 2025 in the context of meaningful mitigation actions and transparency on implementation |

This publication is produced under a joint initiative of **Prakriti Resources Center (PRC)** and **Nepal Development and Research Institute (NDRI)** with the financial support from **Climate and Development Knowledge Network (CDKN)**.

The aim of the publication is to provide a practical guide to assist prospective National Implementing Entities (NIEs) in Nepal to directly accredit to the Green Climate Fund (GCF). These NIEs can be national line ministries or departments, public financial institutions, private sector companies or civil society organizations.

Prakriti Resources Centre

NDRI

Climate & Development Knowledge Network