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IFAD accreditation to the Green Climate Fund

Note to Executive Board representatives

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For: Information

IFAD accreditation to the Green Climate Fund

I. Introduction

1. In May 2011, the Executive Board approved IFAD's Environment and Natural Resource Management Policy.¹ The policy states, among other things, that "in addition to its core resources, IFAD will continue to leverage its traditional supplementary funding sources and seek new ones to bolster systematic integration of [environment and natural resources management] ENRM".² The policy further states that "IFAD will remain engaged in the design of new international environment and climate funds in order to encourage their inclusion of poor rural people and specifically smallholder agriculture. In particular, IFAD will closely monitor the setting up of the Green Climate Fund, to try to ensure that: (i) IFAD is established as an implementing organization; and (ii) the Fund is designed in a way that encourages rather than penalizes multiple-benefit sectors such as agriculture".
2. The purpose of this document is to inform the Executive Board as to the status of the accreditation process of IFAD to the Green Climate Fund (GCF).

II. Purpose of the GCF

3. The GCF is the newest actor in the multilateral climate finance architecture and is the main operating entity under the Financial Mechanism of the United Nations Framework Convention on Climate Change (UNFCCC). The GCF aims to "...promote the paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change, taking into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change."³ The Governing Instrument of the GCF describes it as having a key role in channelling new, additional, adequate and predictable financial resources to developing countries. Over time, the GCF is expected to become the main channel for public climate finance.
4. The GCF is a legally independent institution hosted by the Republic of Korea, with its own secretariat and the World Bank as its interim trustee. The GCF is governed by a Board of 24 members, composed of an equal number of members from developing and developed country Parties.
5. The GCF has received US\$10 billion equivalent in pledges in 2014. A total of 33 governments have made a pledge to the Fund to date, including eight representing developing countries. The GCF formally reached effectiveness in May 2015.
6. GCF's initial resource mobilization period is 2015-2018, and it accepts new pledges on an ongoing basis. The GCF is expected to start funding projects and programmes later this year, ahead of the 21st Conference of the Parties of the UNFCCC to be held in Paris.
7. The GCF aims to deliver equal amounts of funding to adaptation and mitigation. It will allocate a minimum of 50 per cent of the adaptation allocation for particularly vulnerable countries, including Least Developed Countries, small island developing states and African states.
8. The GCF has a wide range of financial products including concessional loans and grants. These financial tools allow GCF to tailor its financial support to the needs of public, private and non-governmental entities.

¹ EB 2011/102/R.9.

² Ibid, para. 56.

³ See GCF Governing Instrument (annex to decision 3/CP.17 of the Conference of the Parties to the United Nations Framework Convention on Climate Change), p. 58, section I, para. 2.

III. Accreditation

9. The GCF's resources can be accessed by eligible developing countries through national, regional and international implementing entities accredited by the GCF Board.
10. Entities seeking accreditation to the GCF in order to access its resources are assessed against the GCF's fiduciary principles and standards and environmental and social safeguards.
11. IFAD is seeking accreditation to the GCF as an implementing entity (IE) and intermediary of the GCF. The supporting documentation required was received by the GCF Secretariat on 29 June 2015. Through this submission, IFAD has applied for access to both grants and concessional loans from the GCF.
12. The roles of an implementing entity and of an intermediary are slightly different. An IE is a legal entity, public or private in nature, duly accredited to the Fund, whose accredited institutional capacities enable it to submit funding proposals in relation to specific projects to be funded by GCF, with the explicit role of managing the approved project cycle from preparation to conclusion.⁴
13. IEs are expected to channel solely grants from the GCF and will be entitled to collect a fee for the services provided in accordance with the terms and conditions to be applied by the GCF.⁵
14. Intermediaries are regarded as those accredited entities that have been able to demonstrate additional specialized capacities that enable them to intermediate or administer grants and/or loans; blend GCF's resources, including with their own resources and, in general, provide tailored instruments to executing agencies (EEs); conclude agreements with EEs corresponding to the type of instruments extended; disburse funds to and – in the case of loans – receive debt service from EEs; and ensure that the EE adheres to the GCF's interim environmental and social safeguards, initial fiduciary standards and other requirements. Therefore, the scope of the roles and responsibilities of intermediaries is broader than that of IEs, stemming from their capacity to intermediate or administer grants and/or loans.⁶
15. Given its status of implementing agency of the Global Environment Facility and the Adaptation Fund, IFAD's accreditation to the GCF has been slotted for the GCF "fast track" accreditation mechanism. The application is subject to review by the accreditation panel of the GCF. Once compliance with all accreditation requirements has been verified, IFAD's request for accreditation will be forwarded to the GCF Board for final decision-making.
16. The conclusion of legal arrangements between IFAD and GCF upon accreditation by the GCF Board will be subject to the approval of IFAD's Executive Board.

⁴ Guiding Framework and Procedures for Accrediting National, Regional and International Implementing Entities and Intermediaries, Including the Fund's Fiduciary Principles and Standards and Environmental and Social Safeguards GCF/B.07/02.

⁵ Ibid.

⁶ Ibid.