

Annex V: Updated monitoring and accountability framework for accredited entities

1. The GCF monitoring and accountability framework for accredited entities (the Framework) is designed to maximize the impact and results of GCF-funded activities by monitoring the performance and compliance of Accredited Entities (AEs), and enabling supportive and/or corrective action when needed. It supports the GCF mandate of promoting a paradigm shift towards low-emission, climate-resilient development pathways in the context of sustainable development.
2. Monitoring and accountability involve a range of actors, each with distinct roles and responsibilities. These include AEs, the GCF Board, the Secretariat and GCF's accountability units, as well as national designated authorities (NDAs) or focal points. They also encompass direct project and programme beneficiaries, project-affected communities, and other local stakeholders, such as local governments, civil society organizations, non-governmental organizations, and the private sector.
3. This document outlines:
 - (a) The components of the Framework, including reporting requirements for AEs and for individual GCF-funded activities;
 - (b) The risk-based monitoring approach to be implemented by GCF;
 - (c) The supportive and remedial measures available in the event of non-programming, non-compliance, and/or underperformance; and
 - (d) The effectiveness arrangements for the Framework.
4. In terms of stakeholder responsibilities:
 - (a) The NDA or focal point will play an important role¹ in accordance with the "Initial best-practice guidelines for the selection and establishment of national designated authorities and focal points", as amended from time to time;²
 - (b) The AE is responsible for the overall management, implementation and supervision of GCF-funded activities in compliance with the funded activity agreement;
 - (c) The Secretariat will be responsible for implementing the Framework; and
 - (d) The GCF accountability units will carry out their roles in line with their respective mandates, as outlined in their terms of reference and relevant GCF policies.
5. Detailed operational procedures, guidance, timelines, templates and tools will be developed and updated as needed by the Secretariat, in consultation with relevant stakeholders, to implement the Framework. These materials will be made publicly available on the GCF website.
6. The Framework is guided by the following overarching principles and approach for monitoring and accountability:³
 - (a) **Risk-based approach:** GCF should establish core monitoring requirements applicable to all funded activities, and apply additional monitoring measures based on the Secretariat's assessment of relevant factors. These may include the AE's overall

¹ Decision B.10/10.

² Decision B.08/10, paragraph (c).

³ The Evaluation Policy for the GCF and related documents guide any requirements under the Framework that relate to the evaluation of GCF-funded activities.

- implementation track record, the performance of its GCF-funded activity portfolio, project risk levels, and the country context in which the AE or funded activity operates.
- (b) **Adaptive management.** GCF should undertake timely, relevant and effective remedial measures. The Secretariat should be empowered to implement the necessary remedial measures to address compliance and/or performance issues, including capacity-building to enable long-term improvements;
 - (c) **Transparency.** GCF should receive and disclose relevant information in a timely manner to facilitate accountability, knowledge-sharing and improved decision-making for stakeholders;
 - (d) **Data integrity.** Stakeholders should be encouraged to uphold high data integrity standards, ensuring that data and information shared throughout the project/programme life cycle is accurate, complete, comprehensive, and verifiable;
 - (e) **Participation.** The participation of stakeholders should be encouraged to strengthen the monitoring and accountability activities of AEs and the Secretariat. Stakeholders include NDAs or focal points; the direct beneficiaries of GCF-funded activities; women, Indigenous Peoples, and project-affected communities; other local actors, such as local governments, civil society organizations and non-governmental organizations; and the private sector; and
 - (f) **Learning.** Stakeholders should be encouraged to establish mechanisms for learning and knowledge-sharing to build capacity and support more effective project design, structuring and monitoring.
7. The Secretariat should make the reports and information submitted under the Framework publicly available in accordance with the GCF information disclosure policy as amended from time to time.
8. Where local stakeholders do not have access to online information, these should be complemented by in-country consultation and information dissemination, as appropriate.

I. Monitoring and accountability framework components

9. Recalling paragraph 23(j) of the Governing Instrument for the GCF, the Secretariat is responsible for carrying out monitoring and evaluation functions. This Framework consists of three components: monitoring the role of AEs in advancing the mandate of GCF; monitoring AE compliance with applicable GCF policies and standards; and monitoring and evaluation of individual GCF-funded activities as well as the overall portfolio performance of AEs in relation to GCF-funded activities.

1.1 Role of accredited entities in advancing the mandate of GCF

10. Each AE shall, every five years from the date of its accreditation decision, submit to GCF a report that contains:
- (a) Information on the contribution of the AE, taking into account its overall portfolio, towards the mandate of GCF; and
 - (b) A confirmation that the AE will continue to contribute to the mandate of GCF.
11. The Secretariat will publish the report referred to in paragraph 10 above on the website of the GCF. The Secretariat will, considering the mandate of the AE, then review and take into account such report, or lack thereof, when identifying future cooperation and programming opportunities with the AE.

1.2 Accredited entity compliance

12. For the duration of the accreditation of the AE, GCF will monitor the compliance of the AE with the applicable GCF standards and policies and the obligations of the AE through the following reporting requirements.

13. **Self-certification statement on changes potentially affecting compliance with applicable GCF standards and policies:**

- (a) Following the accreditation decision, each AE shall promptly report any changes to its policies, capacities, systems, legal status, or governance structures that may affect its compliance with the GCF standards and policies against which it was assessed – either during the accreditation process or during the funding proposal assessment;
- (b) GCF will notify each AE of any revisions or updates to its policies, procedures, rules or standards that are material or would apply to the AE. Each AE shall, within a reasonable period of time and not more than 180 days following the notification, take the necessary and appropriate actions to ensure that the AE would remain compliant with such policies, procedures, rules or standards in relation to any new funding proposal or proposed funded activity. If an AE is unwilling or unable to comply with any such revision or update, the AE may give notice to GCF of its unwillingness or inability, in which case the AE shall not be permitted to submit new funding proposals; and
- (c) Compliance with the above will be monitored through self-certification statements. These statements may be triggered by changes initiated by an AE as part of its institutional development, such as, inter alia, responses to national regulatory changes, or by updates in GCF standards and policies. GCF may review these statements to confirm compliance.

14. **Self-assessment report on compliance with applicable GCF standards and policies.**

A self-assessment report on the AE's compliance with the applicable GCF standards and policies must be submitted by the AE to GCF prior to the AE submitting any concept note or funding proposal to the Secretariat, if more than two years and six months have passed since the AE's accreditation decision or its most recent self-assessment, whichever is later. For AEs that have not submitted any concept notes or funding proposals during the relevant period, a self-assessment report shall be required five years after the AE's accreditation decision or its most recent self-assessment, whichever is later.

15. GCF will undertake additional ad hoc compliance reviews to validate the self-certification and self-assessment as referred to in paragraphs 13 and 14 above as deemed relevant and necessary.⁴

16. The Secretariat will be responsible for the administrative management of the reporting requirements and arranging ad hoc compliance reviews, in coordination with the AEs.

17. Once a year, the Secretariat will report to the Board on the consolidated results of the self-certification, self-assessment and ad hoc compliance reviews.

18. GCF may request AEs to provide additional information that the Secretariat deems necessary to verify the reports or information submitted regarding AE compliance.

⁴ For example, if GCF revises its accreditation framework or substantially revises the accreditation screening requirements, the GCF fiduciary standards, Environmental and Social Policy, environmental and social safeguards, Gender Policy and/or Indigenous Peoples Policy; or if there is evidence of a lack of compliance by the AE with the legal terms agreed with GCF, its fiduciary standards, its Environmental and Social Policy, environmental and social safeguards, Gender Policy and/or Indigenous Peoples Policy; or if there is any emerging indication of misuse of the entrusted financial resources.

1.3 Funded activity monitoring

19. AEs are primarily responsible for the monitoring and evaluation of their funded activities and will report accordingly to GCF.
20. During the project/programme implementation period, reporting requirements to GCF include the following:
- (a) **Performance reports.**⁵ Each AE shall report on the performance of funded activities against the logical framework and the requirements set out in the approved funding proposal and/or funded activity agreement. Performance reports shall be submitted in accordance with the methodology defined by GCF and aligned with the modalities established in the GCF results management frameworks, as amended from time to time. Performance reports shall include disaggregated reporting on individual subprojects, where applicable as determined by GCF. They shall also provide disaggregated information on gender and vulnerable groups, where GCF considers relevant. For multi-country or regional projects or programmes, data shall be disaggregated by country;
 - (b) **Financial reports.** AEs are required to submit financial reports containing the information specified in the relevant funded activity agreement, and in accordance with the timelines set therein. These reports shall be prepared and submitted in line with the financial reporting methodology defined by GCF; and
 - (c) **Evaluation reports.** For each funded activity, the AE shall submit evaluation reports in accordance with the requirements set out in the GCF Evaluation Policy and results management frameworks, as amended from time to time. GCF may issue relevant guidance, performance rating scales, standards, or templates to support the conduct of such evaluations.
21. As part of its efforts to strengthen the consistency and effectiveness of investment oversight, the Secretariat aims to expand the use of monitoring instruments that enable more frequent, near-real-time or automated reporting. These may include - but are not limited to - digital reporting platforms, geospatial analysis tools or third party verification systems, where appropriate.
22. The Secretariat may conduct, at its discretion, data quality assessments for regular compliance and performance reporting at the project, portfolio,⁶ and/or entity levels.
23. Reporting requirements for GCF-funded activities shall be consistent with the GCF Environmental and Social Policy and environmental and social safeguards, including the GCF Indigenous Peoples Policy and Gender Policy. They shall also align with the GCF environmental and social management system.
24. The legal arrangements with AEs will also require AEs to report to GCF, promptly upon becoming aware thereof, any (i) event or circumstance relating to a GCF-funded activity which has, or is likely to have, a significant adverse effect on the implementation of a GCF-funded activity or the achievement of its objectives; and (ii) accident or incident relating to a GCF-funded activity which has, or is likely to have, a significant adverse effect on, the environment, the affected communities, the public, or its workers.
25. The Secretariat may undertake additional ad hoc checks to follow up on compliance and performance reports submitted by AEs. These ad hoc checks may include site visits and will be arranged in coordination with the NDA/focal point and the AE.
26. The Secretariat reserves the right to revise reporting requirements, templates and associated guidance related to performance reports, in order to maintain alignment with

⁵ The performance reports must be submitted at least once every year.

⁶ In relation to GCF-funded activities.

evolving GCF policies, operational needs and best practices. Any revised requirements and templates shall apply to funded activities approved by the Board after the effective date of such revisions, as applicable.

27. The Secretariat may request AEs to submit additional reports or information throughout both the implementation and post-implementation periods of GCF-funded activities. In cases where the GCF considers it not cost-effective to contract AEs for post-implementation monitoring, the Secretariat may establish alternative arrangements.

28. The Secretariat will report to the Board at least annually on the performance of the GCF portfolio of investments from projects and programmes. This report will be based on the performance reports submitted by AEs, as well as additional information gathered by the Secretariat. It will include updates on implementation progress, emerging risks and lessons learned.

29. At the project/programme level, participatory monitoring is encouraged and should be applied where appropriate. This should include local stakeholders, notably women, Indigenous Peoples, and civil society organizations, at all stages of the project/programme cycle. For participatory monitoring of a country's portfolio of GCF-funded activities, countries are encouraged to organize an annual participatory review for local stakeholders, notably women, Indigenous Peoples, and civil society organizations.

- (a) Where participatory review requires materials to be available in local languages, the NDA, in cooperation with the AE, shall provide such materials in a timely and responsive manner, in advance of the participatory review; and
- (b) The GCF Readiness and Preparatory Support Programme, in coordination with the NDA, may provide support to such participatory monitoring and review.

II. Risk-based monitoring approach

30. As part of the GCF risk management framework, the Secretariat will implement an early warning system based on risk flags. These flags will reflect the Secretariat's assessment of the following:

- (a) Risks related to the project/programme (project/programme risk flags); and
- (b) Risks related to the overall performance and compliance of the AE's portfolio of GCF-funded activities (AE risk flags).

31. In line with sections 1.2 and 1.3 above, the Secretariat will use a risk-based approach to determine if ad hoc checks will be conducted, taking into account the risk flags and other relevant information. In addition to the ad hoc checks determined through a risk-based approach, the Secretariat may conduct additional ad hoc checks on a random basis.

32. The Secretariat will monitor GCF-funded activities against criteria such as, but not limited to, disbursement delays, restructuring frequency, adherence to the reporting requirements, compliance with covenants, and incidents related to environmental and social safeguards.

33. Material risks and other related information will be reported periodically to the Board.

34. The Secretariat will conduct an annual review on a given proportion by number of the projects and programmes, where the projects and programmes to be reviewed will be selected, inter alia, with consideration of the risk category of the project/programme. The annual review will consist of an analysis of the information available from the overall risk management system of GCF. The selection of projects and programmes for the annual review will follow a risk-based approach and will be guided by criteria including:

- (a) Projects/programmes that have a risk flag assigned by the monitoring and accountability process;
- (b) The environmental and social risk category of the project/programme; and
- (c) Projects/programmes under a remedial action plan.

III. Supportive and remedial measures

35. If the Secretariat identifies non-compliance issues by an AE with applicable GCF standards and policies, or performance issues at the project and/or the AE's portfolio of GCF-funded activities, the Secretariat will assign risk flags as provided in paragraph 30 above.

36. Depending on the severity and nature of the relevant non-compliance and/or performance issues, the Secretariat will take appropriate and proportionate measures to protect the interests of GCF, which may include:⁷

- (a) Pausing the appraisal and/or consideration of future concept notes and funding proposals submitted by the relevant AE until the issues are addressed;
- (b) In accordance with the relevant legal arrangement(s), suspension of disbursements, in whole or in part, or seeking a refund of funds already disbursed to the AE in respect of the project(s)/programme(s) until the issues are addressed;
- (c) Requiring the AE to address the issues identified in a manner consistent with the relevant legal arrangements. This may include the development and implementation of a time-bound action plan which could include, inter alia, specific monitoring requirements, additional site visits, enhanced reporting obligations, independent verification of reports and/or GCF participation as an observer in project steering committees for GCF-funded activities; and
- (d) Capacity-building measures, if needed, to support the AE in avoiding the recurrence of similar issues. Such support may include assistance from the Readiness and Preparatory Support Programme, and should be coordinated with the NDA or focal point, where applicable.

37. If identified non-compliance and/or performance issues have not been adequately addressed, GCF may exercise its rights under the relevant legal arrangements, which may include termination of affected projects/programmes. The approach to terminating such affected projects/programmes will include consideration of relevant factors to ensure (i) an orderly process for the winding down and closure of the affected projects/programmes and (ii) that environmental and/or social risks which may be created or exacerbated by such termination are mitigated appropriately in a responsible manner, taking into account any potential legal liabilities, risk of reputational damage and the specific circumstances of the termination.

38. If the non-compliance issue is considered material and affects a substantial part of the AE's portfolio of GCF-funded activities, the AE may be referred to the Board for further consideration and/or action, which may include termination of accreditation.

39. If, following the accreditation decision, an AE is unable to advance concept note or funding proposal for consideration by GCF, the Secretariat may provide support to facilitate progress. Such support may be delivered through modalities including the Readiness and Preparatory Support Programme and/or Project Preparation Facility, as appropriate. However, in consultation with the AE and the NDA (or focal point) in respect of direct access entities nominated by a NDA (or focal point), if it appears unlikely that a funding proposal can be

⁷ The remedial measures herein may be applied without prejudice to the application of other relevant GCF policies or Board decisions.

submitted to the Board before the end of the next GCF replenishment cycle, the Secretariat may refer the AE to the Board for a decision on whether to terminate its accreditation. This does not apply where the lack of programming is due to factors outside the control of the AE, such as GCF pipeline constraints.

40. If it is decided by the Board that the accreditation of the AE will be suspended, terminated or downgraded, GCF will negotiate an orderly process for the winding down and closure of GCF-funded activities.⁸

IV. Effectiveness

41. The Framework will become effective concurrently with the revised accreditation framework (the Effective Date).

42. To ensure an orderly transition to the implementation of the Framework for entities accredited prior to the Effective Date, notwithstanding that the Framework will become effective on the Effective Date, the transitional arrangements adopted by the Board in its decision adopting this Framework shall apply.

⁸ Any downgrade would be with regard to the level of environmental and social safeguards risks the AE is accredited for.