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Application for Accreditation to the Green Climate Fund

1. Introduction

This document informs the Committees of the recent development in the Green Climate Fund (GCF), particularly on the accreditation procedures, and the current status of application the ITTO Secretariat has submitted for the accreditation to the GCF. The document also summarizes the actions the ITTO Secretariat has taken to develop and improve mechanisms and procedures for its administrative and financial control and project management in line with the accreditation requirements set by the GCF.

2. Background of GCF Accreditation

The Green Climate Fund (GCF) was established as an operating entity of the financial mechanism of the United Nations Framework Convention on Climate Change (UNFCCC) in accordance with Article 11 of the Convention by the decision of the Conference of the Parties (COP) at its sixteenth session held in 2010. The GCF was subsequently launched through the approval of its Governing Instrument by the COP at its seventeenth session held in 2011.

The objective of the GCF is to provide support to the efforts of developing countries in reducing greenhouse gas emissions and adapting to the impact of climate change by channelling new, additional, adequate and predictable financial resources and catalyzing public and private financing at the international and national levels. The GCF supports projects and programmes to reduce deforestation and forest degradation and enhance sustainable management of forests and forest carbon stocks for climate change mitigation and to increase resilience of livelihoods of the vulnerable communities as well as ecosystems and ecosystem services for climate change adaptation.

Access to the financial resources of the GCF is provided through accredited entities. Any entity, including international, regional, national and sub-national entities both in the public and private sectors, can apply for accreditation. On 17 November 2014, the Board of the GCF opened a call for the submission of applications from entities seeking accreditation to the GCF.

Submitted applications are assessed in accordance with the requirement set by the Fund. Specifically, applicants are required to demonstrate competency and specific capabilities related to the following requirements in their application:

- basic fiduciary criteria regarding the competency for: (i) key administrative and financial capacities; and (ii) transparency and accountability;
- specialized fiduciary criteria regarding the competency for: (i) project management; (ii) grant award and/or funding allocation mechanisms; and (iii) on-lending and/or blending;
- environmental and social safeguards regarding the competency for: assessment and management of environmental and social risks and impacts; and
- gender.

The assessment of the submitted applications is conducted at the following three stages:

- Stage I: institutional assessment and completeness check by the GCF Secretariat;
- Stage II: accreditation review by the Accreditation Panel and decision by the Board; and
- Stage III: payment and finalization of the Accreditation Master Agreement.

After accreditation, the accredited entities can submit proposals for project and programme for funding, and the proposals are evaluated against the investment criteria set by the Fund.

3. Actions taken by the ITTO Secretariat

The ITTO Secretariat began to develop its application for the accreditation to the GCF in the middle of December 2014 in pursuit of new funding opportunity. The Secretariat submitted its application to the Secretariat of the GCF on 15 January 2015 through the Online Accreditation System (OAS).

On 24 February, ITTO Secretariat received a set of inquiries from the GCF Secretariat as the result of the Stage I institutional assessment and completeness check conducted by the GCF Secretariat. The major areas where the inquiries on the capabilities of ITTO were addressed include, among others:

- internal auditing (internal auditing committee), code of ethics (ethics committee), disclosure of conflicts of interest (financial disclosure policy and review and resolution procedure), financial mismanagement prevention (policy and reporting process), mismanagement investigations (procedure), and anti-money laundering and anti-terrorist financing (“know your customer” due diligence procedure and electronic transfer/wiring trace/monitoring mechanism) in the context of basic fiduciary criteria;
- monitoring and evaluation (evaluation disclosure policy), project-at-risk management (management system), and grant award procedure (external auditor) in the context of specialized fiduciary criteria;
- environmental and social (E&S) safeguards policy, E&S safeguards management programme (risk identification process), organizational capacity and competencies (roles, responsibilities and reporting lines), monitoring and review (metrics and indicators), and external communication channel (process/procedure) in the context of environmental and social safeguards; and
- gender (policy).

Taking into account the size and capacity of the ITTO Secretariat, it has been considered that some of the institutional mechanisms and procedures addressed by the GCF Secretariat concerning the basic fiduciary requirements (key administrative and financial capacities, and transparency and accountability) can be substituted by the existing measures with necessary reinforcement, as appropriate. Such mechanisms and procedures include:

- internal auditing; auditing of project accounts, where the majority of transactions takes place, has been assigned to the Finance/Administrative Officer;
- code of ethics: institutional set-up to administrate ethical standards has been covered by the Joint Disciplinary Committee defined in the ITTO Staff Regulations and Rules;
- disclosure of conflicts of interests: Conflict of Interest Declaration Form was developed for reporting on the conflicts of interests to operationalize the concerned provisions of the ITTO Staff Regulations and Rules;
- mismanagement prevention and investigations: Investigation Manual was developed to operationalize the ITTO Staff Regulations and Rules and enhance the function of the Joint Disciplinary Committee; and
- external communication channel: an external communication procedure has been elaborated and will be incorporated into the ITTO website in the course of its renovation.

Through a series of consultations with the GCF Secretariat, including a visit to the office of the GCF Secretariat on 30 March 2015, and in-depth assessment of the accreditation requirements ITTO needs to fulfill, on the other hand, it has been recognized that some of the policies, procedures and mechanisms addressed in the Institutional assessment and completeness check by the GCF Secretariat need to be institutionalized as stand-alone measures and operationalized as early as possible.

Other inquiries were not regarded as substantial in terms of the need for new/additional measures and actions except for thorough and detailed explanation on policies, mechanisms and procedures, particularly those related to the management of projects, which have already been developed and practiced by the Organization.

Based on the above, the following work has been carried out by the ITTO Secretariat to date:

- Draft Anti-money Laundering and Counter-terrorism Financing Policy is being developed under an agreement with the United Nations Office on Drugs and Crime (UNDOC) with the use of Administrative Budget (USD 10,000);
- Draft Guidelines on Environmental and Social Risks and Impacts Assessment in ITTO Project has been developed with the use of funds pooled for ex-post evaluation (USD 50,000); and
- Draft ITTO Guidelines on Achieving Gender Equity and Empowering Women has been developed under the BWP 2015-2016 (USD 10,000).

The original ITTO accreditation application has been also improved based on the comments received from the Stage I institutional assessment and completeness check by the GCF Secretariat by adding the information on the development of policies, mechanisms and procedures aforementioned, and resubmitted to the GCF Secretariat on 18 September for further guidance.

4. Process for the way forward

The GCF has secured approximately USD 10 billion equivalent in pledges by November 2014 from 33 countries, of which 22 countries have signed contribution agreements/arrangements for a total of USD 5.47 billion equivalent by the end of May 2015. With the attainment of effectiveness threshold of 50 percent in accordance with the decision of the Board of the GCF, the Fund has been in a position to start taking financing decisions on mitigation and adaptation projects and programmes no later than the third meeting of the Board scheduled for October 2015.

In consideration of the readiness of the GCF for financing projects and programmes, as well as the outstanding level of mobilized financial resources, accreditation of ITTO to the GCF is expected to provide a new funding opportunity and significantly strengthen the financial base of the Organization. The accreditation application to the GCF will also provide ITTO with a good opportunity to update and upgrade its administrative, financial and operational functions and performance with improved compliance, accountability, efficiency and effectiveness.

Since the call for applications in November 2014, 95 entities had begun application process, of which 55 entities have submitted application by 31 May 2015. Of these 55 entities, 25 are international public or non-profit organizations, 4 are regional public entities, 14 are national public entities and 12 are private sector entities. By June 2015, 20 entities have already been accredited by the Board at its 9th and 10th meetings held in March and July 2015 respectively. Of these 20 entities, 10 are international public or non-profit organizations, 3 are regional public entities, 5 are national public entities and 2 are private sector entities.

In order for the accreditation application of ITTO to proceed from Stage I to the higher stages on assessment and to be ultimately accredited, the Council may wish to discuss and adopt the following key policies and associated mechanisms and procedures at its Fifty-first Session through the respective Committees:

- Draft Anti-money Laundering and Counter-terrorism Financing Policy (Document CFA(XXX)/9);
- Draft Guidelines for Environmental and Social Risks and Impacts Assessment (ESIA) in ITTO Projects (Document CRF(XLIX)/13); and
- Draft ITTO Guidelines on Achieving Gender Equity and Empowering Women (Document ITTC(LI)/12)

In order to move forward, it is essential to amend the project-related manuals of ITTO taking into account the key elements contained in the instruments above, as well as some points raised by the GCF Secretariat in relation to the management of ITTO projects and programmes.