

**THIRD WORLD NETWORK
INFORMATION SERVICE ON CLIMATE CHANGE**

13th Meeting of the Board of the Green Climate Fund (Article 2)

GCF Board divided over exclusion of entities from accreditation

Delhi, 5 July (Indrajit Bose) — The Board of the Green Climate Fund (GCF) had in depth discussions on what its accreditation strategy should be, at its 13th meeting in Songdo, Republic of Korea on 28-30 June.

A main bone of contention was whether to have an ‘exclusion list’ that would exclude certain types of entities from being accredited to the GCF.

Several developed country Board members wanted export credit agencies (ECAs) excluded from being accredited to the GCF, but developing country members opposed this.

During the meeting, the Accreditation Committee (AC) presented a draft accreditation strategy for the consideration of the Board. The committee had been mandated to prepare an accreditation strategy that would “examine issues including efficiency, fairness and transparency of the accreditation process, as well as the extent to which current and future accredited entities enable the Fund to fulfill its mandate”.

According to the Chair of the AC, **Diann Black-Layne (Antigua and Barbuda)**, the bone of contention in the AC had to do with eligibility principles, also known as an ‘exclusion list’ (meaning that certain entities would not be eligible for accreditation). Black-Layne said the committee members could not agree on an exclusion list.

The disagreement spilled over during the Board discussions as well, with developing country Board members against an exclusion list and developed country Board members in favour of it.

(See report on the consideration of accreditation proposals where the Board could not agree on the accreditation of the Korean Export Import Bank, which was one of the five entities that were being considered for accreditation. The disagreement among Board members led to no entities being accredited at the 13th Board meeting and the decision was to consider them at the next meeting in October.)

Several Board members, both from developing and developed countries also stressed that national entities should be prioritized for accreditation in the strategy.

(There is an imbalance currently in entities that have been accredited, with international entities being the most dominant. Thus far, the GCF Board through its previous decisions has accredited a total of 33 entities that are able to channel funds to developing countries, without any exclusion. Of the 33 entities, 19 are international entities, 9 are national and 5 are regional.)

Black-Layne reported to the Board that while the strategy was not perfect, it set a platform for additional work. She said that the structure is based on the context and scope and roles and responsibilities of the accredited entities and that the committee had used a lot of the feedback they received from the stakeholders and the Accreditation Panel and that the strategy lists down quite a few principles consistent with the mandate of the GCF.

She said that the committee had discussed stocktaking of accredited entities and the applicant portfolio, geographic and thematic coverage, costs and the time taken to process the accreditation applications. It also looked at normal and fast track accreditation in the pipeline and accreditation types.

Black-Layne said that it would take between four to eight years to clear the current pipeline of 128 entities, which was “alarming” and that they needed to prioritize and get more national entities. She also said that entities from certain regions were limited, so there was a need to prioritize those and that the GCF’s independent technical advisory panel and the Accreditation Panel could collaborate more on these.

She also said that the committee had agreed on a few recommendations, focused on the problems they needed to resolve now. She added that the AC talked about developing additional policy guidance on country ownership. On balance, she said that further discussions were required. Black-Layne also said that ‘fit for purpose’ accreditation required more thought and the committee could work on that and reach out to stakeholders.

The AC, she added, might develop policy documents on interim targets for full coverage and that the committee could do with some feedback on strengthening openness, transparency and the role of observers in the committee. She said that the AC needs to further discuss the breakdown of accredited entities by nature and purpose.

Besides this, the Board members also reflected on what they want included in an accreditation strategy.

After hearing comments from Board members, the meeting requested the AC to take into consideration feedback received and to revise the strategy for presentation at the 14th meeting of the Board, which is scheduled to be held in October in Quito, Ecuador.

Highlights of exchanges over accreditation strategy

Omar El Arini (Egypt) said that of the 33 entities accredited to the GCF, only 10 had submitted funding proposals thus far. He said the Board could think of setting deadlines for the accredited entities to submit funding proposals within specified periods of time upon their accreditation. He said that conditional accreditation may not be a useful way forward. He also said that some of the regional entities could receive the Fund’s resources so that they can raise their standards to be accredited. He said further that it would be useful if accredited entities came forward with funding proposals and prepare their work plans.

Guo Wensong (China) stressed that national institutions should be prioritized. He said that even though there were 33 accredited entities, there was a shortfall of direct access entities. He said the Board should create facilitative incentives for developing country institutions to be part of the process. He also said that equal chances should be given to all types of entities to prove their worth.

Responding to the United States Board member's comments on ECAs, Guo said that export promotion was not a criminal activity and it would not be politically correct to close the doors to ECAs. He also said that of the 33 entities that have already been accredited, some of them play the role of an ECA, and it would not be fair to close the door to an ECA now. He said a lot of institutions were trying out untied aid. "So, even those institutions are not perfect. So, why should we ask developing country institutions to have untied aid?" asked Guo. (The implicit reference was to the Korean Export Import Bank whose accreditation application was debated the following day: see SUNS # 8276.)

Jorje Ferrer Rodriguez (Cuba) asked members to abandon the first come first serve approach. He added that there is already a fast track approach and that the Board should find a way to speed up direct access entities. On the issue of ECAs and the need for balance on the types of entities being accredited, he said that commercial banks also sought profits and do not prioritize sustainable development or anything like that. "I do not see any problems (with ECA institutions). Every entity should be considered on its own merit. Some export banks deal with environmental goods that are required in developing countries, so I do not see the need to have any exclusion list," said Rodriguez.

Ayman Shashly (Saudi Arabia) said, "We do not want this to be about developed country entities and developing country entities. We are changing the rules," said Shashly. He did not want it to be seen that members do not trust entities from developing countries and expressed concerns with the direction of the Board in this regard. He was against having any exclusion or negative list for accrediting entities and said that each entity has the right to apply and should not be prejudged.

Dinesh Sharma (India) said the strategy is a step in the right direction. He said there was a need for more direct access entities and more national entities so that the Fund could be of greater use in places where it is required. He also said that there was a need for more accredited entities for bigger countries and more than one agency accredited from a country. "The intention is to have as many accredited agencies as we can. We have to make sure the agencies are in line with the objectives of the Fund. When we are sure an agency fulfills those conditions, we should be fast in accrediting them," said Sharma.

Colin Young (Belize) said country ownership needs to come out much stronger in the strategy, and that the national designated agencies should be in the driver's seat. He said he was not in favour of capping the number of accredited entities. It appears that the GCF is recovering all its costs through accreditation, so there is no strong reason to cap the number of entities, he said.

Ali'ioaigi Feturi-Elisaia (Samoa) also stressed the importance of national entities submitting funding proposals. He said that the private sector, including in developing countries, and direct access entities should be prioritized. He cautioned against limiting the number of accredited entities and said that the last thing they should do is to limit the number of accredited entities that will monopolize access of GCF resources.

Raul Delgado (Mexico) said, “If we set limits, it is important that the pool of entities available to countries are able to support those countries’ needs. Preference should be given to national entities,” he stressed, adding that the coherence of requirements needs to be addressed in the accreditation process. He said accredited entities should be cautioned against tying conditions to provide resources. “I will not allow an accredited entity to dictate to my country on accessing GCF resources,” said Delgado.

Leonardo Martinez-Diaz (the United States) said that for him the headline message was that the Fund has been innovative and done well in fast-tracking entities. He said while it takes years for other Funds to accredit entities, the accreditation process in the GCF took only about 7.3 months from start to end.

Elaborating on the strategy, Martinez-Diaz said direct access entities and private sector entities should be prioritized. He added that for the first time the strategy talked about the cost to the entity and to the Fund. He added that the Secretariat needs one accreditation expert for every 10 accredited entities and there is a cost associated with it in terms of readiness and management. He added that it would make sense now to focus on entities that want to upgrade and the Board should try to support such entities and have a number of them in the pipeline, which should be supported. He also said that those with priority should meet the conditions.

On the issue of accrediting ECAs, Martinez-Diaz said, “ECAs are very important in terms of helping with green finance. We think they have a role to play through co-financing. Are they the right partners for GCF? No, they are not. Their rules are for export promotion. We have our own ECA back home. We do not think it is proper to channel through entities whose job is export promotion. Development finance institutions are different because they have the development mandate and they have fully untied aid.” He added that while it is important to engage ECAs, it is clear that there is no consensus on the issue in the Board.

Sally Truong (Australia) said she agreed with the recommendation to prioritize specific entities, further work proposed on setting interim work targets for accredited entities, as well as the interim approach to improve efficiency of the accreditation process. She also said that in terms of efficiency of the accreditation process, it would be useful to think about the process and it would be critical to look at how the Fund relates to the 33 accredited entities. She added that it was important how the Fund managed and nurtured those relationships.

Caroline Lecrec (Canada) said the accreditation strategy document needs to evolve and that she supported the recommendations. She said it would be important to empty the queue of entities up for accreditation first and was not sure if the entities to be prioritized belonged to the queue.

Anders Wallberg (Sweden) said it would be good for the Secretariat to reflect on the gaps, take into account prioritization of entities and the AC could help draft additional points. Wallberg also said that ECAs are not appropriate for the accreditation channel since these are entities that do not have sustainable development as their primary objective, but export promotion and job promotion in their own countries. He further said that there was no consensus within the committee with respect to the optimal number of accredited entities. “Are we aiming for a large number of accredited entities, or do we want to set a target?,” he questioned. It would be good, he said, to have an intermediate target for predictability and also for recipient countries to have a grasp of what is the strategy of the Fund or what they envisage for the next few years.

Karsten Sach (Germany) said that experience had shown that readiness support is key to support national entities and called for enhancing the readiness programme. He also said that the GCF should establish the portfolio of the entity and practices at the time of accreditation. He called for the portfolio of an accredited entity to be evaluated and reported. He said that it would be useful to have further work on aspects where the members could not agree on. He also said that they should find the right way to include engagement with ECAs, but that accreditation was not the right way to do it.

Andrea Ledward (the United Kingdom) supported the idea of identifying gaps. She said that accreditation is a means to an end and that the Board should understand the optimal mix. There are costs attached to accrediting the organizations. She said the Fund should facilitate access to funding for all eligible countries. She emphasized upholding strong fiduciary standards and the Board should think about the added value of new types of entities. For the next steps, she said that it would be interesting to see the role of the GCF family of accredited entities beyond being project managers. She said they should consider how to ensure accredited entities transform and develop their operations, including monitoring and evaluation.

Edited by Meena Raman