GCF Accreditations

THE NEED FOR STRATEGIC CAPS AND BALANCES

Submission to the GCF Board with regards to the Strategy on Accreditation

April 2016

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This submission is in response to the 18 April invitation by the Green Climate Fund (GCF) Secretariat for *submission of inputs on the strategy on accreditation in relation to the questions in the report of the Accreditation Committee on the progress on developing a strategy on accreditation*.

In A case for Jumping the Queue! (Sept. 2015) I argued that the GCF Accreditation Strategy, *for reasons of efficiency and fairness, will need to pursue two strategic objectives, namely*:

1. *achieving a fair balance between international and direct access entities, and*
2. *ensuring that the GFC is not suffocated by overwhelming numbers of accredited entities.*

In keeping with this, I'm focussing on the following three Accreditation Committee questions:

(e) *How should the Fund approach the question of limits and prioritization regarding the number and nature of organizations that can be accredited, especially taking into account applications from countries with no national entities accredited yet?*

(f) *How should the accreditation process address the objectives of the Fund in terms of balance, i.e. what is balanced? What modalities may be needed in order to achieve the desired outcome?*

(g) *When taking future accreditation decisions, how should the Fund incorporate geographic and thematic considerations?*

After examining the current state of affairs, this submission concludes that:

(i) in the longer term, the best limitation strategy is to set ***a cap on numbers of accredited entities***, and

(ii) in the short-term, the most effective way to mitigate the existing imbalances (as well as to incentivise the "signature" Enhanced Direct Access modality) is to grant ***top priority accreditation to nation-wide entities submitting an EDA pilot proposal***.

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1. Balance: The Status Quo

According to the GCF website, there are currently (as of 9 March 2016) 33 accredited entities: 19 international, 5 regional and 9 national. In head-count terms, it could hence be argued the current accreditations are balanced (58% international, 42% direct access). But is this really the right measure as concerns having a balanced or even fair share in GCF access?

It stands to reason that other parameters need to be taken into account in this context. For one, there is the balance of the distributions within size categories (see Table 1).[2] In this respect, the currently accredited entities are by no means evenly distributed – 100% of the medium, and 81% of the large accredited entities are international. Moreover, most of the funding is likely to flow through international entities if this remains the case: A simple quantitative index, based on the definitions of the different size categories,[3] estimates that over 80% of the current disbursement potential lies with international entities.

Another factor that needs to be taken into account when judging the balance of accreditations is the distribution of capabilities (fiduciary standards). In that respect, international access also clearly dominates both with respect to grant giving and on-lending entities, regardless of whether measured in terms of numbers or funding potential.

Moreover, of the entities accredited to provide devolved access (i.e. to award grants and/or loans) 15 (68%) are international, and only 4 (18%) national. This imbalance is again magnified if measured in terms potential funding flows, in which case only 7% is through national entities that would be capable to provide devolved access. This is of some concern because it is these entities that will be eligible to carry out programmes under the Enhanced Direct Access Pilot Phase, which should have a first Request for Proposals by or just after the next GCF Board meeting in June.

These imbalances of the status quo will need to be addressed. The strategy, in other words, will have to take all these parameters into account when addressing the issue of 'balance', and not merely the overall numerical 'head-count' distribution of the entities.

2. The Need for Strategic Caps

It has repeatedly been pointed out (see, for example, Access to Green Climate Fund: In Desperate Need of a Strategy) that there is a limit to how many accredited entities the GCF can manage effectively and efficiently. At present, the only limitation to becoming accredited is whether one satisfies the relevant (fiduciary and environmental) standards. Yet this, as implicitly acknowledged in question (e), still leaves far too large a field of eligible entities. The question therefore is really not ***whether*** the number of accredited entities should be limited, but ***how*** this should be done in strategic terms.

As alluded to in (e), restrictions could be introduced with reference to the nature of entities, that is by only admitting certain types of entities, and there could be strategic reasons for doing so. But if the aim is simply to keep the number of accredited entities within manageable limits, the best way forward

[2] GCF size categories are defined in terms of the maximum total projected costs for an individual project or an activity within a programme:
Micro: up to $10 m; Small: up to $50 m; Medium: up to $250 m; Large: more than $250 m.

[3] Using the fact that the size categories are defined by a multiplication by 5, the entities are assigned the following disbursement potential indicators: 10 (Micro); 50 (Small); 250 (Medium); 1250 (Large).

is to simply introduce an overall cap on the number of entities the GCF will accredit (within a certain time frame, subject to periodic review).

How would one determine this cap. One reasonably simple way suggested in GCF Direct Access Accreditation: A Simple Strategy is to stipulate that, on average, the GCF would not be working through more than, say, 2 national accredited entities per eligible country. This would mean that the GCF would have to expect to work with up to 300 national entities.[4] Assuming the need for balance with regard non-national access entities, this could lead to an overall number of up to 600 accredited entities, which itself may actually be rather ambitious.

One of the key advantages of this approach is that countries would be incentivised to consider very carefully which sort of entities they endorse for accreditation within these constraints, but they would be free to decide themselves and not be constrained by any considerations other than the ones imposed by relevant fiduciary and environmental standards.

Indeed, imposing a strategic limit on the number of direct access entities per country (as suggested above) is likely to have the longer term effect of countries choosing entities at the larger end of their spectrum, which can genuinely serve as 'national' implementing entities.

3. How to redress the Status Quo Imbalance?

In the short-term, one way of redressing the existing imbalances could be to ***prioritize the accreditation of nation-wide direct access entities*** by letting them jump the queue.[5] There are currently over 80 entities in the accreditation queue. At the present rate of accreditation, this means that, under a strict first-come-first-served system, any new applicant will have to queue for over two years until they are even considered for accreditation.

I think this will be particularly unhelpful in the context of the Enhanced Direct Access (EDA) Pilot Phase, as it will essentially disqualify any entity that has not already applied for accreditation from participating in the Pilot Phase. Granting ***top priority accreditation to nation-wide entities submitting an EDA pilot proposal,*** would thus have the added benefit of incentivizing participation in the EDA Pilot, which after all, is a signature access modality of the Fund.

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[4] According to paragraph 35 of the GCF Governing Instrument, "All developing country Parties to the Convention are eligible to receive resources from the Fund." However, it is to my mind not completely clear which countries are covered by this. The figure used here is based on the number of Parties to the UNFCCC that are not listed in its Annex I (i.e. 154).

[5] N.B. 'priority accreditation' is not the same as 'fast track accreditation'! The latter involved a simplified procedure; the former is merely jumping at the head of the queue.

Table 1: Status quo accreditation size (im-) balance

		[Number of entities]										[Size]	
		(A) Total		(B.1) Micro		(B.2) Small		(B.3) Medium		(B.4) Large		(C) Size Index	
	Total	**33**	**100%**	**6**	**18%**	**8**	**24%**	**3**	**9%**	**16**	**48%**	**21210**	**100.0%**
International		**19**	**58%**	**1**	**17%**	**2**	**25%**	**3**	**100%**	**13**	**81%**	**17110**	**81%**
ADB	Philippines	1	3%							1		1250	5.9%
AFC	Nigeria	1	3%							1		1250	5.9%
AFD	France	1	3%							1		1250	5.9%
Deutsche Bank AG	Germany	1	3%							1		1250	5.9%
EBRD	UK	1	3%							1		1250	5.9%
IDB	USA	1	3%							1		1250	5.9%
KfW	Germany	1	3%							1		1250	5.9%
World Bank	USA	1	3%							1		1250	5.9%
AfDB	Côte d'Ivoire	1	3%							1		1250	5.9%
Credit Agricole	France	1	3%							1		1250	5.9%
EIB	Luxembourg	1	3%							1		1250	5.9%
HSBC	UK	1	3%							1		1250	5.9%
IFC	USA	1	3%							1		1250	5.9%
CI	USA	1	3%					1				250	1.2%
UNDP	USA	1	3%					1				250	1.2%
IUCN	Switzerland	1	3%					1				250	1.2%
UNEP	Kenya	1	3%			1						50	0.2%
WMO	Switzerland	1	3%			1						50	0.2%
WFP	Italy	1	3%	1								10	0.0%
Regional		**5**	**15%**	**1**	**17%**	**2**	**25%**	**0**	**0%**	**2**	**13%**	**2610**	**12%**
CAF	Venezuela	1	3%							1		1250	5.9%
DBSA	South Africa	1	3%							1		1250	5.9%
CCCCC	Belize	1	3%			1						50	0.2%
SPREP	Samoa	1	3%			1						50	0.2%
Acumen	USA	1	3%	1								10	0.0%

National		9	27%	4	67%	4	50%	0	0%	1	6%	1490	7%
NABARD	India	1	3%							1		1250	5.9%
MINIRENA	Rwanda	1	3%			1						50	0.2%
ADA	Morocco	1	3%			1						50	0.2%
MOFEC	Ethiopia	1	3%			1						50	0.2%
UCAR	Argentina	1	3%			1						50	0.2%
CSE	Senegal	1	3%	1								10	0.0%
EIF	Namibia	1	3%	1								10	0.0%
Profonanpe	Peru	1	3%	1								10	0.0%
NEMA	Kenya	1	3%	1								10	0.0%

Size Definition

(a) Micro (maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of up to and including US$ 10 million for an individual project or an activity within a programme);

(b) Small (maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US$ 10 million and up to and including US$ 50 million for an individual project or an activity within a programme);

(c) Medium (maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US$ 50 million and up to and including US$ 250 million for an individual project or an activity within a programme); and

(d) Large (total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US$ 250 million for an individual project or an activity within a programme).

Size Indicators	
Micro	10
Small	50
Medium	250
Large	1250

Table 2: Status quo accreditation capacity (im-) balance

		Capability Balance (re Fiduciary Standards)									
		(D.1) Basic		**(D.2) Project management**		**(D.3) Grant award**			**(D.4) On-lending**		
	Total	**33**		**33**		**19**		**16910**	**17**		**20010**
		100%		**100%**		**58%**			**52%**		
International		**19**	**58%**	**19**	**58%**	**12**	**63%**	**77%**	**13**	**76%**	**81%**
ADB	Philippines	1		1		1		1250	1		1250
AFC	Nigeria	1		1					1		1250
AFD	France	1		1		1		1250	1		1250
Deutsche Bank AG	Germany	1		1		1		1250	1		1250
EBRD	UK	1		1		1		1250	1		1250
IDB	USA	1		1		1		1250	1		1250
KfW	Germany	1		1		1		1250	1		1250
World Bank	USA	1		1		1		1250	1		1250
AfDB	Côte d'Ivoire	1		1		1		1250	1		1250
Credit Agricole	France	1		1					1		1250
EIB	Luxembourg	1		1		1		1250	1		1250
HSBC	UK	1		1					1		1250
IFC	USA	1		1		1		1250	1		1250
CI	USA	1		1		1		250			
UNDP	USA	1		1							
IUCN	Switzerland	1		1		1		250			
UNEP	Kenya	1		1							
WMO	Switzerland	1		1							
WFP	Italy	1		1							
Regional		**5**	**15%**	**5**	**15%**	**3**	**16%**	**15%**	**3**	**18%**	**13%**
CAF	Venezuela	1		1		1		1250	1		1250
DBSA	South Africa	1		1		1		1250	1		1250
CCCCC	Belize	1		1		1		50			
SPREP	Samoa	1		1							
Acumen	USA	1		1					1		10

National		9	27%	9	27%	4	21%	8%	1	6%	6%
NABARD	India	1		1		1		1250	1		1250
MINIRENA	Rwanda	1		1		1		50			
ADA	Morocco	1		1							
MOFEC	Ethiopia	1		1							
UCAR	Argentina	1		1		1		50			
CSE	Senegal	1		1							
EIF	Namibia	1		1		1		10			
Profonanpe	Peru	1		1							
NEMA	Kenya	1		1							