

14 October 2015

Dear Members of the Board and Alternate Members:

We represent organizations long invested in shaping the Green Climate Fund into a model institution that – with credibility and vigor – puts the needs of people in developing countries at the start and end points of all its endeavors in a sustainable manner. We value the GCF’s founding commitment to being a “continuously learning institution.” It is in this spirit that we write to you with the following recommendations to improve the accreditation process.

Direct access and country ownership

- Adopt a floor of at least 50% direct access to all of the GCF’s resources by the end of the Initial Resource Mobilization period (2018).
- Prioritize accreditation of direct access entities.
- Utilize readiness funds more expeditiously and comprehensively to build in-country capacity to facilitate direct access through improved NDA country coordination and meaningful stakeholder engagement.

Transparency

- Revise the information disclosure policy in such a way that accreditation applications are publicly disclosed as soon as they are filed, with very narrowly-defined exceptions justifying non-release. As an immediate first step, disclose the identity of applicants that are up for consideration by the Board at the same time that other Board documents are released.
- Consider each accreditation applicant individually and in an open Board session.

Climate pollution standards

- Require non-governmental/intergovernmental entities seeking accreditation to have a credible plan in place to rapidly phase out ongoing investments in fossil fuels.

Human rights standards

- Only accredit entities that have a verified track record of complying with human rights norms and standards.

The success of the GCF will be measured, to a significant degree, by the number of developing country entities that gain accreditation and the quality of projects/programs they bring forward to the GCF.¹ Indeed, direct access to the Fund through the accreditation of regional, national and sub-national entities is among the key defining, and most exciting, features of the GCF. While the GCF has made modest strides in accrediting national and regional entities, based on accreditations to date, the proportion of GCF resources expected to flow through international and developed country institutions will greatly trump the funds going to developing country entities.

¹ GIZ paper: A winding road - Preparing national institutions for access to the GCF, August 2015, <https://www.giz.de/fachexpertise/downloads/giz2015-en-climate-finance-readiness-gcf-accreditation.pdf>.

While 55% of current accreditations are for international access and 45% are for direct access, the actual flow of resources is likely to be considerably more imbalanced. None of the entities accredited for medium-sized activities and only 20% of entities accredited for large-sized activities are direct access. Thus, the vast majority of GCF resources are expected to flow through developed country/international entities. Rather than building capacity in developing countries to design, manage and implement projects/programs -- a key ingredient for sustainable transformation -- capacity will remain with developed country institutions. Moreover, developed country/international institutions will take a substantial cut of GCF money through fees – even though clearly they should not be the ultimate recipients of GCF support.

Direct Access

For the GCF to fully serve developing countries, the Board must robustly exercise the decision taken at its 10th meeting and ensure that the GCF secretariat “will actively support applications for accreditation received from subnational, national, regional public and private entities.” To this end, we urge the adoption of a floor of at least 50% direct access to all of the GCF’s resources by the end of the Initial Resource Mobilization period (2018), with the aim of further increasing this to 75% of new project/program financing by the end of 2020, facilitated by sufficient readiness and capacity-building support.²

We understand that the accreditation process itself is arduous and can be a barrier to accreditation. GIZ’s efforts to support the accreditation of institutions from developing countries has shown that “the GCF’s requirements remain high for institutions. Fulfilling the stipulated criteria and providing the respective evidence represents a considerable challenge for the majority of entities.”³ Fortunately, through effective readiness support, developing countries can overcome this barrier. Therefore, readiness funds should be more expeditiously and comprehensively utilized to build capacity to facilitate direct access. This would be a far better use of GCF resources than paying outside consultants to do work that should be sourced domestically whenever possible.

To that end, accreditation cannot take place on a first come, first served basis. Such an arrangement favors international and developed country bilateral institutions, both in terms of their capacity and staffing to facilitate accreditation and in terms of volume of funds. These institutions are much more likely to be accredited for large- and medium-sized projects, which results in a far larger share of GCF financing flowing through them.

There is no need to rush to accredit as many entities as possible, as soon as possible. The GCF would build a better track record, and better differentiate itself from other existing institutions, by accrediting a few strong direct access entities and ensuring the activities funded through these entities are of demonstration quality, rather than using GCF institutional capacity to accredit all of the myriad international/developed country entities that are applying.

² See civil society letter sent to GCF Board, March 13, 2015, http://webiva-downton.s3.amazonaws.com/877/44/a/6606/3-15_GCF_direct_access_MSMEs.pdf.

³ GIZ paper: A winding road, Preparing national institutions for access to the GCF, August 2015, <https://www.giz.de/fachexpertise/downloads/giz2015-en-climate-finance-readiness-gcf-accreditation.pdf>.

Prioritizing direct access is fundamental to country ownership. This in turn would increase the effectiveness of GCF support, for instance, through better harmonization with national systems, plans and priorities. Channeling GCF resources through MDBs and developed country bilateral institutions is more likely to support already existing, rather than transformational, project pipelines and would come at the expense of country ownership, risking a deficit in building local capacities and economies and endogenous technologies.

Transparency

The accreditation process has been rightly criticized for a severe lack of transparency, putting the integrity of the process and the legitimacy of the GCF at risk. A desk review of applicants with a high reliance on official documents and no public input is far removed from best practice, which requires that institutions listen to the people affected by the funding they provide, and learn from experiences (positive and negative) reported by communities, civil society groups, official audits, academic studies and other independent sources.

As an immediate step to address this problem, the identity of applicants that are up for consideration by the Board should be disclosed when other Board documents are released, along with any supplemental information provided during the application process that is not subject to exceptions under the information disclosure policy. More fundamentally, the information disclosure policy should itself require that accreditation applications are made public when filed, with redactions of the information that is exempt under the narrow and limited regime of exceptions in the policy.

Further, the Board should consider each applicant individually and openly (i.e. no approvals of “packages” of accreditation, and no executive sessions).

Climate Pollution Standards

If non-governmental/intergovernmental entities that are seeking accreditation have ongoing investments in fossil fuels, they should be required to have a credible plan in place prior to accreditation to rapidly phase out all support for fossil fuels.⁴ Non-governmental/intergovernmental entities invested in fossil fuels that have already been accredited should be required to provide a rapid-phase-out-plan upon the 5-year review⁵ of their accreditation.

Human Rights Standards

The GCF should only accredit entities that have a verified record of complying with human rights norms and standards, including on gender equality and the rights of Indigenous Peoples.

⁴ In addition to accrediting several MDBs with long records of financing fossil fuels, the GCF Board has already accredited a global leader in private coal financing, Deutsche Bank. According to BankTrack, “Private sector banks play a major role in bankrolling the coal industry. Between 2005 and April 2014, according to our research, 93 banks around the world provided more than \$500 billion in financing to the coal sector. There is no sign yet of declining support: between 2005 and 2013 banks in fact increased their coal finance. Because of their essential role as mobilisers of capital for the energy sector, banks are in a unique position to either help further entrench and prolong current fossil fuel based patterns of energy production, or help catalyse the necessary transition to a low carbon economy.” <http://dotheparispledge.org/>

⁵ GCF Decision B.07/02, Annex I, para. 43, p.21, http://gcfund.net/fileadmin/00_customer/documents/MOB201406-7th/GCF_B07_Decisions_Seventh_Meeting_fin_20140619.pdf.

The GCF should also refrain from accrediting entities which have been found by their respective grievance mechanisms to have violated their own social or environmental safeguards.

Reputational and Strategic Risk

A significantly flawed accreditation process, which is the case at present, jeopardizes the GCF's credibility and its prospects for long-term effectiveness. Implementing the suggested changes above would go far in remedying the shortcomings that threaten the GCF's efficacy and its reputation.

We urge that the above recommendations be implemented as soon as possible, given the large number of entities now awaiting accreditation. We thank you for your consideration and look forward to a response.

Sincerely,

ActionAid (GCF contact: Brandon Wu)

Aksi! for gender, social and ecological justice (GCF contact: Titi Soentoro)

Asian Peoples Movement on Debt and Development (GCF contact: Lidy Nacpil)

Asociación Interamericana para la Defensa del Ambiente (GCF contact: Andrea Rodriguez)

Both ENDS (GCF contact: Anouk Franck)

Cafod (GCF contact: Rob Elsworth)

Carbon Market Watch (GCF contact: Urska Trunk)

Friends of the Earth Malaysia

Friends of the Earth U.S. (GCF contact: Karen Orenstein)

Heinrich Böll Stiftung North America (GCF contact: Liane Schalatek)

Institute for Policy Studies – Climate Policy Program (GCF contact: Oscar Reyes)

Pan African Climate Justice Alliance (GCF contact: Samuel Ogallah)

Tebtebba (GCF contact: Galina Angarova)

The Development Institute-Ghana (GCF contact: Ken Kinney)

Third World Network (GCF contact: Meena Raman)