HEINRICH BÖLL STIFTUNG
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# Green Climate Fund

# Private Sector Finance in Focus

## Briefing 3: Accreditation

Written by Oscar Reyes and Liane Schalatek

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Written by Oscar Reyes and Liane Schalatek

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# Summary

- The Green Climate Fund has 26 private sector Accredited Entities (AEs), which are partner companies and organizations that oversee the implementation of its funded activities. Only nine of these AEs have any funded activities so far, accounting for US$1 billion of the GCF's US$10.4 billion in approved financing, distributed across 17 funded activities. Private AEs account for 28 percent of the GCF's US$3.65 billion in approved private sector financing.
- The private sector AEs include 13 national entities, 1 regional and 12 international entities, but 83 percent of financing passes through international entities. Only three national private sector accredited entities have received approval for GCF funded activities so far.
- Equity financing is the dominant form of approved funding through private sector AEs, accounting for 81 percent of the total. Over ninety-nine percent of this equity financing (US$811 million) passes through international accredited entities, with just half a percent (US$4.6 million) passing through a national direct access entity. The focus on equity financing is further concentrating GCF resources in the hands of international accredited entities, despite the stated intention to maximize national direct access.
- Close to forty percent of the financing passing through private sector AEs goes to Africa, with a further third (33 percent) to activities in Asia-Pacific and just over a quarter (27 percent) in Latin America and the Caribbean, while Eastern Europe receives almost no funding. An estimated 17.5 percent of financing through private sector AEs relates to activities in Least Developed Countries (LDCs).
- Partnerships with international commercial banks have resulted in very few funded activities so far, partly as a result of delays in the signing of Accreditation Master Agreements (AMA), which provide the legal confirmation of accreditation decisions. Most notably, HSBC Bank was accredited by the Board in March 2016 but has not yet signed an AMA over six years later.
- The GCF's successful collaboration with XacBank in Mongolia provides an example of what could be achieved by focusing attention on strengthening partnerships with national-level commercial banks. The GCF should look to develop a network of national banks to support mutual learning and increase project and program approvals via these institutions, including drawing on and promoting international green banking and values-based banking best practices.
- Compliance with the GCF Environmental and Social Policy, safeguards and gender policy has proven to be quite challenging for most of the 26 private sector AEs. In the case of eight private sector applicants, including four large international commercial banks (BNP Paribas, Credit Agricole, Deutsche Bank and HSBC), there was a requirement that they first develop their own gender policy before accessing GCF funding. Almost two-thirds of private sector entities (16 of 26) have to comply with multiple conditions requiring them to strengthen and expand their own gender capacities, such as through recruitment and training of in-house gender expertise.

- With many of the GCF's implementing partners now engaged in a re-accreditation process, the Board should ensure that all applicants – including private sector entities – have established a clear trajectory away from fossil fuel investments and consistent with the Paris Agreement and this should be a condition for re-accreditation. Based on their current portfolios, none of the six international commercial banks that are now accredited should qualify for re-accreditation.
- A Project-Specific Assessment Approach (PSAA) has limited potential to address private sector needs, including by speeding up access and reducing the transaction costs around the development of individual activities. However, a high level of care and precaution is needed to ensure that it does not undermine the quality of environmental and social risk assessments. In particular, the lack of independent checks by the GCF Accreditation Panel, and concerns about the extent of assessments across the full range of environmental and social policies, including the Indigenous Peoples' policy, means that there remains a strong case to limit approvals of higher risk (category B/I-2) activities and those that exceed a US$50 million size limit.
- Proponents of PSAA projects/programs should also be required to show their capacity to address grievances or provide redress, including through an independent grievance redress mechanism.

## What is GCF private sector finance?

The Green Climate Fund (GCF), established by and accountable to the United Nations Framework Convention on Climate Change (UNFCCC), is the world's largest multilateral climate fund. A core part of its remit is to encourage private sector investment in mitigation and adaptation measures that address climate change in developing countries. GCF private financing should be "consistent with a country-driven approach," with a particular focus on "local actors, including small- and medium-sized enterprises and local financial intermediaries" as detailed in the GCF's Governing Instrument (UNFCCC 2011). To date, the GCF's Private Sector Facility (PSF), a specialized organizational division of the GCF Secretariat, has mostly supported energy generation and energy efficiency, which account for 85 percent of its financing (IEU 2021a, 2). The vast majority of this finance is channeled through large international intermediaries, including multilateral development banks, publicly-owned development finance institutions and private multinational banks.

Any GCF project or program can have a private sector component, while those that receive a majority of their financing from the private sector are administered by the PSF. These private sector-led activities account for a third of all GCF financing.

GCF private sector investment typically takes the form of concessional lending (i.e. below market-rate) accompanied by modest capacity building or technical assistance grants, although just over a quarter of private funding also takes the form of equity investments (company ownership).

# Introduction

The Green Climate Fund's partnerships with private companies such as banks, impact investment and equity funds are intended to open up easier routes to private sector financing in developing countries. However, just over a quarter of the GCF's private sector financing passes through these private sector Accredited Entities (AEs), with the rest channeled through public institutions such as multilateral development banks.

This briefing looks at the scope of investment via private sector AEs and examines reform proposals to increase their share of GCF private sector funding without weakening the Fund's environmental and social integrity. In particular, it examines the scope of the re-accreditation process to address the 'greening' of GCF partners' investment portfolios, as well as reforms to the GCF accreditation process that include a Project-Specific Assessment Approach (PSAA), which allows some funding to be provided via companies and institutions that have not undertaken the full accreditation process.

## What is the GCF accreditation process?

The GCF channels its funds through partner institutions, known as Accredited Entities (AEs), rather than managing projects and programs directly. AEs may be public or private, national, regional or international, and may be from developed or developing countries. When applying for accreditation with the GCF, these companies, organizations and institutions undergo a multi-stage review process that is intended to ensure that they have the ability to manage funds appropriately, implement projects and programs, apply environmental and social safeguards, and comply with the GCF's gender policy. In March 2022, the GCF updated its accreditation framework in an attempt to speed up the process (GCF 2022a, Annex IV).

The basic responsibilities of AEs include submitting project and program proposals, coordinating projects and program work on the ground, monitoring and evaluating projects, sub-projects and programs, and appointing an individual evaluator at the end of each funded activity. Accredited entities may directly manage GCF programs and projects, or they can act as intermediaries for funding that is passed on (minus an administration fee) to other implementation partner entities, such as banks or companies.

The GCF Board is responsible for the accreditation of all entities. Its decisions are informed by the recommendations of the Accreditation Panel (AP), comprised of six technical experts. The Board approves entities for a specific scope of activities under its 'fit-for-purpose' accreditation approach, which are differentiated according to scale, environmental and social risk levels, types of financial instruments, and a number of specialized fiduciary duties (blending,

on-lending, etc.). Board approval often comes with conditions, recommended by the AP, which include devising additional policies or undertaking audits to show the effective application of new policies in advance of funding approvals or after a designated time period. As such, a rigorous accreditation process contributes to the capacity and institutional strengthening of the accreditation applicant beyond the GCF engagement, as part of the broader transformational shift that the GCF hopes to support through its engagement and among its implementation partners.

GCF accreditation lasts for five years, and this period is counted from the effectiveness date of an Accreditation Master Agreement (AMA), a legal document setting out the terms and conditions of the partnership. Six months prior to the end date, AEs must request re-accreditation via a formal vetting process, which includes a performance evaluation conducted by the GCF Secretariat and AP (GCF 2021a).[1] Re-accreditation includes a review of the extent to which the AE's portfolio of activities beyond those funded by the GCF has evolved towards low-emission and climate resilient development pathways during the AE's accreditation term (GCF 2021b).

Of the GCF's 26 private sector AEs as of June 2022, 12 are international access entities and 14 direct access entities (including one regional one). Commercial banks dominate, with the number of direct access national commercial banks (13) and one regional commercial bank more than twice that of international commercial banks (6). The rest are investment funds and asset management companies. A full list of all current 26 private sector AEs can be found in the Annex to this briefing.

[1] Details are set out in Decision GCF/B.24/13 Annex XXVI.

# Financing through private sector accredited entities: an overview

As of June 2022, twenty-six of the GCF's 113 Accredited Entities (AEs) are categorized as private sector, although only nine of these have any funded activities so far. US$1 billion of the GCF's US$10.4 billion in approved financing passes through these private sector AEs, distributed across 17 funded activities.

The private sector AEs include 13 national entities, which can engage in projects/programs in a single host country; one regional entity, which can act in one of the GCF's four continental regions of operation; and 12 international entities. Over 80 percent of the approved funding passes through international entities, whose activities tend to be larger (see Figure 1). Only three national private sector accredited entities (the Mongolian XacBank, JS Bank from Pakistan, and CRDB Bank of Tanzania) have received approval for GCF funded activities so far.

Equity financing is the dominant form of approved funding through private sector AEs, accounting for 81 percent of the total (US$816 million) (see Figure 1). Loans account for 13 percent of the total (US$136 million). Although the sample size is small, with four programs accounting for over two-thirds of equity financing, it is worth noting that the GCF Secretariat has identified equity financing as a priority area for new funded activities (GCF 2022b).[2] However, this has the effect of further concentrating financing in the hands of international accredited entities, despite the stated intention to maximize national direct access. Over ninety-nine percent of this equity financing (US$811 million) passes through international accredited entities, with just half a percent (US$4.6 million) passing through a national direct access entity.

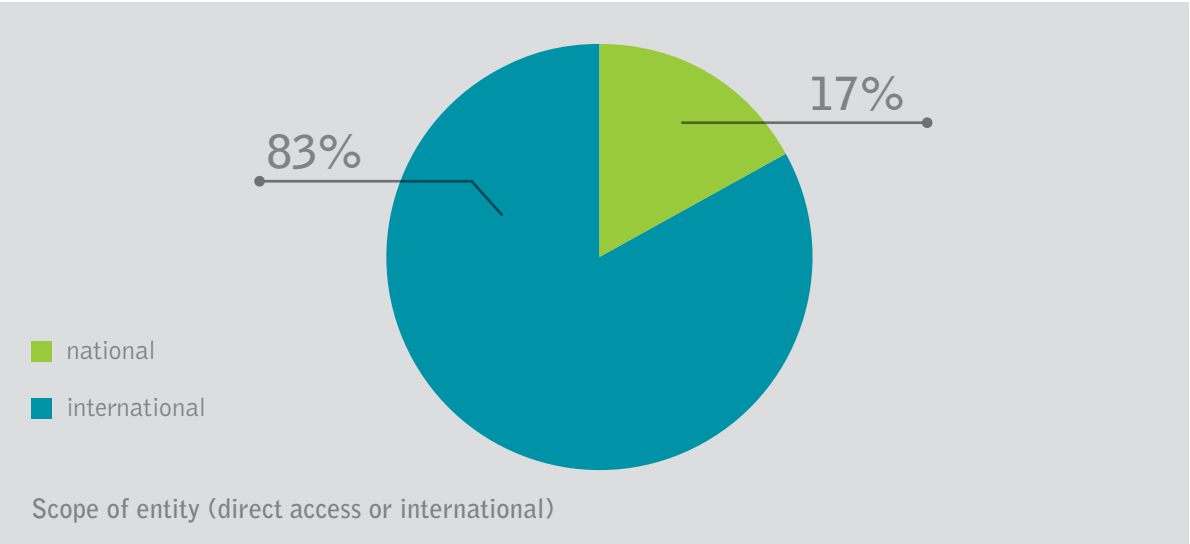
In terms of regional distribution, thirty-nine percent of the financing passing through private sector AEs goes to Africa, with a further third (33 percent) to activities in Asia-Pacific and just over a quarter (27 percent) to those in Latin America and the Caribbean. Eastern Europe receives only one percent of this financing.[3]

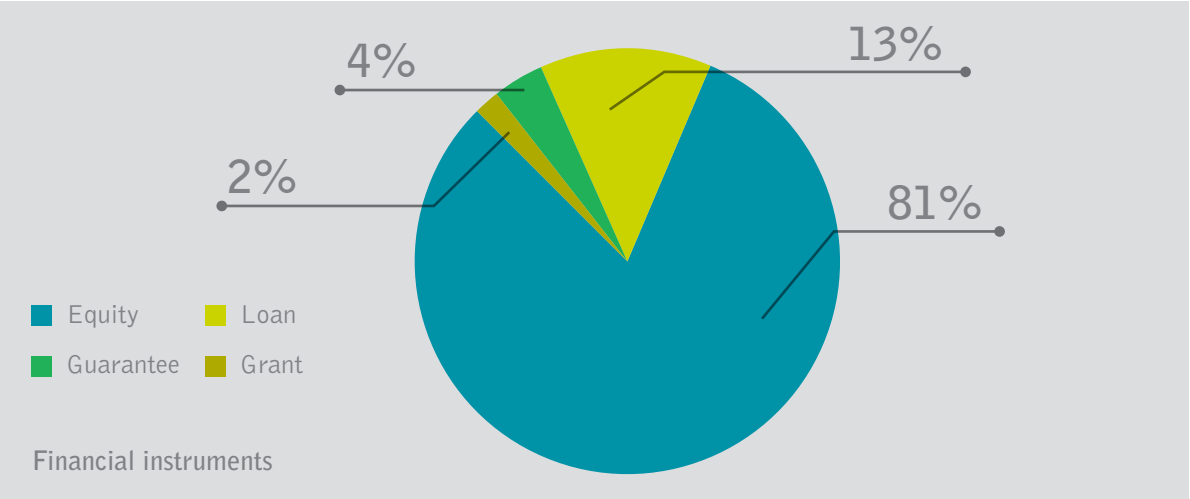
An estimated 17.5 percent (US$176 million) of the financing approved via private sector AEs relates to activities in Least Developed Countries (LDCs). This proportion remains low compared to the GCF's mandate for reaching populations with the greatest need for resilient development projects and programs. However, increasing the proportion of LDC support would likely require a greater emphasis on grant-based instruments (e.g. capacity building, technical assistance, business incubators) and high levels of concessionality, as the perceived investment risk tends to be higher in these countries, and markets are not well established in many sectors. Acumen Fund, an impact investor with three GCF programs under implementation, takes this approach to some extent. Two of Acumen's programs include a significant share of grant financing to facilitate engagement with

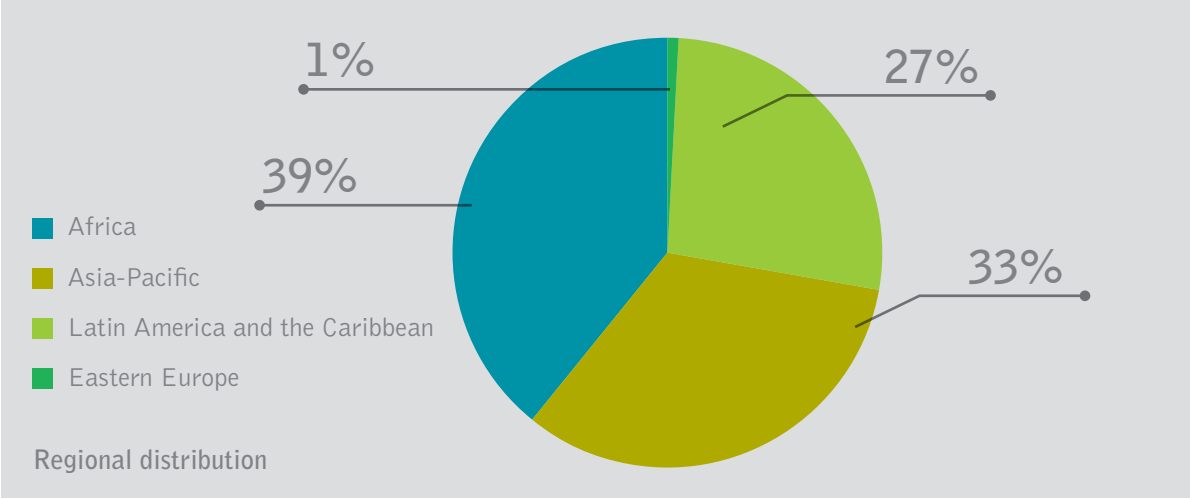
[2] This raised some controversy at the GCF Board (B.32) in May 2022, although the Private Sector Strategy adopted at that meeting still gives the Secretariat scope to explore "new modalities to scale up the use of guarantees and equity" amongst other instruments.

[3] In the case of multi-country programs, we have attributed financing equally to the different participant countries for the purpose of calculating regional distributions.

Figure 1. Approved financing via private sector accredited entities



and capacity-building for MSMEs in African countries for both adaptation and mitigation small-scale investments.[4] The GCF should seek to partner with more impact investors with a focus on environmental, social and governance best practices (ESG) to advance this type of grant and highly concessional investment to help develop markets in countries otherwise deemed too high risk by private investors.

Overall, the GCF's financing via private sector AEs has been relatively limited. The US$1 billion in approved funding through private sector AEs represents only a minority (28 percent) of the GCF's US$3.65 billion in approved private sector financing.[5] As noted above, equity financing predominates. The largest share of this financing is administered by Pegasus Capital Advisors, a US-based private equity firm, which has three large programs approved. However, this model of financing – in particular, as practiced in the programs implemented by Pegasus – raises considerable transparency and accountability issues, which are examined in Briefing 4 of this series.

17 of the 26 private sector AEs have yet to receive approved financing for any GCF project or program. This is partly explained by time lags between accreditation by the GCF Board and its legal confirmation, especially in the case of international commercial banks. Most notably, HSBC Bank was accredited by the Board in March 2016 but has not yet signed an Accreditation Master Agreement (AMA) over six years later, which raises the question as to whether there should be a time limit after which such Board approvals lapse. Crédit Agricole signed its AMA in April 2021, five years after Board approval, and BNP Paribas took almost three years.

Even when private commercial banks have a formal AMA, there have been few project and program approvals. MUFG is the only large, international commercial bank to have any activities under implementation – both of which were organized via a special private sector pilot program, the Request for Proposals (RfP) for Mobilizing Funds at Scale (MFS). A renewable energy program (FP027) via Deutsche Bank, which was approved in October 2016, has seen a Funded Activity Agreement (the formal legal confirmation of the program) only signed in March 2022, although no funds have yet been disbursed.

XacBank in Mongolia, with four funded activities, accounts for all of the GCF's national level private sector AE direct access financing that is under implementation as of June 2022, although two further direct access activities were more recently approved.[6] In terms of replicability, the GCF's successful collaboration with XacBank in Mongolia provides an example of what could be achieved by focusing attention on strengthening national-level rather than international commercial banks. Over the past decade, XacBank has developed a profile that includes climate-friendly investments, especially in energy efficiency and renewable energies (Wörlen et al. 2020, 26). The GCF has helped XacBank to expand its portfolio, approving four funded activities that mostly target concessional lending towards improving energy efficiency and installing solar power. For example, GCF financing helped XacBank to become the first commercial bank to successfully fund a utility-scale (10MW photovoltaic (PV)) solar farm plant in Mongolia (Transparency Partnership 2019).

Despite the preponderance of commercial banks among the GCF's current 26 accredited private sector entities, a recent portfolio analysis of accredited entities identifies national commercial and investment banks, especially those operating in Eastern Europe and the SIDS, as missing actors in regional blank spots (GCF 2022c).

[4] FP005 KawiSafi Ventures Fund and FP078 Acumen Resilient Agriculture Fund (ARAF).

[5] For more details, see Reyes and Schalatek (2021).

[6] US$100 million for FP179 Tanzania Agriculture Climate Adaptation Technology Deployment Programme via CRDB Bank in October 2021, and US$10 million for SAP024 Pakistan Distributed Solar Project via JS Bank in May 2022.

# Accreditation conditions

The accreditation process is intended to ensure that partner organizations have the capacity to implement fiduciary, environmental and social standards (including the GCF gender policy) that are equivalent or better than the minimum set by the GCF's own policies. These factors are also considered as part of the re-accreditation process, which reviews the overall performance of the AE during its accreditation. Alongside quality control, these reviews also form part of the process to assess whether partnering with the GCF has contributed to improved standards and greater capacity amongst the partner institutions themselves.

Compliance with the GCF Environmental and Social Policy, safeguards and gender policy has so far proven to be quite challenging. The majority of the 26 GCF private sector entities accredited as of June 2022 displayed significant weaknesses in their institutional capacity to apply GCF gender and ESS mandates, with corresponding conditions for accreditation imposed. In nine cases, private sector applicants, among them four large international commercial banks (BNP Paribas, Credit Agricole, Deutsche Bank and HSBC) as well as private investment companies Acumen Fund and Pegasus Capital Advisors, were requested to first develop their own gender policy before accessing GCF funding. Almost two-thirds of private sector entities (16 of 26) have to comply with multiple conditions requiring them to strengthen and expand their own gender capacities, such as through recruitment and training of in-house gender expertise.

Similarly, over half of private sector entities (14 of 26) faced accreditation conditions related to ESS compliance, such as strengthening and proving the effectiveness of in-house environmental and social management systems, ESS risk categorization procedures and related information disclosure and complaint procedure requirements. For six private sector entities (including AFC, IDFC, Pegasus Capital Advisors and SMBC) there was insufficient evidence of fully functioning third-party complaints and grievance procedures at both institutional and project levels at the time of their accreditation. Several others, including BNP Paribas, SMBC, XacBank and La Banque Agricole Senegal, had yet to approve their own information disclosure policy or update an existing information disclosure policy to be able to comply with the GCF's requirement for ESS disclosure.

Even where procedures and policies were in place at the time of accreditation, in a number of instances these were newly developed, fulfilling the GCF criteria on paper but without showing any track record of successful application or having made any corresponding shift in corporate culture. In several cases (including Attijariwafa Bank, Camco, FYNSA, KCB Bank Kenya or TDB Mongolia) the GCF Accreditation Panel set a condition that an independent third party audit of entities' environmental and social management systems should be conducted at a specified interval after the first disbursement of GCF financing. In the case of entities lacking a credible track record, there should be heightened scrutiny of the adequacy of proposed gender actions and ESS and risk management procedures during the funding approval process.

In addition, the Accreditation Panel imposed conditions requiring 20 of the 26 private sector accredited entities to strengthen their accountability functions and mechanisms related to internal audit or compliance investigation, procurement and supply chain due diligence (including beneficiary institutions for intermediated financing), and anti-money laundering and countering the financing of terrorism procedures.

# Re-accreditation and the portfolio shift away from fossil fuel financing

GCF accreditation lasts for five years, after which AEs must go through a formal review of their performance and broader portfolio of activities in order to be re-accredited. This process is in its early stages, with the first re-accreditation of a private sector entity (Acumen) approved by the GCF Board in March 2022, and only one further private sector entity (XacBank) reaching the end of its first accreditation term in 2022 (GCF 2022d).

A large number of civil society organizations (CSOs) objected to the accreditation of international commercial banks including SMBC, Deutsche Bank, HSBC and Crédit Agricole, citing their history of massive fossil fuel financing and a poor track record in terms of human rights and environmental standards (ActionAid et al. 2015; 2016; GCF Watch 2021). When these banks were accredited, the GCF Secretariat and Board argued that directly partnering with them could help change their business model by accelerating divestment from fossil fuels. CSOs warned that affiliation with the GCF could be used by commercial banks as 'greenwashing', while largely continuing their fossil fuel financing business-as-usual. Partly in response to this, the GCF's monitoring and accountability framework includes a clause (paragraph 35) that ties re-accreditation of a GCF accredited entity after five years to an assessment of the extent to which the "overall portfolio of activities beyond those funded by the GCF has evolved... during the accreditation period" towards "low-emission and climate resilient development pathways." (GCF 2021b).

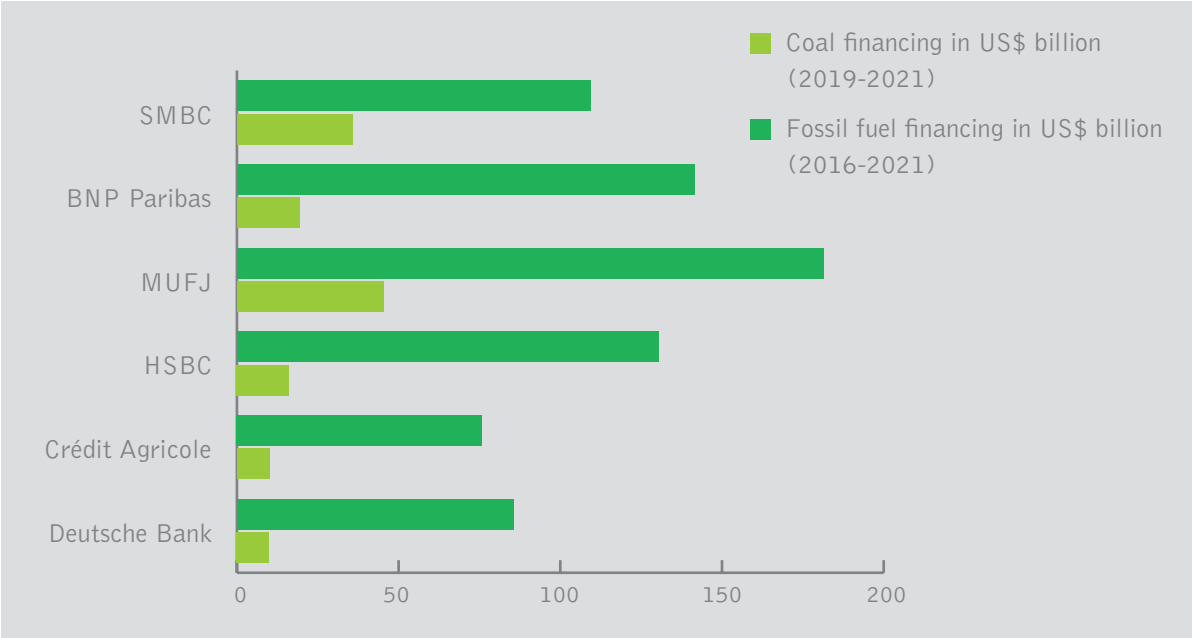
In October 2021, the re-accreditation of one entity (Development Bank of Southern Africa) was delayed over a failure to agree on a potential condition demanding that it commit to a net-zero strategy that shifts its portfolio away from fossil fuel activities.

As the re-accreditation process moves forward, the Board should ensure that all applicants – including private sector entities – have established a clear trajectory away from fossil fuel investments and consistent with the Paris Agreement, and this should be a condition for re-accreditation. Adopting such a condition would require that clear, meaningful baselines are reported at the time of re-accreditation. Unfortunately, in its current form, the adopted methodology lacks rigor. By focusing

the established baseline narrowly on accounting for carbon emissions, largely from project finance, it fails to account for the vast majority of the investment portfolio of large private financial institutions, which includes providing corporate loans, issuing and underwriting bonds, and asset management through holding equities and debt on behalf of their clients. The GCF baseline must encompass the AE's whole portfolio. The GCF approach has also revealed the difficulty of applying the methodology to blended finance approaches such as those the GCF pursues in its private sector engagements. Simply claiming a long-term "net zero" target is not enough.

Based on their current performance, the GCF's accredited international commercial banks would have to improve their performance considerably to be considered eligible for re-accreditation. As shown in Figure 2, these six banks continue to invest billions in fossil fuels, including financing coal mining and coal power generation. Moreover, all six feature amongst the Top 20 providers of bank financing for the 100 oil, gas and coal companies that are leading the expansion of fossil fuels, while only one of these entities has shown any sustained reduction in its fossil fuel investments since 2016 (Banktrack et al. 2022, 8-9; 34-35) as illustrated in Figure 3. Against this measure, only Deutsche Bank has managed to reduce the scale of its fossil fuel financing over the accreditation period, although there is a strong case that it should also be denied re-accreditation, given whistleblower claims that it has been systematically 'greenwashing' (exaggerating the green credentials of its

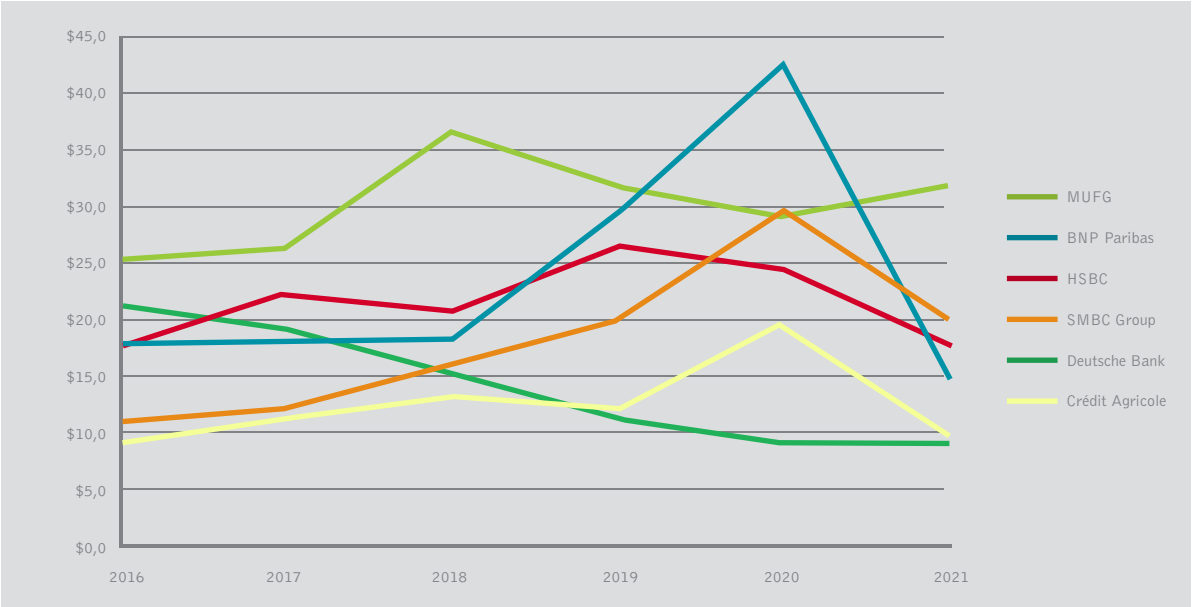
Figure 2: Total fossil fuel financing by accredited international commercial banks




Source: Banktrack et al. 2022; Urgewald et al. 2021.

[7] Although most entities show a fall in fossil-fuel financing from 2020-2021, this could well be a side-effect of reduced financing volumes during the pandemic. Deutsche Bank is the only one of these entities to show a drop in fossil-fuel financing for more than a two year period.

Figure 3: Trajectory of fossil-fuel financing by accredited international commercial banks since the Paris Agreement, in US$ billion




Source: Banktrack et al. 2022

investment portfolio). These claims led to a police raid on DWS, Deutsche Bank's asset management division, in May 2022, which triggered the resignation of its CEO (Reuters 2022).

As part of the re-accreditation process, the GCF should also seek greater clarity on the role of subsidiaries and holding companies, ensuring that these are subject to the same ESS and gender standards as the applicant entity. If subsidiaries are established as a separate corporate entity to implement activities, these should also be required to have an established grievance redress mechanism at institutional level. These definitions should be consistent across accreditation and and the Project-Specific Assessment Approach (PSAA).

# Project-specific accreditation

The GCF's accreditation is widely perceived by private sector actors as "too lengthy and too cumbersome", according to the GCF's Independent Evaluation Unit (IEU) (IEU 2021b, 35). In response, the GCF Board agreed a revision to its accreditation framework in March 2022. The new rules include a three-year pilot for a Project-Specific Assessment Approach (PSAA), which would allow for some funding activities to be approved via entities that have not undertaken the full accreditation process (GCF 2022a, Annex IV). The pilot framework is supposed to be reviewed after three years.

On paper, the PSAA would be beneficial because it allows private sector (and other) entities to bring forward single activities that might be relevant to the GCF's objectives, without having to develop a broader, long-standing partnership. According to the IEU, however, the PSAA approach

has only "limited potential" to address private sector needs in relation to "the speed, transparency, resource-heavy requirements, language and clarity of the process" (IEU 2021b, 37). The PSAA approach also comes at a cost, insofar as approving single activities means the GCF loses the chance to influence the overall portfolio development and accountability policies of private sector implementation partners. It also risks undermining the quality of environmental and social risk assessments, which are one of the main reasons that accreditation exists in the first place.

As recently approved, the PSAA seems to tie together two very different goals under the same set of rules for implementation. One objective is to reduce barriers for Direct Access Entities (national and sub-national level actors), which encounter accreditation as a significant barrier, since the resources needed to complete the process successfully result in considerable transaction costs (in terms of staff time, policy formulation and consultancies, translations, and identifying relevant documentation) (IEU 2021b, 36). A second objective is simply to speed up the engagement process for international corporations that have the capacity to meet the GCF's requirements but would either not like a long-term engagement or that would simply like the process to move quicker.

While there is merit in being fast and flexible, there is also a potential risk here, as demonstrated by the list of 30 funding proposal concept notes shortlisted as part of the Mobilizing Funds at Scale RfP, which could be fast-tracked under the PSAA.[8] Two of the proposals already approved under the RfP came from private sector actors that were unwilling or unable to become GCF accredited entities, which were picked up by MUFG.[9] The approval of the PSAA could accelerate approvals from this RfP shortlist, now without any need to partner with an accredited entity. This is risky because the RfP shortlist includes several programs that might operate in sensitive forest areas, including one to develop a plantation adjacent to a national park in Indonesia, two carbon credit support mechanisms, and a proposal to develop geothermal power adjacent to sites where Indigenous Peoples have reported human rights violations related to similar projects. While details of the shortlisted activities are scarce (only their title and identification number without further detail is provided on the GCF website), it is clear that these are high risk activities that require considerable scrutiny, and are thus not suitable for GCF access under a PSAA.

The approved limit of one PSAA activity per entity in theory is welcome (GCF 2022a), although there are concerns that this could be easily circumvented by subsidiaries or legally separated special purpose vehicles (SPVs) of a same entity submitting proposals repeatedly. In addition, it is concerning that the pilot framework adopted does not set limits on the size of proposals, as well as allowing for funding proposals that fall under either risk category C/I-3 or B/I-2.[10] The latter can include activities that entail a relatively high level of environmental and social risk, especially when these involve financial intermediation that can shield the underlying sub-projects from scrutiny. Civil society advocates had recommended a US$50 million size limit on proposals eligible under the PSAA and that they should be restricted to the lowest risk category C/I-3 for activities, where little to no environmental and social harm is expected.

[8] https://www.greenclimate.fund/500m. Some rudimentary information about the shortlisted concept notes has only recently been added again to the GCF website, after it was missing for several years. The authors however have documented the initial information shared on the GCF website prior to 2019.

[9] FP115 Arbaro Fund – Sustainable Forestry Fund and FP115 Espejo de Tarapacá.

[10] Although the PSAA rules approved at B.31 exclude Category A/I-1 activities, considerable environmental and social risks can be accommodated within Category B/I-2 activities, especially when these involve financial intermediation that can shield the underlying sub-projects from scrutiny.

Under the PSAA, there is no requirement that the expert Accreditation Panel reviews the capacity of an entity according to its fiduciary standards, environmental and social safeguards framework and management capabilities as well as its ability to comply with the GCF gender policy. Instead, a far more limited check would be conducted only by GCF Secretariat staff. Outsourcing responsibility to companies that have not undergone the same level of checks as regular AEs poses significant environmental and social risks to local populations, as well as a reputational risk to the GCF itself.

While the PSAA process would assess a project/program proponents' capacity for compliance with all GCF policies, including the Environmental and Social Policy, Indigenous Peoples' policy, gender policy, information disclosure policy, and fiduciary/integrity policies, it is not clear that the environmental and social assessment would extend beyond what is deemed relevant for the activity in question at the time of its application. This could raise issues during implementation, since the scope of funded activities can change with new risks arising, especially in the case of programmatic financing (such as equity funds) where details of individual sub-projects are not yet known at the time of Board approval.

Given the observed shortcomings of existing private sector accredited entities to fully comply with GCF grievance redress requirements at the time of their accreditation, institutional capacity checks for proponents of PSAA projects/programs must include extra scrutiny of their capacity to address grievances or provide redress, including through an independent grievance redress mechanism. Since the GCF Secretariat has limited expertise to assess this capacity, the involvement of the GCF's own Independent Redress Mechanism should be considered here in a support function.

# Recommendations

- The GCF should accelerate the accreditation of national level private sector entities, including through enhanced support from the Readiness and Preparatory Support Programme to help these entities bringing through projects/programs.
- The GCF should look to develop a network of national commercial banks to support mutual learning and increase project and program approvals via these institutions, including drawing on and promoting international green banking/ values-based banking best practices.
- A time limit of two years should be set between GCF Board accreditation decisions and the signing of Accreditation Master Agreements (AMAs), with any extension subject to Board approval.
- Heightened scrutiny of the adequacy of private AEs' proposed gender actions and ESS and risk management procedures is required, including follow up checks during the implementation period.
- With the GCF now engaged in a re-accreditation process, the Board should ensure that all applicants – including private sector entities –have established a clear trajectory away from fossil fuel investments and consistent with the Paris Agreement, and this should be a condition for re-accreditation.
- Clearer definitions of entities are needed to clarify the role of subsidiaries and holding companies, to ensure transparency and avoid duplication. A single application should apply to holding companies and subsidiaries, which should be subject to the same ESS and gender standards as the applicant entity. These definitions should be consistent across accreditation and the Project-Specific Assessment Approach (PSAA).
- The operationalization of the recently approved PSAA pilot framework should proceed with extreme caution. Although no funding size limits have been imposed, there remains a strong case to limit approvals to category C/I-3 and a US$50 million size limit in the pilot phase. The limit of one activity per entity must be strictly enforced to ensure that it is not undermined by legal structures that would allow subsidiaries or companies with common ownership to circumvent these rules.
- Irrespective of the focus of a PSAA project/program, all assessments should cover the full spectrum of environmental and social policies, including all environmental and social safeguards and the Indigenous Peoples' policy. In providing institutional capacity assessments, the GCF Secretariat should closely scrutinize the capacity of proponents of PSAA projects/programs to address grievances or provide redress, including through an independent grievance redress mechanism, relying on the expert capacity and support of the GCF's own Independent Redress Mechanism as needed to supplement own limited expertise.

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Details on specific projects and programs are drawn from Approved Funding Proposals, Gender Action Plans, Gender Assessments and Annual Performance Reports which can be found at https://www.greenclimate.fund/projects.

# ANNEX. GCF private sector accredited entities

| APL No. | Name | Country | Entity Type | Size | E&S risk | Accredited | AMA | Approvals |
|---|---|---|---|---|---|---|---|---|
| 4 | ACUMEN FUNDS, INC. | USA | INTER-NATIONAL[11] | MEDIUM | B/I2 | MAR-15 | JUN-16 | 3 |
| 13 | AFRICA FINANCE CORPORATION | NIGERIA | INTER-NATIONAL | LARGE | A/I1 | JUL-15 | OCT-17 | 0 |
| 14 | DEUTSCHE BANK AG | GERMANY | INTER-NATIONAL | LARGE | A/I1 | JUL-15 | MAY-17 | 1 |
| 25 | CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK | FRANCE | INTER-NATIONAL | LARGE | A/I1 | MAR-16 | APR-21 | 0 |
| 26 | HSBC HOLDINGS PLC | UK | INTER-NATIONAL | LARGE | A/I1 | MAR-16 | NOT YET | 0 |
| 37 | XAC BANK LLC | MONGOLIA | NATIONAL | SMALL | B/I2 | NOV-16 | JAN-17 | 4 |
| 50 | CDG CAPITAL | MOROCCO | NATIONAL | MEDIUM | B/I2 | JUL-17 | DEC-18 | 0 |
| 54 | MITSUBISHI UFJ FINANCIAL GROUP (MUFJ, FORMERLY BANK OF TOKYO-MITSUBISHI UFJ, LTD. | JAPAN | INTER-NATIONAL | LARGE | A/I1 | AUG-17 | APR-18 | 2 |
| 63 | IDFC BANK LIMITED (IDFC BANK) | INDIA | NATIONAL | MEDIUM | B/I2 | OCT-18 | NOT YET | 0 |
| 66 | NORDIC ENVIRONMENT FINANCE CORPORATION (NEFCO) | NORWAY | INTER-NATIONAL | SMALL | B/I2 | OCT-18 | MAR-20 | 1 |
| 67 | PEGASUS CAPITAL ADVISORS | USA | INTER-NATIONAL | LARGE | B/I2 | OCT-18 | MAR-20 | 3 |
| 74 | BNP PARIBAS S.A. | FRANCE | INTER-NATIONAL | LARGE | A/I1 | OCT-18 | JUL-21 | 0 |
| 82 | JS BANK LIMITED | PAKISTAN | NATIONAL | MEDIUM | B/I2 | MAR-19 | JUN-20 | 1 |
| 83 | ATTIJARIWAFA BANK | MOROCCO | REGIONAL | LARGE | B/I2 | MAR-19 | OCT-20 | 0 |

[11] Acumen was a regional AE, which was upgraded to international as part of its March 2022 re-accreditation. This process also upgraded its risk categorization (from C/I3 to B/I2) and the potential scale of its activities (from small to medium).

| APL No. | Name | Country | Entity Type | Size | E&S risk | Accredited | AMA | Approvals |
|---|---|---|---|---|---|---|---|---|
| 84 | MACQUARIE ALTERNATIVE ASSETS MANAGEMENT LIMITED | AUSTRALIA | INTER-NATIONAL | LARGE | A/I1 | MAR-19 | OCT-20 | 1 |
| 88 | ECOBANK GHANA LIMITED | GHANA | NATIONAL | MEDIUM | B/I2 | JUL-19 | AUG-20 | 0 |
| 91 | CRDB BANK | TANZANIA | NATIONAL | MEDIUM | A/I1 | NOV-19 | AUG-20 | 1 |
| 92 | FINANZAS Y NEGOCIOS SERVICIOS FINANCIERES LIMITADA | CHILE | NATIONAL | MEDIUM | B/I2 | NOV-19 | DEC-19 | 0 |
| 93 | IL & FS ENVIRON-MENTAL INFRAS-TRUCTURE AND SERVICES LIMITED | INDIA | NATIONAL | SMALL | B/I2 | NOV-19 | NOT YET | 0 |
| 94 | YES BANK LIMITED | INDIA | NATIONAL | MEDIUM | B/I2 | NOV-19 | NOT YET | 0 |
| 98 | TRADE AND DEVELOPMENT BANK OF MONGOLIA (TDB MONGOLIA) | MONGOLIA | NATIONAL | MEDIUM | B/I2 | MAR-20 | OCT-20 | 0 |
| 99 | LA BANQUE AGRICOLE (LBA) | SENEGAL | NATIONAL | SMALL | B/I2 | SEP-20 | DEC-21 | 0 |
| 100 | SUMITOMO MITSUI BANKING CORPORATION | JAPAN | INTER-NATIONAL | LARGE | A/I1 | JUL-21 | NOT YET | 0 |
| 104 | KCB BANK KENYA LIMITED | KENYA | NATIONAL | MEDIUM | B/I2 | NOV-20 | NOT YET | 0 |
| 105 | CAMCO MANAGEMENT LIMITED | UK | INTER-NATIONAL | MEDIUM | B/I2 | NOV-20 | JAN-21 | 0 |
| 113 | JOINT STOCK COMPANY TBC BANK | GEORGIA | NATIONAL | MEDIUM | A/I1 | JUL-21 | NOT YET | 0 |