

## **CSO Comments on the Accreditation of the Private Sector (BM8, October 2014)**

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There are serious problems with this paper and decision, we recommend that it not be adopted.

- 1. Specialized treatment for private sector in accreditation.** It is unclear why the Board and the Secretariat should expend energy essentially carving out a special process for private sector accreditation. There is an accreditation process already under discussion that any private sector entity should have to comply with. Thus, the purpose of this decision is unclear and unfairly focuses on the private sector. Absent a similar discussion about national entities and their potential accreditation, this decision is unbalanced. Furthermore, the no objection procedure is still under discussion and should be resolved before the Board takes a decision on any kind of private sector fast-tracking.
- 2. The standards that have been analyzed - the IFC and Equator Principles - and taken note of in para (a) of the decision do not represent best practice.** For example, there are relevant standards in the Asian Development Bank and the Overseas Private Investment Corporation that are considered superior and should have been considered if this was indeed an exercise in examining best practice.
- 3. Weakening the application of safeguards.** Annex II sets out new language via the recommended by the PSAG that implementation, enforcement, monitoring and reporting on conformity with standards should be “commercially reasonable and commercially constructive”. These new and undefined concepts should not be introduced through Annex II into a decision of the board.
- 4. List of entities for potential accreditation or fast-tracking.** The list of entities in para (b) that could be considered for potential fast-tracking is problematic. It is also an open-ended list, thus there is a lack of clarity as to the entities that the Secretariat could consider.
  - a. **MDBs:** This seems misplaced if the paper is supposed to focus on private sector entities. It also highlights the concern that the GCF is focused on fast-tracking MDBs and private sector entities.
  - b. **FIs that have entered into a financial agreement with MDBs:** While FIs may be subject to some form of screening or accreditation through MDBs, it is difficult to generalize the comparability of those processes for risk levels and time scales. Allowing such institutions to be fast-tracked fails to recognize the fact that accreditation in the GCF involves different levels of complexity and that an FI could have entered into a financial arrangement with an MDB for one level of

risk, but might seek accreditation for activities with higher levels of risk. Private actors should not be fast-tracked in this way, but should undertake the full accreditation process of the Fund. It is difficult to see how the Secretariat could make a general determination on these, since the situation differs on a case-by-case basis. Furthermore, in many areas, MDBs have not been effective in meeting the needs of people in developing countries. Thus, it cannot be assumed that simply because an MDB entered into a financial arrangement with an FI that it is an appropriate entity for fast-tracking in the GCF.

- c. **Equator Principles Banks:** There is no reason to include EP banks in this paper or for the Fund to give any special treatment whatsoever to EP banks. The Equator Principles are voluntary and not comprehensive in their application to financial products that banks may offer. EP banks have major problems with transparency; do not provide any mechanism accessible to affected communities or the public to address cases of non-compliance with the Principles in a transparent, fair, or effective manner; and completely lack any meaningful commitment on combating climate change. The Secretariat paper itself notes some of this.