

CSO Comments on Structure of the Fund, Including the Structure of the Private Sector Facility (BM6, Feb 2014)

CSO bullet points

- The paper establishes a “Decision-making working Group” that enables the secretariat to make funding decisions (under the so-called delegated/streamlined procedure) as part of its responsibility to “operationalize the project and programme cycle processes.” This is an overreach of the Secretariat’s mandate as laid out in the Governing Instrument, and will not lead to better or more accountable decisions. The Governing Instrument explicitly states that the Board is responsible to “approve funding in line with the Fund’s principles, criteria, modalities, policies and programmes.”
- With the Secretariat responsible for the due diligence of a project/programme proposal (see approval suggested approval cycle in the approval paper), the Secretariat might face a conflict of interest in its dual role of both appraising the project/programme and deciding upon whether or not it should be financed (under a delegated decision-making procedure).
- The staffing functions proposed for the Private Sector Facility (paragraph 56) pre-suppose a focus on the financial sector and financial engineering, and are out of sync with the Governing Instrument’s insistence that the PSF should focus on SMEs, and SIDS/LDCs, as well as the agreement to start with grants/concessional loans. In particular, the rationale for the appointment of an expert on “structured finance” (separating investments into tranches for their repackaging as complex financial products, such as those that caused the 2008 financial crisis) is not needed or appropriate.
- Staffing for all five divisions of the Fund have been elaborated in earlier decisions and documents, yet this paper further elaborates only staffing for the PSF. This is yet another example of an overemphasis on the Private Sector Facility within the Secretariat’s vision of Fund structure, function and prioritization.
- In addition, this paper attempts an overreach of the agreed financial instruments. The Board has only agreed to grants and concessional loans, thus it is inappropriate to outline more complex financial instruments that the PSF may or may not engage in the future.
Para 53 - Strike *“Over time, the PSF can draw on a broad range of other financial instruments (inter alia, partial risk and partial credit guarantees, subordinated debt, equity and quasi-equity) and modalities to achieve its objectives, and may work directly with private sector adaptation and mitigation actors at the national, regional and international levels, subject to consideration by the Board of a phased approach.”*
- The organization chart illustrated in Annex I: Structure of the Fund, implies that the Private Sector Facility is overseen by the Secretariat. Oversight of the PSF is outside the remit of the Secretariat and should instead be overseen by the Board (the Governing Instrument outlines the role and function of the Board to “oversee the operation of all relevant components of the Fund”).
- In addition, the chart in Annex I does not show where the Mitigation Window or Adaptation Window are situated in the Structure of the Fund, nor the other divisions of the Secretariat as decided at the fifth Board meeting (e.g. the Country Programming Unit). It is unclear how the new committees will relate to the already decided units of the secretariat. This should be clearly elaborated.