

# Briefing note: a strategy for use of GCF Accredited Entities for Fiji

## Summary and recommendations

- GCF access is through Accredited Entities (AE) who develop and manage GCF projects. The country-led business model core to GCF promotes the use of National-AEs (N-AE) but there are also Regional (R-AEs) and International AE's (I-AEs).
- Fiji presently has submitted accreditation for a National-AE (Fiji Development Bank) and already has a Regional-AE (SPREP) and various International-AE's. Selection of the most appropriate AEs for the GCF Fiji project portfolio requires a strategy to optimize country benefits.
- There are various strategies but the most beneficial for Fiji may be the “progressive ownership” strategy. This approach utilizes the existing strengths of I-AE's but also actively and progressively develops the N-AE and associated country-led ownership to drive forward the GCF portfolio.
- The “progressive ownership” strategy would be appropriate based on the existing scale of pledges to GCF, in which Fiji could expect about \$59m in terms of disbursement. It is also a sound strategy if GCF reaches the stated aspiration of \$100bn annual disbursement by 2020, with an estimated \$583m being disbursed to Fiji (calculations based on an equal allocation per targeted country).
- Development of multiple N-AEs is assessed but concluded to not be an effective approach. It is likely to lead to a long preparedness period with more resources being spent, slower institutional strengthening and more complicated coordination with CCD and the NDA.
- Promotion of an N-AE could be supported with funding from the Project Preparation Facility (PPF) of GCF. PPF will provide up to 10% of requested GCF funding with a maximum of \$1.5 m for any single proposal; this may help the N-AE overcome any project proposal development resource shortfall.

## Table of Contents

1.1 Accredited Entities of the GCF .....	1
1.2 The GCF country-led approach .....	1
1.3 Accredited entity options for Fiji .....	2
1.4 Optimising use of AE's in Fiji .....	4
1.5 Developing multiple N-AEs .....	6

Note: Figures used are in US dollars.

## 1.1 Accredited Entities of the GCF

Access to the GCF is through entities which have demonstrated adequate project management and fiduciary standards to be accredited by the GCF; these entities are known as Accredited Entities (AEs). AEs submit project / programme proposals to the GCF for funding and then manage the project and budget if the proposal is funded. Full proposal submissions to the GCF by AEs need to be accompanied by a “no objection” letter from the National Designated Authority (NDA); in the case of Fiji this it is the Permanent Secretary of Ministry of Finance.

AEs can be drawn from a range of types of organisations such as development partners, development banks, national government bodies and non-governmental bodies. AE’s are geographically categorised as National (N-AE), Regional (R-AE) and International (I-AE). In addition to the geographical categorisation, AE’s are also categorised in terms of projects they can manage in terms of: size (micro (<\$10m), small (\$10 – 50m), medium (\$50 – 250m) and large (>\$250m)), risk (low, medium and high) fiduciary standard (basic / project management , grant award / funding allocation mechanisms, on-lending /blending ).

The GCF accreditation framework allows it to work with a potentially vast range of implementing partners. From the outset it will be able to work with developing country based institutions, as well as regional and international entities. A fast-track accreditation for those already GEF- and Adaptation Fund-accredited will also support rapid mobilisation.

Fiji presently has no national AE (similar to all other Pacific countries); however, it does have one R-AE (SPREP) and a number of I-AEs (ADB, EBRD, UNDP, UNEP etc). The purpose of this briefing is to identify and discuss some of the issues associated with AEs and how their use can be optimised for the benefits of Fiji.

## 1.2 The GCF country-led approach

A country-led approach is one dimension of the core business model in GCF. The country-led approach is supported through accreditation of N-AE and thus direct-access to GCF resources. Experiences of other multilateral funds (the Global Fund to Fight AIDS, Tuberculosis, and Malaria, for example) show that direct access can be an effective way of enhancing country ownership.

Under the GCF system, the Board may issue official accreditation to national entities (N-AE) to receive funding directly when they fulfil the standards set by the Board. By accessing the Fund through its own national implementing entity, a developing country may be able to receive the resources more swiftly.

In order to assure the quality of proposals submitted to the GCF, a N-AE must possess the capacity to identify and develop proposals, which are aligned with national development strategies. Once designated by the Board, the national entity should be able to manage the programs funded by the GCF. Without a properly functioning national entity, the direct access mechanism of the GCF is unlikely to succeed.

In addition to providing recipients with direct access to the funds, a N-AE will mean that a larger portion of project procedures take place in the national domain, compared to traditional bilateral or multilateral funds. Under the control of a N-AE, a wide range of stakeholders at the national level can participate in the project cycle, from proposal submission to project implementation.

In order to encourage more private participation in the climate sector, the GCF is planning to establish a private sector facility. Consistent with the country-driven approach, the objective of the facility outlined in the governing instrument is to promote the engagement of private sector actors in developing countries, including small and medium-sized enterprises and local financial intermediaries. N-AE would be better engaged with the private sector organisations and private sector participation may be more significant when GCF is operating through a N-AE.

### 1.3 Accredited entity options for Fiji

Fiji presently has no N-AE, one R-AE (SPREP) and a range of I-AEs. This may seem to be in contrast to the GCF rhetoric on a country-led model; however, the GCF is relatively new and in the process of mobilising. From the outset the GCF needs to set strict requirements and safeguards to ensure effective use of funds through AE's. For many regional and international bodies these GCF requirements are largely in place and thus accreditation can be rapid.

For many, national entities, such procedures may not be in place and thus efforts need to be made to strengthen the entities in light of the accreditation requirements. This is part of the support provided for "readiness" in which institutional strengthening and capacity building is supported to permit identified bodies to attain the standards set of N-AEs.

As part of the ongoing "readiness" project Fiji has submitted an application for an N-AE in 2015 (Fiji Development Bank; FDB); the application is presently under review by the GCF. Assuming that FDB becomes an N-AE, this opens up a key question of how to use the best combination of AE's to meet the country needs.

The following table contrasts various characteristics of different AE's (assuming that FDB becomes an N-AE):

**Table 1. Characteristics of the main types of Accredited Entities of the GCF: National (Fiji Development Bank), Regional (SPREP) and International Accredited Entities.**

<b>Characteristic</b>	<b>National AE (FDB)</b>	<b>Regional AE (SPREP)</b>	<b>International AE (various)</b>
<b>Country-led</b>	Strong country-led dimension.	Weaker country-led dimensions but could encapsulate value-added regionally (multi-country programmatic funds)	Weak country-led although some bodies have in-country offices and stakeholder engagement programmes.
<b>Project size</b>	Accreditation for micro (<\$10m) projects	Accreditation for small (<\$25m) projects	Accreditation for large (>\$250m)
<b>Project risk category</b>	Low risk	Low risk	Low to high risk
<b>Fiduciary functions</b>	Limited functions: - Basic- - Project management	Limited functions: - Basic- -Project management	All functions: - Basic- Project management - Grant award and/or funding allocation mechanisms - On-lending and/or blending (loans, equity and guarantees)
<b>Past experience of climate-related projects</b>	Low and not diverse (renewable electricity focus)	Medium but with an adaptation focus.	High and diverse
<b>Past experience of Adaptation Fund projects</b>	No	No	Some, especially UNDP.
<b>AE capacity in Fiji</b>	Yes – located in Suva	Project office in Fiji, main office in Samoa	Most have country / regional offices in Fiji.

The above comparative analysis makes it clear that there is considerable strength in the I-AE's which is not apparent in the N-AE and R-AE. Most I-AE's, in general, have built-up strengths over many of years of operation in development and have incrementally improved their fiduciary and project standards as required, so today they represent the business-as-usual elite of development finance. Thus, selection on the most appropriate AE would thus tend to focus on the I-AE and one would be selected which has a good depth of experience in the particular area of the proposed project.

The R-AE (SPREP) comes somewhere between the N-AE and I-AEs as it does not have the scale and depth of experience and range of fiduciary functions of the I-AEs but does have more project-related experience than the N-AE. SPREP's objective as an R-AE is to "*Maximize and support the effective delivery of climate finance for resilient and low carbon sustainable development for Pacific Islands County Members*" (see Appendix A for more detailed strategy). It could potentially add value to the portfolio of AE's as it could potentially be more closely aligned to the PIC's that it represents than some of the I-AEs.

However, SPREP has a new (2015) and minimal footprint (project office) in Fiji and to what extent it is more linked into the workings of Fiji in terms of climate response than active and long-term present development partners based in Fiji but representing I-AE's (e.g. UNDP, ADB), is unclear. The real value of an R-AE like SPREP may be in its ability to develop regional programmes (involving a number of PIC's) where value-added benefits of regionalism in climate response may be exploited; this facet however, is not articulated in its GCF strategy (Appendix A).

The N-AE is clearly the weakest category, especially in relation to I-AE's. This is the paradox of the country-led business model of GCF, where the weaker countries cannot achieve national accreditation, or if they can become accredited it is for only small amounts of funds (micro- or small sized projects) and with little financial or risk diversification. Relevant to Fiji's case, and maybe other PICs, is the compounding issue that many projects which the line-ministries or associated government entities are interested in are significantly above the \$10m limit of the accreditation of the national entity; thus requiring an I-AE. The limited level of accreditation of the N-AE, coupled to the need for larger scale projects than the N-AE can pursue, fractures the country-led modality.

## 1.4 Optimising use of AE's in Fiji

The above analysis has demonstrated the unfortunate juxtaposition between a country-led approach through N-AE's and suitable up-scaling of funds to address climate change through I-AE's. For Fiji, this could mean a number of approaches.

- **Business-as-usual:** abandonment of the N-AE and thus the direct-access modality of the GCF with the government focussing on large scale climate finance through the business-as-usual brokers of I-AE's.
- **Progressive ownership:** this approach uses a two-themed approach focussing firstly on I-AE's for up-scaling climate finance, and secondly, sequentially strengthening the N-AE and the direct-access modality through selection of key and appropriate projects to run through the N-AE. As the N-AE become strengthened and permitted by GCF to deliver larger and more diverse (multiple risk, multiple financial functions) projects it would gradually take

over the role of the I-AEs. Ultimately, this would make the I-AE's expendable in the Fiji context as all GCF financing would be run through the N-AE. The approach would progressively lead to increased country ownership.

- **Exclusively country-led:** in this approach the decision is made to only implement projects through the N-AE. The benefits of the exclusively country-led approach and gains in institutional strength in the N-AE would be outweighed by a long period when climate finance could not be adequately upscale due to limits on the N-AE.

Choosing the best strategy for Fiji is partly dependent on the expected scale of GCF resources. If GCF finance was likely to be one-off exercise, like the Adaptation Fund (assuming a single \$10m project submission to meet the country cap of \$10m), then focus on national accreditation would not necessarily be a logical strategy and the business-as-usual approach may be followed. If the scale of GCF finance was likely to be in the order of a few times larger than the maximum project size of the N-AE, then a small number of projects at the N-AE would absorb all available funds and maximise strengthening of the N-AE so exclusively country-led approach may be optimal. If GCF funds are going to be significant and well-beyond the capacity of the N-AE to manage based on its accreditation characteristics, then use of the I-AE's would be important and a "fill-the-gap" approach most beneficial.

It is not clear the scale of GCF funds or the expected allocation through submitted projects from Fiji. Based on the stated aim for \$100bn disbursement per annum by 2020, then on the basis of equal allocation across qualifying countries, the following per annum figures can be estimated:

- **Adaptation \$258m:** this estimate assumes Fiji is one of 97 countries in the SIDS, African States and LDCs, which receive half of the 50% dedicated to these countries as stated by GCF ; this means that Fiji would receive \$258m per annum.
- **Mitigation \$325m:** this estimate assumes Fiji is one of 154 (Non-Annex 1) developing countries for which half of the total fund has been dedicated to; this means that Fiji would receive \$325m per annum.

The scale of these amounts, which combined represent \$583m per annum, is very much above the project scale for a N-AE and thus involvement of I-AE's would be imperative to effectively absorb funds. However, within these funding envelopes, to develop a number of projects to help strengthen the N-AE would not detract significantly from the overall funding scale but would commence the process of country-led strengthening.

However, to date (June 2016) GCF pledges total amount to \$10.3bn (total amount announced, of which \$0.4bn is not signed). The GCF was founded in 2010 with an initial focus on setting up appropriate processes and protocols, however, if we assume that existing pledges represent one year of which 98% is dispersed to projects (the remainder paying for GCF Secretariat and Board) then using the above calculations and assumptions then Fiji could expect \$26m for adaptation and \$33m for mitigation. This is probably towards the lower end of the scale for viability of a "progressive ownership" strategy of large projects supported by I-AE's and country-led projects used to strengthen the N-AE.

In conclusion, based on the calculations and assuming GCF disbursements are relatively equal on a per-country basis, then a two-themed strategy of progressive country ownership would be an

effective model to pursue even if GCF disbursements are only 10% of the 2020 target of \$100bn per annum.

## 1.5 Developing multiple N-AEs

The present Readiness project in Fiji is supporting development of one N-AE, which the government has determined is the FDB. There have been discussions in the potential designation of more N-AE's and discussions as to whether this is an effective strategy to follow.

<b>Single N-AE</b>	
<b>Strengths</b>	<b>Weaknesses</b>
Minimal time and resources spent on a single accreditation submission	Limited AE capacity: project size (<\$10m), risk (low) and fiduciary functions (basic project management)
Selected N-AE is non-sector specific.	Potential lack of significant project preparation funds to develop project proposals.
More rapid institutional strengthening as builds up capacity in single location.	Need for improved support / recruitment of technical expertise in climate change.
Coordination with CCD and NDA more simple and effective with a single N-AE	
Probably clearer position on governmental climate change priorities and less possibility of "policy creep".	
Potential for project proposals to be more successful once institutional learning curve has been passed through.	
<b>Multiple N-AEs</b>	
<b>Strengths</b>	<b>Weaknesses</b>
More expertise across a wider array of sectors to draw upon.	Time and resources spent on a multiple accreditation submissions which may become increasingly difficult for bodies with limited track records.
More N-AEs to draw on for proposal preparation.	Most likely replication of AE capacity: project size (<\$10m), risk (low) and fiduciary functions (basic project management)
	Increased complexity in coordination with CCD and NDA.
	Lower success rate of proposals due to limited experience.
	Increased chance of "policy creep" and project being developed not fully aligned to priorities.



In terms of N-AE's probably the most effective model is a single N-AE on the assumption that it develops adequate capacity and maintains close coordination with CCD and the NDA. The single N-AE model is likely to reduce inefficiency in the various stages of the GCF process, for example multiple N-AEs would require multiple accreditations and increase risks in relation to weak project formulation in relation to government priorities and poor quality project submissions.

Limited project proposal development up-front funds may be a weakness for a single N-AE. However, the GCF set up a Project Preparation Facility<sup>1</sup> (PPF) in 2015. The PPF will benefit N-AEs and would be targeting small-scale activities proposal development activities; this provides maximum benefits for proposals up to \$15m and thus is appropriate for micro-sized designations such as FDB. Effective exploitation of the PPF could potentially be a significant step in advancing the N-AE (see Box 1 for more details).

#### **Box 1: Details on the Project Preparation Facility (PPF) of the GCF**

- The Accredited Entities (AEs) can submit an application providing due justification of need for project preparation funding with a concept note of underlying project. The concept note must include a clear paragraph indicating how the project fits in with the country's national priorities and its full ownership of the concept.
- There are many phases in project preparation, from early stages of project identification, concept development and establishing the enabling environment, to mid and late stage processes including project due diligence and project structuring. The PPF is likely to support the following areas:
  - **Category 1: Technical project development – Feasibility Assessment:** Due diligence, including detailed financial, legal, engineering, environmental, social appraisals and gender assessment required to develop reports that validate and develop concepts further Completing project feasibility assessment.
  - **Category 2: Transaction advisory - Project structuring:** including multi-stakeholder engagement, detailed financial and legal structuring, and the preparation of financial models and legal documentation.
- PPF will provide up to 10% of requested GCF funding with a maximum of \$1.5 m for any single proposal.

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<sup>1</sup>[https://www.greenclimate.fund/documents/20182/104167/Guide\\_for\\_project\\_preparation\\_facility.pdf/f8b62701-a9ca-4b1e-9e23-e67f1b88abd4](https://www.greenclimate.fund/documents/20182/104167/Guide_for_project_preparation_facility.pdf/f8b62701-a9ca-4b1e-9e23-e67f1b88abd4)

## Appendix A. GCF Regional Accredited Entity Strategy of Secretariat of the Pacific regional Environmental Programme (SPREP).

### SPREP Regional Implementing Entity Strategy

At the request of its Members, SPREP received accreditation as a Regional Implementing Entity (RIE) to the Adaptation Fund (AF) and the Green Climate Fund (GCF). Such accreditation provides SPREP's PIC Members with direct access to climate finance to address climate adaptation and mitigation priorities. Details of SPREP's accreditation are provided in Annex I.

SPREP's objective as a RIE for the GCF and AF is to:

*Maximize and support the effective delivery of climate finance for resilient and low carbon sustainable development for Pacific Islands County Members.*

SPREP's success against this objective will be measured<sup>2</sup>by:

1. *The increase in tangible climate resilience of our Member countries as a result of projects delivered by SPREP--RIE, including mitigation projects, as evinced by project evaluations<sup>3</sup>.*
2. *The increase in countries' readiness capacity, supported by SPREP that can be explained in tangible terms<sup>4</sup>.*
3. *The total value of projects delivered by SPREP--RIE for the AF and GCF.*

To achieve the above, SPREP will seek and identify strategic opportunities with Members. Priority projects will be closely aligned with SPREP's core mandate:

- Projects with a focus on building climate resilience by protecting and conserving the ecosystems and their services, biodiversity and natural resources through an ecosystem based approach;
- Projects that build resilience by enhancing technical capacity, policy development, access to information, awareness and management practices.
- As a regional organisation SPREP is also uniquely placed to identify and promote regional, multi-country, programmatic projects.

Further, SPREP will actively support and respond to Member, and partner requests for assistance in developing adaptation and mitigation projects for high priorities including, for example:

- water management,
- sustainable agriculture and food security,
- coastal protection and management,
- renewable energy and energy efficiency.

SPREP--RIE, will also provide advice and support country capacity or 'readiness' to benefit from climate finance<sup>5</sup>. This includes providing:

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<sup>2</sup>The indicators below align with SPRPE Strategic Plan Goals (CC1.1; CC1.2(.2); 2,2; 3.1)

<sup>3</sup>Each RIE project will have project specific verifiable indicators of enhanced resilience in line with Fund results frameworks

<sup>4</sup>Each Readiness project will have specific indicators of enhanced readiness

<sup>5</sup>This is in addition to support SPREP provides Members in prioritisation and strategic planning processes, including development of NAPA, JNAPs and other support for climate finance, such as participation in UNFCCC processes.

- general advice, access to resources and expertise, and where appropriate provide technical assistance to achieve National Implementing Entity accreditation;
- assistance in readiness proposal development processes;
- general advice, information and knowledge to support country awareness and engagement;
- representation and liaison on behalf of the region in relevant forums (including fund board meetings)

SPREP's priorities for climate financing (Figure 1) will adopt the following guiding principles and approaches:

**Country owned and managed:**

SPREP will be guided by PIC and regional priorities, including those expressed in relevant national, sector, community and regional strategies policies and plans.

**Capacity oriented:**

SPREP will encourage all climate finance engagement to contain a specific capacity development element. This requirement ensures that after any engagement with SPREP--RIE, countries will have strengthened capacity to engage with climate finance and will be a step closer to direct access.

**Partnership and collaboration**

SPREP will seek support and collaboration with other CROP agencies, other implementing entities and partners to leverage expertise, capacity and resources to maximise effective project delivery.

**Knowledge and learning**

SPREP will build on key lessons and priorities from previous projects and programmes and focus on disseminating information on outcomes, proven approaches and lessons learned, including through the Pacific Climate Change Portal.

SPREP--RIE will be led and coordinated by the SPREP Programme Coordination Unit (PCU). The PCU will ensure that SPREP--RIE obligations are met by<sup>6</sup>:

- Coordinating and supporting strategic project (and readiness) development in close consultation with SPREP technical divisions, PIC Members, and other partners.
- Supporting project concept and proposal development in consultation with project proponents; supporting best practice project design processes and advice on specific AF and GCF proposal criteria. The PCU, for example, can provide advice on environmental and social

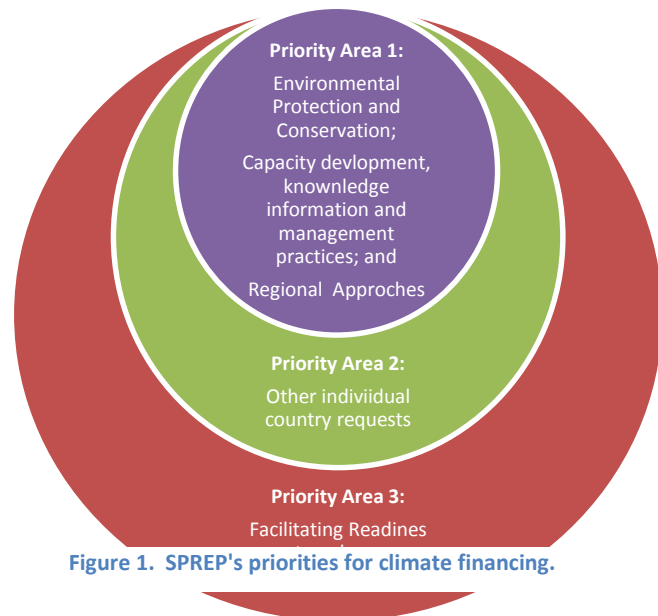


Figure 1. SPREP's priorities for climate financing.

<sup>6</sup>These Services, delivered and/or coordinated by the SPREP PCU form the basis of SPREP's Project Administration Fee, which will be charged to funded project budget line.

safeguard management, gender mainstreaming, governance and implementation arrangements, monitoring and evaluation and more. The PCU can facilitate access to supporting resources such as the Regional Technical Support Mechanism (RTSM) and SPREP’s project preparation specialist.

- Project appraisal, submission and approval. Through the SPREP Project Review and Monitoring Group (PRMG), the PCU will ensure completeness and quality control, and lead project submission and approval through the fund Boards.
- Project start-up, oversight, monitoring, evaluation and reporting. The PCU and PRMG will monitor project implementation and coordinate activities, financial and other reporting to the funds. The PCU will also coordinate (design, procure etc.) required evaluation processes.
- In close collaboration with SPREP’s Climate Change Division provide general country support, awareness and advocacy to support and promote Pacific Island Country interests, needs and engagement with climate finance through the GCF and AF.

Engagement with SPREP--RIE on project development will follow a four step process. This will broadly apply to concept, full proposal and readiness proposal processes.

For more information on SPREP’s role as RIE for the AF and GCF please email the SPREP Climate Finance Adviser:

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