

On Enhanced Direct Access through National Funding Entities

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The following submission is designed to make the case for and to explain how *enhanced direct access* is a concept that promotes and addresses the spirit of:

- a) Paragraph 47 of the GCF Governing Instrument (GI) which stipulates: *The Board will consider additional modalities that further enhance direct access, including through funding entities with a view to enhance country ownership projects and programs.*²
- b) *The essence* of Board decision B.04/04 at its June 2013 meeting, and particularly the points regarding the following:
 - i) the core principle of country **ownership** of the business model and that countries will identify their priority result areas in line with their national strategies and plans
 - ii) the strategic focus on climate mitigation and adaptation, and the **need to maximize sustainable development**.

This Submission is complementary to the '*Enhanced (Direct) Access Through '(National) Funding Entities' Etymology and Examples*' by Benito Müller dated April.³ The mentioned Information Note focused on three key elements of the Governing Instrument, namely:

- a) the invitation to the Board to consider "...additional modalities to further enhance direct access,
- b) "...including through funding entities",
- c) "...with a view to enhancing country ownership of projects and programs"

Following are some of the main elements of the mentioned Information Note that are directly relevant to the case for enhanced direct access through national funding entities:

Enhanced Access and National Funding Entities: The note made an explanation of the difference between '*direct access*' as practiced in the Adaptation Fund and '*enhanced direct access*'. In enhanced direct access, funding decisions and management of funds would necessarily take place at the national level. The proponents of this modality would envisage "country allocation or clearing house mechanism operating at the international level to guide the level of internationally sourced funding to different countries". Similarly, "some degree of oversight would be maintained as it is envisaged, under this model, that the fund manager (national funding entity) would be required to report on the Fund's activities and ensure sound practice among accredited

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² Emphasis added

³ <http://www.oxfordclimatepolicy.org/publications/documents/EnhancedDirectAccess-04-2013.pdf>

entities.”. The main feature of enhanced direct access is that all the three functions: oversight and management, implementation and execution (as variously defined) are delegated by the GCF to the national level. Under the direct access model adopted by the Adaptation Fund, the ultimate selection of what is to be funded remains outside the recipient country. Under the ‘enhanced direct access’ model, the three functions: oversight and management, implementation and execution would be undertaken by national funding entities which in turn would facilitate the devolution of decisions to the national level⁴.

These *national funding entities* are entities established by governments with the intention of “being accredited by the GCF Board as meeting its criteria for accessing funding in order to approve and fund eligible activities”.⁵ The term ‘national’ is added here to differentiate it from other funding entities which may include international and/or multilateral organizations.

As mentioned in the Information Note, national funding entities are being established in a number of countries in Asia, Africa, and Latin America (see Note for indicative list). These are institutions that are being created for the exclusive purpose of promoting actions to address climate change, capture and manage funding from international and national sources, and to help ensure that such actions are mainstreamed into existing development strategies⁶.

The case for enhanced direct access through national funding entities:

Following are the seven key arguments in favour of this modality under the GCF:

- The success of global finance and global cooperation on climate change is directly linked to strong local governance
- Strong local governance is enhanced by encouraging and building national institutions that are given key decision-making responsibilities for funding under the GCF
- National funding entities are best placed to identify local needs and priorities and match them with the best available financing instruments.
- National funding entities are the ones best placed to ensure that funding and investments in general are mainstreamed into national development priorities
- National funding entities are best placed to, not only capture funds from international sources, but also to mobilize and leverage local funds, and
- National funding entities is a powerful incentive for building capacities at national level, and finally
- The imperative of a strong local governance requires significant investment in capacity building.

⁴ Benito Müller and Luis Gomez-Echeverri, ‘The Reformed Financial Mechanism of the UNFCCC Part I: Architecture and Governance’. Oxford Institute of Energy Studies, Background Paper, EV45, April 2009, www.oxforedcclimatepolicy.org/publications/document/EV45.pdf.

⁵ Adapted from terms introduced by Carol Mwape, the LDC member of the Transitional Committee but which referred to both national as well as multilateral organizations.

⁶ Luis Gomez-Echeverri, National Funding Entities : ’Their role in the transition to a new paradigm of global cooperation on climate change’, ecbi Policy Brief, October 2010.