



# **Direct Access to Climate Finance**

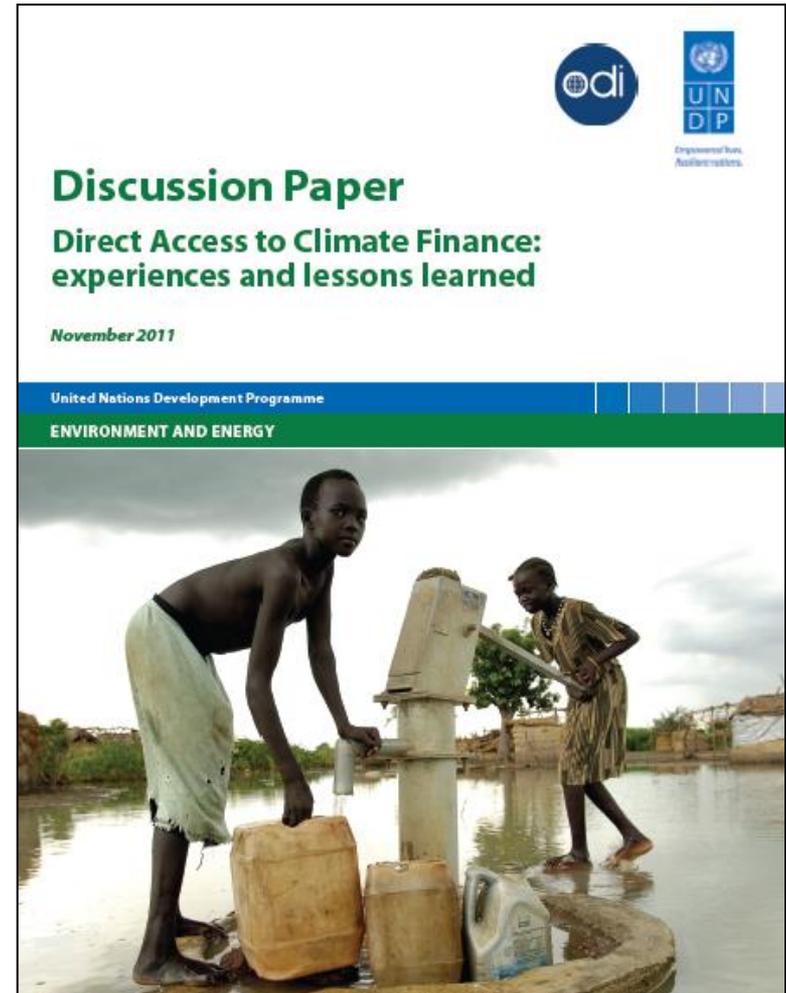
Challenges and Opportunities

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- With Direct Access, the function normally played by multilateral, international and bilateral entities in accessing international public finance is taken on by a national entity.
- Direct Access reflects a wider transfer of scaled-up financial resources for developing countries, while also transferring capacities and building national systems to access, manage and be accountable for those resources.





# The institutional architecture of Direct Access

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## The Fund Manager:

- Decides who receives funding
- Instructs the trustee to transfer funds
- Is accountable to fund contributors on expenditures

## The Implementing Body:

- Identifies programmes and projects
- Supervision and evaluation of programmes and projects
- Is accountable to the Fund Manager on use of funds

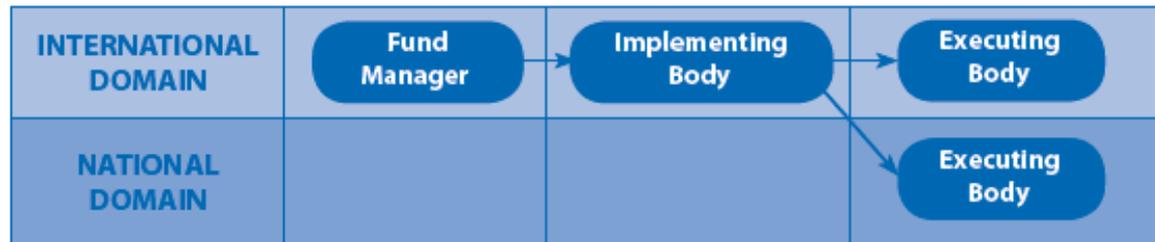
## Executing Bodies:

- Undertake project activities
  - Procure and contract for goods and services
  - Are accountable to the Implementing Body for use of funds
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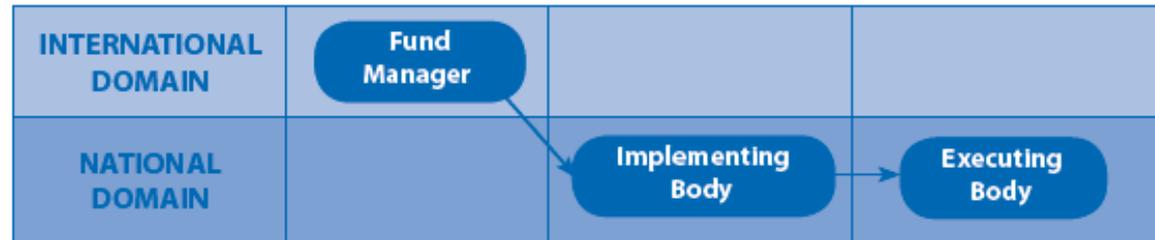


# The institutional architecture of Direct Access

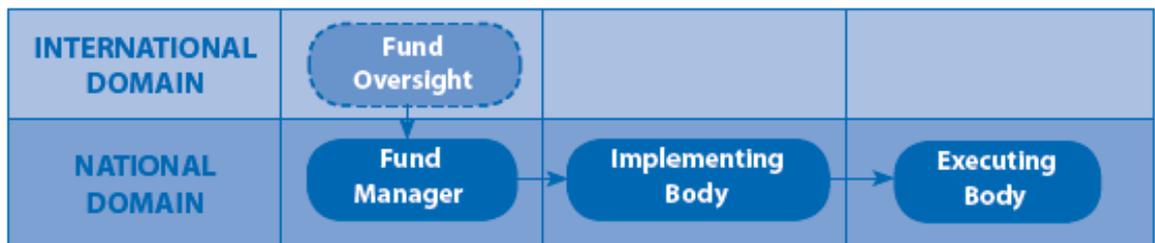
1. Multilateral Access –  
‘business as usual’



2. Direct Access –  
the innovation of the AF  
(and other Global Funds)



3. Enhanced Access –  
the way forward in  
the future?





# The institutional architecture of Direct Access

Fund	Fund Manager	Implementing Body	Executing Body
Adaptation Fund	Board (with Secretariat)	(Multilateral Implementing Entity)	
		<b>National Implementing Entity</b>	National ministries and other contractors
GAVI Alliance	Board (with Secretariat)		
		Ministry of Health	National ministries and contractors
Global Fund	Board (with Secretariat)		
		Country Coordinating Mechanism	Principal Recipient (and sub-recipients)



# Lessons from implementing Direct Access

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## Lesson 1: Choice of implementing institution

- Determines the link to overall government priorities
- However, choice of national institution is not simple given the cross-sectoral nature of climate change

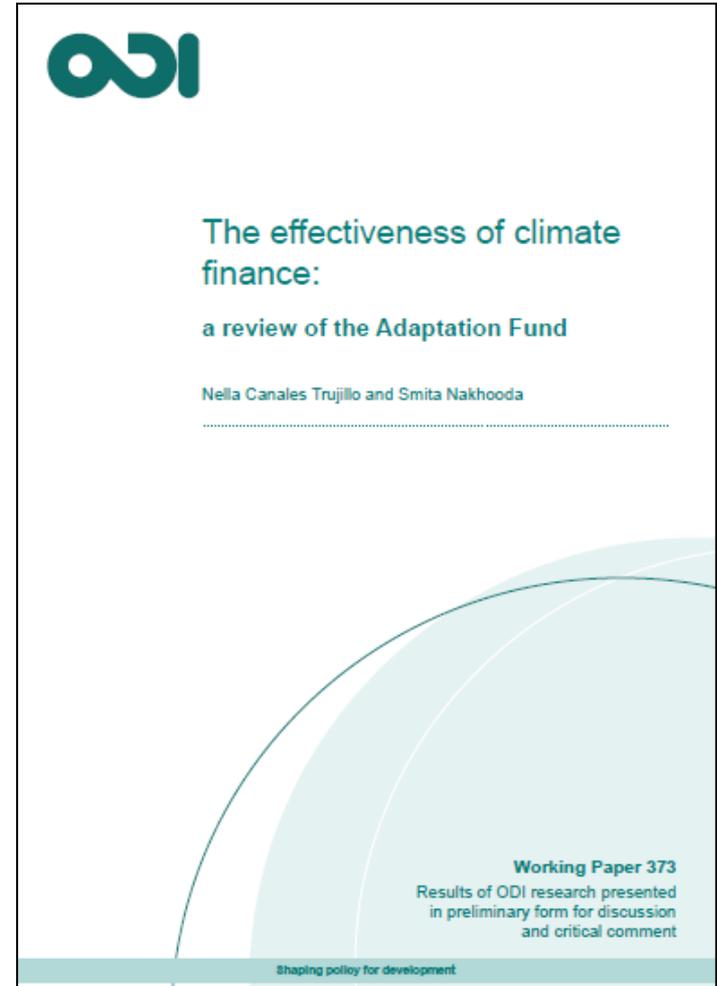
## Lesson 2: Pathway to high Fiduciary Standards

- Imposing strict FSs alone ≠ better financial management, can instead just restrict access
- Pathway approach (assess equivalency of FSs and provide capacity building support) increases financial management capacity and access

## Lesson 3: Importance of a Recourse mechanism

- Essential for Fund to be able to act if something goes wrong
  - Global Fund and trustee identified and took recourse action
  - Provides ultimate safety valve at Fund level
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- Adaptation Fund Board and Secretariat have invested in clarifying the accreditation process, and making it easier for participants to navigate
- Substantial increase in the number of accredited entities after a number of early applications were not approved. Accredited NIEs now include government ministries in Rwanda and Jordan
- In parallel, the Adaptation Fund has also invested in guidance on stakeholder engagement in program development and implementation, to support implementing entities to propose projects that respond to diverse stakeholder needs





## The Adaptation Fund experience

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- In some cases NIEs have been able to identify and work with diverse executing entities (e.g. community based NGOs with women's networks identified as executing entities by Senegalese CSE)
  - The choice of institution matters: NIEs need to be able to play a leadership role within the country context to bring the diversity of stakeholders with roles in climate change adaptation on board. Remains to be seen how the use of NIEs will strengthen national ownership in practice.
  - Early reports suggest that the implementation of policy and capacity related programs has been challenging for both NIEs and MIEs
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## Challenges facing Direct Access

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### 1. recognising country differences – the ‘financial-capacity’ continuum

- The Cancun Agreements of COP 16 acknowledged that a variety of access modalities would apply in the way that financial resources of the Green Climate Fund would be made available to Party countries.
- Delivery of finance should not be expected to depend on a single arrangement and can be expected to vary according to as yet unspecified country conditions.



### 2. Developing an explicit transition strategy

- The challenge is to move beyond the ‘multilateral/direct access divide’ to one where the management of climate change-related actions are increasingly in the hands of national organisations.
- The function of multilateral organisations clearly needs to change during such a transition, away from direct project management to one that emphasises supporting capacity development and the provision of specialist support services.



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### 3. Scaling-up and programmatic support

- Direct access has developed by supporting national grant applications to implement project activities.
- There is a need to investigate what support for national programmes might look like. This not only reflects a desire to integrate with national decision making, but also recognises the constraints that a project-by-project approach imposes on working at scale.
- This is an area where mutual learning with development finance should be possible, as the latter has followed a similar trajectory in recent years.



### 4. Enhanced access – the ‘end game’?

- Under enhanced access one residual function would remain at the international level, namely determining country allocations from the international fund.
  - Given a country spending ceiling, a national Board would then have autonomy to make all the strategic decisions regarding the allocation of funding.
  - Such an arrangement offers the chance of being truly transformative in the delivery of international funding in support of country programmes.
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## Some questions for the Green Climate Fund

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1. What are the optimal institutional arrangements required for Direct Access to operate successfully at scale?
  2. What is the potential for moving between different access modalities, particularly between multilateral and Direct Access?
  3. Should NIEs accredited to access the Adaptation Fund be fast tracked to access the Green Climate Fund? What are the pros and cons of such an approach?
  4. What are the main lessons learned so far in demonstrating sound fiduciary management and environmental & social safeguards, given that the GCF requires NIEs to demonstrate environmental and social due diligence?
  5. What role can and should readiness support play in supporting capacity building for direct access to the Green Climate Fund?
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